Link to an accessible report

2024

Q1 CONDENSED FINANCIAL STATEMENTS

ISRAEL DISCOUNT BANK

128 hostages

226 days in Gaza

praying and waiting for their return

Board of Directors and Management Report

Internal Control over Financial Reporting

Condensed Financial Statements

Corporate Governance, Audit and Additional details on the business of the banking corporation and management thereof

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Board of Directors and Management Report

Board of Directors and Management Report - List of tables

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

Chapter "A" - General overview, goals and strategy

At the meeting of the Board of Directors held on May 19, 2024, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for March 31, 2024 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information on financial position and operating results

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

	First Quarter		Year
	2024	2023	2023
	In %		
Main performance indicators:			
Return on equity[1]	14.6	20.1	15.7
Return on assets[1]	1.08	1.34	1.08
Ratio of net credit to the public to deposits from the public	88.6	86.1	86.9
Ratio of common equity tier 1 to risk assets	10.90	10.22	10.71
Ratio of total capital to risk assets	13.66	12.91	13.48
Leverage ratio	6.9	6.2	6.7
Liquidity coverage ratio[2]	141.9	137.3	130.7
Net Stable Funding Ratio	121.9	124.8	122.3
Efficiency ratio	52.8	46.1	49.6
Main credit quality indicators[1]:			
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.57	1.33	1.60
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	0.91	0.63	0.95
Ratio of net accounting write-offs for credit to the public to the average balance of credit to the public	0.23	0.14	0.17
Ratio of credit loss expenses to the average balance of credit to the public	0.12	0.33	0.59
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**1,050**	**1,269**	**4,192**
Net interest income	2,537	2,740	10,936
Credit loss expense	82	204	1,502
Non-financing income	1,220	1,517	5,138
Of which: Fees and commissions	860	887	3,495
Non-financing expenses	1,984	1,962	7,966
Of which: salaries and related expenses	986	945	3,850
Comprehensive income, attributed to the Bank's shareholders	**1,138**	**1,423**	**4,652**
Total earnings per share attributed to Bank's shareholders (in NIS)	0.85	1.03	3.39

For footnotes see next page.

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

	First Quarter		Year
	2024	2023	2023
	In NIS millions		
Principal balance sheet data for the end of the reporting period:			
Total assets	**390,097**	**387,472**	**395,724**
Of which:			
Cash and deposits with banks	46,538	60,040	51,115
Securities	56,061	51,215	59,268
Net credit to the public	261,803	249,483	258,727
Total liabilities	**359,870**	**360,722**	**366,486**
Of which:			
Deposits from the public	295,468	289,712	297,597
Deposits from banks	11,697	17,517	11,328
Bonds and Subordinated debt notes	17,844	15,097	15,491
Shareholders' equity	29,431	26,096	28,474
Total equity	**30,227**	**26,750**	**29,238**
Additional data:			
Share price	1,946	1,755	1,835
Dividend per share (in Agorot)	14.86	15.18	84.65
Ratio of fees and commissions to total assets[1]	0.88	0.93	0.90

Footnotes:

(1) In annual terms.

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

For details on the decision of the Bank's Board of Directors dated May 19, 2024, to distribute a dividend in the amount of approx. 25.46 Agorot per share, see below "Dividend distribution" and Note 18 to the condensed financial statements.

Data excluding ICC

	First Quarter 2024		Year 2023	
	Actual	Excluding ICC[1]	Actual	Excluding ICC[1]
	In NIS millions			
Net Profit Attributed to the Bank's Shareholders	1,050	1,004	4,192	3,966
	in %			
Return on equity	14.6	[2]14.6	15.7	[2]15.4
Efficiency ratio	52.8	48.1	49.6	45.9
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.57	1.49	1.60	1.50
Ratio of credit loss expenses to the average balance of credit to the public	0.12	0.07	0.59	0.50

Footnotes:

(1) The data for ICC has been totally eliminated, with no calculation in respect of the alternative use of the risk assets that would become available as a result of the separation as well as the yield produced by them and with no calculation of the gains produced by the realization of the holdings in ICC and the yield produced by the investment thereof in an alternative activity.

(2) In congruence of that stated above, the capital has been standardized so as to maintain the actually existing capital adequacy level, and accordingly, the return on equity has been standardized.

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

Market share

Based on data relating to the banking industry as of December 31, 2023, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows

	December 31, 2023	December 31, 2022
	In %	
Total assets	15.9	15.9
Net credit to the public	16.9	16.8
Deposits from the public	15.1	15.4
Net interest income	18.2	17.6
Total non-interest income	25.6	22.7

Development of the Discount share

	Closing price at end of the trading day			Change in Q1 of 2024 in %
	May 15, 2024	March 31, 2024	December 31, 2023	
Discount share	1,890	1,946	1,835	6.0
The TA 5 Banks index	3,665.92	3,816.49	3,623.58	5.3
The TA 35 index	2,015.35	2,010.41	1,865.31	7.8
Discount market value (in NIS billions)	23.38	24.07	22.70	6.0

Goals and business strategy

The strategic plan, which was formed in the course of 2020, directs towards the realization of an ambitious vision of being **the best financial institution for its customers, which creates maximum value to its shareholders over time**. The strategic plan is made up of three central pillars – winning in traditional banking, groundbreaking innovation, leveraging the power of the Group.
For details regarding the Strategic Plan, see the 2023 Annual Report (pp. 18-23). As appears from the data presented there (pp. 21-22), the goals of the strategic plan have been achieved in full already in 2023.

Points of emphasis for 2024

It had been decided to strengthen in 2024 the banking excellence footing with a view of improving the operating model and enable continuing efficiency in expenses. Within this framework, two projects have been added to the strategic map:

- Organizational effectiveness project focusing on transformation in the operating model with the aim of making manpower, performance quality and SLA more efficient, and also on greater efficiency regarding purchase agreements of the Bank aimed at saving in expenses.
- Agile project, the purpose of which is a change in the development model by means of transition to an agile method of work in areas of strategic importance to the Bank, and the integration of agile work principles across the organization.

Preparation for a new strategic plan

In view of the significant progress made in the implementation of the multi-annual strategic plan for the years 2021-2025, and on the background of the changes in market conditions, including the beginning of the lowering of interest rates and the reduction in rates of inflation trends, the Bank has started processes of strategic refreshing and structuring a new multi-annual financial plan. This plan will reflect on the one hand the challenges deriving from market conditions and the need to promote efficiency measures, and on the other hand the opportunities for the continuation of growth and for leading innovation, while updating the operating model. In the first stage, the Bank had conducted a move, not yet completed, for the examination of all its strategic projects, for the focusing and reduction thereof, looking at their impact and effectiveness potential.
In examining the plans, as stated, the need arose to relate to the challenges presented by the "Iron Swords" War and its material impact on the state of the economy in general and on the banking sector in particular, including, inter alia, the economic burden of the War and the financing thereof, impact on the employment and product fields, impact on the condition of borrowers and their loan repayment ability, Government initiatives to increase the tax burden on banks, etc. This examination is, inter alia, performed with a view of forming initiatives that would help the Bank in improving its performance over time and support its customers during this uneasy period. Performance of the moves is complex and challenging in view of the uncertainty regarding the length and intensity of the War and respectively, the severity of its economic implications.
The Bank intends to complete the said moves until the end of the third quarter of 2024, so that the work plan for 2025 would be based already on the new strategic plan.

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

Material trends, occurrences, developments and changes

Management's handling of current material issues

The Bank's financial base and its capital infrastructure remain stable and are being stringently managed and even strengthened during the last quarter. The ratio of common equity Tier 1 increased to a rate of 10.9% and the liquidity coverage ratio amounts to 141.9%. This is the infrastructure that allows the Group to confront the challenges presented by the condition of the economy, support customers of the Bank and continue growing.
The central challenges and issues in the first quarter of 2024 were:

The "Iron Swords" War

General. The "Iron Swords" War broke out on October 7, 2023, following a surprise attack by the Hamas terror organization and its collaborators on the communities surrounding the Gaza Strip. Following the attack, the State of Israel entered into a national emergency situation and a state of war has been declared. Some 360 thousand reserve service personnel have been called for active service, the largest mobilization of the reserve force in the annals of the State.
In the days following the outbreak of the War, the terror organization Hezbollah and its collaborators initiated different events of aggression on the Northern border, both on the Lebanese and the Syrian borders. Following these events, tens of areas in the South and the North have been evacuated, over 100 thousand evacuated residents.

Concurrently, another front has been opened in the south by the Yemen Houthi Organization, operating in two parallel channels: one, missile and unmanned aerial vehicles (UAV) attacks directed towards Israeli territory, principally towards Eilat; and the other, operations in the maritime space – disruption of the global maritime activity in the Bab-el-Mandab Straits.

The ground entry of the IDF forces into the Gaza Strip started on October 28, 2023, being part of a wide scope ground maneuver. The ground maneuver of the IDF forces in Gaza continues, though with significantly reduced numbers compared to the peak of the maneuver, and at the same time exchange of fire and incidents continue on the northern border.

During the months of the quarter, the incidents of rocket and missile fire from the Gaza Strip were significantly reduced, and this, concurrently with the continuation of firing and missile incidents on the northern border.

On April 14, 2024, Iran launched against Israel unmanned aerial vehicles (UAV's), ground-to-ground missiles and cruise missiles. The great majority of the UAV's and the missiles were intercepted outside the borders of the State of Israel.

In the first months of the fighting, a material decline was evident in business activity in the economy, including a decline in scope of revenues of many business sectors, among which are, commercial, leisure, entertainment and catering industries. With the continuation of the fighting and the reorganization of the "order of battle" of the army in the military maneuver in the Gaza Strip, the activity in the economy began to recover in a sort of "return to routine under shadow of the War".

Preparations made by the Bank. The Bank's Board of Directors and Management, hold frequent discussions regarding the War situation and its implications upon different aspects of the Bank, including business continuity of the Bank's activity, preparedness of the Bank for different scenarios, as well as readiness for the "day after". Since the breakout of the War, the Bank's Management focuses significant administrative attention on the War and its implications. Cross-organization work teams, headed by the Bank's President & CEO, managed the different layers of the Bank's operations under the crisis, while closely following developments and adopting measures for the reduction of the different risks and the maintenance of business continuity. The business divisions increased monitoring and control operations over the condition of the credit portfolio and of the financial assets portfolio of the Bank.

Concurrently, immediately following the outbreak of the War, the Bank has made preparations for the support of customers, suppliers, the community and employees (see hereunder).

Operations and business continuity. For details, see the 2023 Annual Report (p. 24).

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

The structured risk attributed to the credit field has increased. The Bank expressed this increase mostly in the collective allowance model in the second half of 2023. The Group closely follows developments and exposure, including close monitoring of the development of exposures, inter alia, through the use of scenarios at different severity levels.

For details regarding Moody's decision to lower the credit rating of the State of Israel, and for details of the decision of Fitch to leave the rating of the State of Israel at the level of "A+" under "a negative rating watch", see "Rating the Liabilities of the Bank and some of its Subsidiaries". On April 19, 2024, S&P announced the lowering of the credit rating of the State of Israel from "AA-" to "A+". This decision will have an effect upon the capital ratio computations as at June 30, 2024 and thereafter. For details regarding the direct effect expected on the Bank's capital adequacy, see "Capital and Capital Adequacy" below.

Credit risks. For details see "Credit Risks" in "Chapter C" - Risks review". For details on debts, the terms of which have been changed subsequently to the date of the Report, see "Support of customers during the Iron Swords War period".

Interest and foreign currency risks. For details see "Market Risks" and "Inflation and exchange rate risk" in "Chapter C" - Risks review".

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

Expenses for credit losses in the amount of NIS 82 million were recognized in the first quarter of 2024, as compared to expenses of NIS 390 million in the fourth quarter of 2023, and compared to expenses of approx. NIS 596 million in the third quarter of 2023. The reduction reflects the decline in intensity of the fighting in the first quarter and the reorganization of the fighting forces, which led to the beginning of a recovery in the condition of the economy, in comparison to the second half of 2023, and the improvement in the GDP and unemployment forecast. However, a high level of uncertainty still exists in the security and the economic fields.
See below "Credit loss expenses" in the section "Developments in income and expenses ". Within the framework of this section, see, inter alia, details regarding "work assumptions employed in determining the collective allowance" and details regarding "sensitivity analyses".
Capital adequacy, liquidity and leverage. The financial basis and the capital infrastructure of the Bank continue stability and are being strictly managed. The capital adequacy indices, liquidity ratio and the leverage ratio as of March 31, 2024, are adequate and exceed the minimum level required by directives of the Supervisor of Banks, exceeding also the internal goals set by the Bank's Board of Directors.
Forward looking information. The Bank's estimates regarding the possible implications of the "Iron Swords" War, comprise forward looking information, based upon the information existing in the hands of the Bank at date of preparation of this report. Such estimates may not materialize or may materialize in a different manner than that estimated by the Bank.
Customer support. In view of the security situation, immediately after the outbreak of the War, to Bank took action in order to assist customers in this difficult time. The Bank has approved a series of relief measures in the credit and financial solutions applying to all its customers in the household segment and small business segment, and specifically to customers who are residents of the conflict zone in the South, in the North and to different security forces.
Additionally, the Bank has formed a support and relief package for customers both within the framework of the outline published by the Bank of Israel, as well as within the framework of additional relief measures determined by the Bank in addition to the said outline and especially the extension of the outline period to 6 months, instead of 3 months in the Bank of Israel's original outline (on December 17, 2023 , also the Bank of Israel extended the period of the outline to six months and thereafter, extended the outline once more). Inter alia, exceptionally, waiver was approved for six months of housing loan repayments (principal and interest) applying to the Bank's customers who are residents of the communities surrounding the Gaza Strip (0-7 km), increasing credit facilities for households and small businesses, designated loans, deferral of loan repayments, reduced fees and more. For additional details, see "Support of customers during the Iron Swords War period".
Support for suppliers. Proximate to the outbreak of the War, the Bank has decided to advance payment dates to suppliers in respect of supplied products and rendered services, in order to support providers of services to the Bank.
Support for the community. Soon after the outbreak of the War the Bank and its employees came to the assistance of the community in general and to residents of the South in particular. A designated team was formed, composed of employees of the Human Resources and Strategy Divisions, to handle requests for assistance together with the different factors, as well as to direct contributions and volunteers to the different activities. Alongside the specific and immediate assistance provided to the different factors, the Bank has transferred significant contributions to the resilience centers in the communities surrounding the Gaza Strip, for search and rescue forces, for hospitals, for their communities, for IDF units that the Bank has adopted, and for others. In addition, the Bank has funded hotel rooms in central Israel for families that had been evacuated from the South.
Alongside the financial assistance provided by the Bank, employees of the Bank volunteered for different and various voluntary activities. For additional details, see "Support of the community during the Iron Swords War period".
Support for the community – 'Keren Or' Foundation. The central support project is the establishment of the 'Keren Or' Foundation – designated to assist children and youth of the conflict zone harmed during the War. The Foundation, established by Discount Bank and MDB, will amount to an initial sum of NIS 50 million, and will operate to provide a wide scope and long-range holistic response to the needs of children and youth, recuperating their young bodies and souls, with a view of recovering their personal and communal sense of security. For additional details, see "Support of the community during the Iron Swords War period".
Support for employees. A human resources center and a supporting welfare team of the Bank, which includes social workers, has been put at the disposal of Bank employees and their families. Managers at the Bank have extensive judgment in employing, during these War days, a comprehensive and enveloping policy, particularly as regards aspects of physical presence at the premises of the Bank. Including in the above, allowing work from home to all employees in the conflict zones, employees having small children and more. Moreover, Managers had been given authority to

consider full payment of salary to those employees who, due to circumstances, were unable to work even from their home. The Bank has also assisted families of employees residing in the communities surrounding the Gaza Strip by funding hotel rooms for them in central Israel. Managers and employees were offered specialized workshops to deal with crisis situations. A supporting kit was prepared and human resources managers at the business units assisted in solving problems as they arose. The Bank has submitted claims in respect of entitled employees and on behalf of evacuee employees, exercising to the utmost their rights respecting the National Insurance Institute and the Tax Authority.

The total cost of supporting Discount's customers and supporting community commitments is estimated at approx. NIS 296 million (for details regarding the effect of the support upon the financial statements, the assumptions used in the estimate and of forward-looking information aspects, "Support of customers during the Iron Swords War period").

The separation of ICC from Discount Bank

For details regarding the Minister of Finance decision, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, to instruct the separation of ICC from Discount Bank and additional details regarding this matter, see the 2023 Annual Report (pp. 26-28).

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

The Bill to Section 10 of the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, passed on April 3, 2024, its first reading by the Plenum of the Knesset. In addition to the version published as part of the Memorandum, the Bill proposes, inter alia, to extend the time schedules for the sale by nine months and to state that beyond the prohibition applying to a medium sized bank to have a controlling interest in a clearing agent with Wide-Ranging Activity, as defined in the Law, shall also not be permitted to engage in a "wide-ranging clearing activity"; on the other hand, prohibition on controlling interest applies only to a clearing agent with Wide-Ranging Activity, namely (as of date of publication of this Report) "ICC", "IsraCard" and "MAX". The Bill was passed on to the Economic Committee of the Knesset for preparation for its second and third readings.

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

It is noted that at this stage it is not possible to assess the duration of the "Iron Swords" War and its force and its economic implications upon the economy, and accordingly it is not possible to assess its impact on the sale process, if at all.

For additional details, see the Immediate Reports dated December 22, 2022, January 3, January 19 and January 31, 2023 (Ref. Nos. 2022-01-154045, 2023-01-001587, 2023-01-009330 and 2023-01-012882, respectively), the details contained therein are presented hereby by way of reference.

For details regarding the said Law, see "Legislation and Supervision" in Chapter "Corporate Governance, Audit and Additional details on the business of the banking corporation and management thereof". For details regarding the contribution of ICC to the profits of the Discount Group see below "Main Investee Companies. For details regarding the data for the "ICC" segment, within the framework of Managerial Operating Segments, see Note 13 to the condensed financial statements below. For details regarding "Data excluding ICC", see above. For details regarding "Allowances deriving from the separation of ICC", see the 2023 Annual Report (pp. 319-321).

The rise in the CPI and in the interest rate and their effect on the operations of the Bank and its customers

In 2023, the CPI rose by 3%, being moderated in the first quarter of 2024 to an annualized rate of 2.7%. At the same time, inflation in the Eurozone recorded moderation, while in the US inflation was stabilized at a high level, and so did the core inflation. On the background of the War, the Bank of Israel reduced the interest rate at the beginning of 2024 by 0.25% to 4.5%, leaving it at this level all along the quarter. In contrast, the interest rate in the US remained unchanged at a level of 5.25%-5.5%, while in the Eurozone it stood at a level of 4%.

As detailed in the section "Market risks", the Bank is exposed to market risks, including interest risk. As detailed in this part, the rising interest has a positive effect on the Bank's income. The upward trend in interest income which took place last year was halted with the beginning of the cut in interest rates at the beginning of 2024.

With respect to the increased in inflation, the Bank is exposed to changes in the CPI in a way that there is an excess of assets over liabilities that are CPI-linked in an amount of approx. NIS 19 billion at the end of the first quarter of 2024. The rise in the CPI contributed approx. NIS 57 million to the Bank's income in the first quarter of 2024 compared to approx. NIS 162 million in the corresponding quarter last year.

The rise in the CPI and in the interest rate may result in an increased burden of loan repayments of burrowers, for households in particular, and in their impaired repayment ability. The Bank's Management gave expression to these effects in the estimate of the collective allowances, according to the existing models, however, their effect may also be reflected in future periods and also require making allowances for specific borrowers.

The principal measures adopted by the Bank in order to face the effects of the main changes in interest and in the CPI are:

- Monitoring interest exposure;
- Entering into interest and CPI hedge transactions;
- Strict underwriting mechanisms for the granting of credit and the monitoring of the credit portfolio quality;
- Cash flow examination of real estate entrepreneurs.

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

- Allowing customers having certain characteristics, the option to reduce the amount of the monthly mortgage repayments to the level existing in September 2022, prior to the last six raisings of the interest rate; the amount deferred would be repayable as from the end of 24 months, spread over 36 installments, with no interest charge;
- Offering the option of a full/partial pause in mortgage repayments together with extension/no extension of the mortgage repayment period;
- Extension of the "prime" mortgage track;
- Internal recycling of the mortgage;
- In addition, the Bank offers its customers deposits bearing interest.

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

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

Issuances

Issue of debt instruments. On January 18, 2024, the Bank, by means of Manpikim, completed the issue of financial instruments intended to respond to the liquidity requirements, bonds (Series "P") were issued in a total amount of approx. NIS 1.56 billion, and at an effective margin of 0.85% against foreign countries bonds and commercial securities (Series 3) in a total amount of approx. NIS 1.1 billion and at a margin of 0.16% over the Bank of Israel interest rate.

Additional issues

- **IDB Bank.** For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details";
- **Hearing procedure in the matter of declaration of a "concentration group" in the banking field.** For details regarding the announcement of the Competition Authority of its intention to declare the five banking groups operating in Israel as a "concentration group" under the Competition Law, see "Economic Competition" in the section "Legislation and Supervision" below;
- **PayBox Ltd.** For additional details, see the 2023 Annual Report (pp. 29-30);
- **Increase in competition and reduction in concentration Law.** The preparation for changes in the financial system is continuing, both at the Bank and at ICC, following the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Law including an examination of the separation of ICC from the Bank.;
- **Greenlend.** For additional details, see the 2023 Annual Report (p. 30).

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first quarter of 2024.

Growth. The global economy continues to grow, however, growth in the US is faster than in the Eurozone. Concurrently, the unemployment rates remain at low levels and wages continue to increase, although the rate of increase moderates. The growth in the U.S. for the first quarter of 2024 stood at 1.6%, lower than anticipated, while the Eurozone recorded growth of 1.2%, faster than expected. Globally, inflation is continuing to slow down, however, in the US the rate of moderation is slower than expected. In Israel, in the first quarter of the year, the economy grew at an annualized rate of 14%, following a sharp regression in the last quarter of 2023, with a leap in private consumption and in investments, a moderate decrease in public consumption, regression in exports and an increase in imports. Private consumption, which contracted significantly with the outbreak of the War (-27%), expanded at an annualized rate of 26%, being only approx. 2% lower as compared with the third quarter of 2023, prior to the War. At the same time, an impressive growth was reported in the investments field, with a sharp increase in investment in residential construction, even though its scope is still lower by 35% as compared to its level prior to the War.

At the same time, the labor market continued to demonstrate strength, with the broad unemployment rate (unemployed and absentees for economic reasons) amounting to 4.1% in March 2024, compared to 6.1% in December 2023. At the same time, the growth in the rate and scope of available positions continues to grow in most sectors and especially in the construction sector, in view of shortage of workers in this sector, due to the security situation, and with a certain decrease in the hi-tech sector.

Exchange rates. During the first quarter, the dollar basket ("the dollar Index") strengthened at a rate of 3%, against the background of the continued expansion of the American economy. At the same time, the shekel weakened against the dollar by approx. 1.4%, a moderate rate relative to the strengthening of the dollar in the world, and despite the geopolitical tensions.

Inflation. Inflation data in the US surprised upwards, with the rate of inflation in March rising to 3.5%, and the core inflation remained stable at a level of 3.8%. In the Eurozone, inflation amounted in March to 2.4% and the core inflation amounted to 2.9%.

Unlike the global trend, inflation in Israel decreased during the quarter from 3% to 2.7%, and the core inflation decreased to 2.1%. However, inflation expectations for the next year increased during the quarter from 2.35% to approx. 2.65% at the end of the quarter, largely due to expected VAT increase at the beginning of 2025.

Monetary policy. Central banks around the world left the interest rate unchanged during the first quarter of the year, with the FED leaving the interest at a level of 5.25%-5.5%, and the ECB at a level of 4%. Notwithstanding this, against the background of the War, the Bank of Israel lowered the interest at the beginning of the year to a level of 4.5%, which remained unchanged until the end of the quarter.

Financial markets. Most of the leading indices in the developed markets were traded at rising quotations, against the background of the continued recovery and the expectation of a "soft landing" in the American economy, as well as under the effect of expectations for the lowering of the interest. Similar to the global trend, share indices on the Tel

Aviv Stock Exchange rose during the quarter, despite the tensions in the region and concurrently with the recovery of the economy. At the same time, trading in Israel in government bonds was marked by a rise in yields, similar to the global trend. This, as a result of moderation of expectations regarding the pace of cutting down the interest rate. In total for the quarter, a 33 basis points rise was recorded in yields on 10-years, and the gap between the Israeli bonds and the US bonds remained unchanged at a level of 30 basis points.

The second quarter of 2024. The US economy continues to expand although moderation is noticed in the rate of activity and expectations for "soft landing" are growing. The labor market data for April were weaker than expected, with a significant slowdown in the addition of positions in relation to earlier months, an increase in the unemployment rate to 3.9%, and a slowdown in the rate of wage increases to 3.9%.

The FED kept the interest at a level of 5%-5.25%, signaling that the interest will remain high for a long time. The ECB maintained the interest unchanged at a level of 4%, and predicts that the interest would begin to decrease later in this year. In Israel, the Bank of Israel kept the interest at a level of 4.5%.

The CPI in Israel for the month of April rose steeply by 0.8%, and the annual inflation rate increased to 2.8%. The core inflation remained unchanged at a level of 2.1%.

The budgetary deficit continues to rise to a level of 7.0% of the GDP in April, compared to 6.2% in March (on a cumulative basis for the past twelve months). In the months from January to April 2024, real-term tax revenues decreased by 1.3% compared to the corresponding period last year. At the same time, expenditure recorded an increase of approx. 36%, approx. 13% after elimination of the War expenditure.

For details regarding "Credit rating of the State of Israel – in view of the "Iron Swords" War", see "Rating of Liabilities of the Bank and some of its Subsidiaries".

Yields on ten year US government bonds rose to a level of 4.36%, and yields on Israeli government bonds rose since the beginning of the quarter by 20 basis points to 4.66%, with the gap between then remaining at a level of 30 basis points. At the same time, there was an increase in the contract market in interest expectations for the end of the year, to a level of approx. 4.2%.

In the same period, moderate price increases were recorded in the share market, with the TA-125 Index rising by approx. 0.5%, while the S&P500 Index rising by approx. 1%.

Since the beginning of the second quarter, the strong volatility in the foreign exchange market continued, however at the end of the period the shekel maintained stability against the dollar and was devalued by 0.5% against the euro.

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

For further details, see "Main developments in Israel and around the world in the first three months of 2024" in "Corporate governance, audit, additional details on the business of the banking corporation and management thereof".

The most material leading and developing risks

The Bank considers macro environment risks, business model risks, cyber and data protection risks, fraud risks, model risks and environment and climate risk, as the most significant developing leading risks. For additional details see the 2023 Annual Report (pp. 33-34).

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three months period ended on March 31, 2024, the independent auditors drew attention to Note 10 section 4, regarding claims that cannot be estimated.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

Net profit attributed to the Bank's shareholders for the first three months of 2024 totaled NIS 1,050 million, compared with NIS 1,269 million in the corresponding period last year, a decrease of 17.3%.

Return on equity net attributed to the Bank's shareholders for the first three months of 2024 reached a rate of 14.6%, on an annual basis, compared with a rate of 20.1% for the corresponding period last year, and 15.7% for all of 2023.

The following are the main factors that had an effect on the business results of the Group in the first three months of 2024, compared with the corresponding period last year:

a. A decrease in net interest income in an amount of NIS 203 million (7.4%), which was affected mostly from the difference in the rise in the CPI.
b. A decrease in credit loss expenses of NIS 122 million (59.8%). See below "Credit loss expenses".
c. A decrease in the total non-interest income, of NIS 297 million (19.6%), which was affected, mostly, by a decline in gains on sale of buildings.
d. An increase of NIS 22 million in operating and other expenses (1.11%), affected, mainly, from an increase of NIS 41 million in salaries (4.3%) and from a rise of NIS 55 million in maintenance and depreciation of buildings and equipment (17.0%), which was partly offset by a decrease of NIS 74 million in other expenses (10.7%).
e. A decrease in the tax provision of NIS 119 million on earnings (15.6%) (for details regarding the increase in the tax charged to banks, see Note 19 A to the condensed financial statements: the statutory rate of tax was raised from 34.19% in 2023 to 38.03% in 2024, and caused an increase of NIS 53 million in the first quarter).

Additional details and explanations are presented below.

Developments in Income and Expenses

Developments in certain income statement items in the first quarter of 2024, compared with the fourth quarter of 2023 and compared with the first quarter of 2023

	2024	2023		Change Q1 2024 compared to	
	Q1	Q4	Q1	Q4 2023	Q1 2023
	In NIS millions			in %	
Interest income	5,164	5,263	4,693	(1.9)	10.0
Interest expenses	2,627	2,708	1,953	(3.0)	34.5
Net interest income	**2,537**	**2,555**	**2,740**	**(0.7)**	**(7.4)**
Credit loss expenses	82	390	204	(79.0)	(59.8)
Net interest income after credit loss expenses	**2,455**	**2,165**	**2,536**	**13.4**	**(3.2)**
Non-interest Income					
Non-interest financing income	358	295	329	21.4	8.8
Fees and commissions	860	821	887	4.8	(3.0)
Other income	2	118	301	(98.3)	(99.3)
Total non-interest income	**1,220**	**1,234**	**1,517**	**(1.1)**	**(19.6)**
Operating and other Expenses					
Salaries and related expenses	986	979	945	0.7	4.3
Maintenance and depreciation of buildings and equipment	379	363	324	4.4	17.0
Other expenses	619	680	693	(9.0)	(10.7)
Total operating and other expenses	**1,984**	**2,022**	**1,962**	**(1.9)**	**1.1**
Profit before taxes	1,691	1,377	2,091	22.8	(19.1)
Provision for taxes on profit	644	470	763	37.0	(15.6)
Profit after taxes	**1,047**	**907**	**1,328**	**15.4**	**(21.2)**
Bank's share in profits of Associates, net of tax effect	17	10	5	70.0	240.0
Net profit attributed to the non-controlling interests in consolidated companies	(14)	2	(64)	(800.0)	(78.1)
Net Profit attributed to Bank's shareholders	**1,050**	**919**	**1,269**	**14.3**	**(17.3)**
Return on shareholders' equity, in %[(1)]	14.6	13.2	20.1		
Efficiency ratio in %	52.8	53.4	46.1		
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**1,050**	**821**	**1,201**	**27.9**	**(12.6)**
Return on shareholders' equity, in %[(1)] - excluding certain components (see below)	14.6	11.8	19.0		
Efficiency ratio in % (see below)	52.8	55.2	48.1		

Footnote:
(1) On an annual basis.

Profitability - excluding certain components

	2024	2023		Q1 2024 compared to	
	Q1	Q4	Q1	Q4 2023	Q1 2023
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	1,050	919	1,269	14.3	(17.3)
Excluding[(1)]:					
Realization of assets	-	(97)	(142)		
Provisions stemming from the separation of ICC	-	[(2)](1)	74		
Net income attributed to the Bank's shareholders - excluding the above components	**1,050**	**821**	**1,201**	**27.9**	**(12.6)**

Footnotes:
(1) See below "Details regarding eliminated components".
(2) A change in the assessment of the value of the phantom option.

Details on Eliminated Components

Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel to the Discount Campus. For details, see Note 20 to the condensed financial statements.
Allowances deriving from the separation of ICC. For details, see the 2023 Annual Report (pp. 319-321).

Details on material changes in statement of profit and loss items

Net interest income. In the first three months of 2024, net interest income amounted to NIS 2,537 million compared with NIS 2,740 million in the corresponding period last year, a decrease of 7.4%. The decrease in the net interest income in the amount of NIS 203 million, is explained by a negative price impact of NIS 211 million, and a positive quantitative effect in the amount of NIS 8 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).
The interest margin, excluding derivatives, reached a rate of 1.85% in the first three months of 2024, compared with 2.26% in the corresponding period last year.
The average balance of interest bearing assets has increased by a rate of approx. 4.0%, from an amount of NIS 345,115 million to NIS 358,857 million, and the average balance of interest bearing liabilities increased by a rate of approx. 9.2%, from an amount of NIS 245,937 million to NIS 268,572 million.

Net interest income according to linkage segments

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

	For the three months ended March 31							
	2024				2023			
	Volume of activity[1] in %	Weight out of total net interest income, in %	Net interest income (expense) in NIS millions	Interest spread in %	Volume of activity[1] in %	Weight out of total net interest income, in %	Net interest income (expense) in NIS millions	Interest spread in %
Unlinked shekels	70.8	94.3	2,392	2.53	72.5	89.0	2,439	[2]2.99
CPI-linked shekels	9.4	8.4	212	1.40	8.1	11.2	306	1.65
Foreign Currency	19.8	(2.7)	(67)	1.01	19.4	(0.2)	(5)	0.84
Net interest income and the interest spread	**100.0**	**100.0**	**2,537**	**1.85**	**100.0**	**100.0**	**2,740**	**2.26**

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

The decrease in net interest income, stemmed mostly from the interest margin in the CPI linked segment as a result of the difference in the rise of the CPI between the two periods.
Non-interest financing income amounted in the first three months of 2024 to NIS 358 million, compared to NIS 329 million in the corresponding period last year, an increase of 8.8%.
The growth in non-interest financing income stemmed mainly from the increase in profit on the realization of available-for-sale bonds and from investment in shares and the increase in profit on sale of trading bonds, which was offset by the reduction in income from activity in derivatives and the decrease in exchange differences, options and other derivatives (see below "Analysis of the total net financing income").

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

Composition of the net financing income

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Interest income	5,164	5,263	5,422	5,334	4,693
Interest expenses	2,627	2,708	2,715	2,400	1,953
Net interest income(1)(2)(3)	2,537	2,555	2,707	2,934	2,740
Non-interest financing income	358	295	312	282	329
Total net financing income	**2,895**	**2,850**	**3,019**	**3,216**	**3,069**
Footnotes:					
(1) Of which, margin from credit activity to the public	1,485	1,505	1,567	(4)1,565	(4)1,409
(2) Of which, margin from deposits activity from the public	1,188	1,276	1,225	1,294	1,243
(3) Average prime interest rate	6.01%	6.25%	6.25%	6.08%	5.39%

(4) Reclassified - the theoretical interest on the equity attributed to each segment is presented as of the report for the third quarter 2023 in other margin instead of the margin from activities of providing credit to the public. The comparative data have been reclassified accordingly.

The margin on granting credit to the public operations and the margin on acceptance of deposits from the public comprise the gap between the interest stated on credit/deposits and the internal pricing by the Bank for the particular product. The internal pricing by the Bank is based on market interest data for the relevant periods. It is emphasized that in determining the internal pricing, as stated, the Bank exercises judgment and applies an internal model; therefore, in determining the pricing, as stated, a subjective measure is involved. Accordingly, care should be taken when comparing the margins of different banking corporations.

The rate of the margin on granting credit to the public operations to the average balance of credit to the public, was 2.3% in the first quarter of 2023, and remained unchanged in the first quarter of 2024.

The rate of the margin on accepting deposits from the public operations to the average balance of deposits from the public, decreased from 1.7% in the first quarter of 2023, to a rate of 1.6% in the first quarter of 2024.

The average prime rate of interest for the first quarter of 2024, increased by 0.6 percentage points as against the average prime rate of interest for the first quarter of 2023.

Most of the growth in margin on accepting deposits from the public operations stemmed from the household segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.6% in the first quarter of 2024), and from the small businesses segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.3% in the first quarter of 2024). See Note 12 to the condensed financial statements.

The margin on accepting deposits from the public operations is affected by the current account deposits that bear no interest. Upon eliminating the current account deposits, the rate of the margin on accepting deposits from the public operations would have reached approx. 1.1% in the first quarter of 2024 (as against 1.6%).

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

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

Analysis of the total net financing income

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Financing Income from current operations	2,682	2,749	2,771	2,908	2,715
Effect of CPI on net interest income	52	18	141	227	170
Effect of CPI on derivative instruments	5	-	(6)	(12)	(8)
Net Profits (losses) from realization and adjustment to fair value of bonds(1)	48	(99)	(55)	(95)	(10)
Profits (losses) from investments in shares(2)	68	29	73	30	19
Adjustment to fair value of derivative instruments	(32)	103	43	116	70
Exchange rate differences, options and other derivatives(1)	71	50	52	42	113
Net profit on the sale of loans	1	-	-	-	-
Total net financing income	**2,895**	**(3)2,850**	**3,019**	**3,216**	**3,069**
Footnotes:					
(1) Exchange rate differences of trading bonds are included in the exchange rate differences line	3	(1)	-	2	3
(2) Of which: income from realizations in Discount Capital in deduction of provision for impairment	46	(1)	14	14	32

(3) Reclassified – classification between linkage increments, fair value and interest on derivatives.

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

Net financing income, amounted to NIS 2,895 million in the first three months of 2024, compared to NIS 3,069 million in the corresponding period last year, a decrease of 5.7%. The decrease in financing income stemmed mostly from the difference in the rise of the CPI between the two periods, as well as the negative effect of adjustment to fair value of derivatives.

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

Interest margin, including derivatives not for trading reached a rate of 1.77% in the first three months of 2024, compared with 2.20% in the corresponding period last year.

Details of the net interest income by regulatory operating segments

	For the three months ended March 31,		
	2024	2023	
	In NIS millions		Change in %
Domestic operations:			
Households	1,244	1,157	7.5
Private banking	90	97	(7.2)
Small and minute businesses	649	672	(3.4)
Medium businesses	184	170	8.2
Large businesses	364	354	2.8
Institutional bodies	12	21	(42.9)
Financial management	(314)	(69)	355.1
Total Domestic operations	**2,229**	**2,402**	**(7.2)**
Total International operations	**308**	**338**	**(8.9)**
Total	**2,537**	**2,740**	**(7.4)**

For details regarding income from trading activities, see “Financial Management Segment (Domestic operations)” below.

Credit loss expenses. In the first three months of 2024 credit loss expenses in the amount of NIS 82 million were recorded, compared with expenses of NIS 204 million in the corresponding period last year.

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

- Expenses on a specific basis in the amount of NIS 59 million, compared to expenses in the amount of NIS 6 million in the first quarter of 2023. The expenses in the current quarter were affected mainly by the worsening of the classification of a specific borrower;
- Expenses on a collective basis (excluding housing loans) in the amount of NIS 19 million, compared to NIS 192 million, in the corresponding period last year. The expenses in the current quarter were, inter alia, affected by the recording of accounting write-offs, which were offset by changes in the macro components resulting from the improvement in the GDP and unemployment forecasts, compared to the second half of 2023;
- Expenses for housing loans in the amount of NIS 4 million, compared to expenses of NIS 6 million, in the first quarter of 2023.

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

Working assumptions used in determining the collective allowance. Within the framework of calculating the collective allowance for credit losses, as well as within the framework of processes carried out by the Bank for the purpose of capital allocation and stress testing, a systematic methodology is used that connects macro indices to the financial losses of the Bank. This is based on a formula that relies on a long-term statistical correlation between the Bank’s allowances and the macro indices. As part of these tests, the Bank has analyzed the impact on the loss of macroeconomic factors, the principal of which are unemployment and GDP. The assumptions used in calculating the collective allowance are unemployment at an average rate of 4.3% and GDP growth at a rate of 1.9% in the coming year.

Sensitivity tests. The above stated calculations were based on an average of scenarios (central, pessimistic and optimistic).

The data for the first quarter and the forecasts for the year ahead reflect the beginning of recovery in the condition of the economy, compared to the data and forecasts in the second half of 2023, and particularly in the third quarter of that year, and this, on the background of the decrease in the intensity of the fighting in the first quarter of 2024 and the reorganization of the fighting forces.

Notwithstanding the above, a high level of uncertainty still exists in the security field and respectively also in the economic field. In the light of this uncertainty, the Bank has decided to adopt at this stage a strict approach, giving a significant weight to a very pessimistic scenario.

In view of the above stated the calculation of the sensibility tests produced immaterial results with regards to the collective allowance balance.

It should be emphasized that, in practice, the allowance is affected by many different variables, both sectorial and macroeconomic, as well as by subjective assessments.

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

Development of the quarterly development in the credit loss expenses

	2024	2023				
	Q1	Total	Q4	Q3	Q2	Q1
	In NIS millions					
On a specific basis						
Change in allowance	3	146	44	44	94	[3](36)
Gross Accounting Write-offs	90	222	56	54	31	81
Collection	(34)	(113)	(23)	(36)	(15)	(39)
Total on a specific basis	**59**	**255**	**77**	**62**	**110**	**6**
On a collective basis						
Change in allowance	(70)	916	193	440	130	[3]153
Gross Accounting Write-offs	203	711	200	189	168	154
Collection	(110)	(380)	(80)	(95)	(96)	(109)
Total on a collective basis	**23**	**1,247**	**313**	**534**	**202**	**198**
Total	**82**	**1,502**	**390**	**596**	**312**	**204**
Rate of credit loss expenses to the average balance of credit to the public[1]:						
The rate in the quarter[2]	0.12%		0.59%	0.92%	0.49%	0.33%
Cumulative rate since the beginning of the year[2]	0.12%	0.59%	0.59%	0.58%	0.41%	0.33%

Footnotes:

(1) On an annual basis.

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

(3) Reclassified following improvement of data.

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

Fees and commissions in the first three months of 2024 amounted to NIS 860 million, compared to NIS 887 million in the corresponding period last year, a decrease of 3.0%. The decrease was mainly affected by handling credit fees and commissions, exchange differences and account management fees and commissions, partly offset by an increase in credit cards fees and commissions.

Distribution of the fees and commissions

	For the three months ended March 31,		Change
	2024	2023	
	in NIS millions		in %
Account Management fees and commissions	114	127	(10.2)
Credit cards	453	440	3.0
Operations in securities and in certain derivative instruments	93	85	9.4
Fees and commissions from the distribution of financial products	38	37	2.7
Handling credit	54	73	(26.0)
Conversion differences	35	49	(28.6)
Foreign trade services	14	14	-
Fees and commissions on financing activities	38	41	(7.3)
Other fees and commissions	21	21	-
Total fees and commissions	**860**	**887**	**(3.0)**

Salaries and related expenses amounted to NIS 986 million in the first three months of 2024, compared with NIS 945 million in the corresponding period last year, an increase of 4.3%. The increase was mostly affected by the rise in payroll in accordance with labor agreements and from the increase in number of employees. With the elimination of the effect of a provision for awards as detailed below, an increase of 4.8% would have been recorded.

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

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and Related Expenses - as reported	986	979	972	954	945
Awards	(118)	(114)	(115)	(138)	(117)
Salaries and Related Expenses - excluding awards	**868**	**865**	**857**	**816**	**828**

Maintenance and depreciation of buildings and equipment amounted to NIS 379 million in the first quarter of 2024, compared to NIS 324 million in the corresponding period last year, an increase of 17.0%. The rise was mainly affected by the move to the Discount Campus.

Other expenses amounted to NIS 619 million in the first quarter of 2024, compared to NIS 693 million in the corresponding period last year, a decrease of 10.7%. The decrease was affected, mainly, by a decrease in expenses from fees and commissions, and from a decrease in a provision for claims.

Developments in the Other Comprehensive Income (loss)

Changes in other comprehensive income (loss) after tax effect

	Other comprehensive income (loss), before attribution to non-controlling interests					Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive (loss) attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for-sale bonds at fair value	Adjustments from translation of financial statements[(1)]	Net profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
For the three months ended March 31, 2024 and 2023							
Balance at December 31, 2023	(1,100)	(79)	(9)	(373)	(1,561)	(9)	(1,552)
Net change during the period	(40)	72	2	54	88	-	88
Balance at March 31, 2024	**(1,140)**	**(7)**	**(7)**	**(319)**	**(1,473)**	**(9)**	**(1,464)**
Balance at December 31, 2022	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	[(2)]3	132	4	16	155	1	154
Balance at March 31, 2023	**(1,316)**	**(95)**	**(16)**	**(436)**	**(1,863)**	**(5)**	**(1,858)**

Footnote:

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

The comprehensive income amounted in the first three months of 2024 to NIS 1,138 million, as compared with NIS 1,423 million in the first three months of 2023. The difference between the comprehensive income for this quarter and the net profit, stemmed mostly from profits in the amount of NIS 72 million on translation adjustments and profits of NIS 54 million on adjustments relating to employee benefits.

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

Development of Assets and Liabilities

Total assets as at March 31, 2024, amounted to NIS 390,097 million, compared with NIS 395,724 million at the end of 2023, a decrease of 1.4%.

Developments in the principal balance sheet items

	March 31, 2024	December 31, 2023	Rate of change
	in NIS millions		in %
Assets			
Cash and deposits with banks	46,538	51,115	(9.0)
Securities	56,061	59,268	(5.4)
Net credit to the public	261,803	258,727	1.2
Liabilities			
Deposits from the public	295,468	297,597	(0.7)
Deposits from banks	11,697	11,328	3.3
Subordinated debt notes	17,844	15,491	15.2
Shareholders' equity	29,431	28,474	3.4
Total equity	30,227	29,238	3.4

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

Explanation of changes in certain balance sheet items

Cash and deposits with banks. Cash and deposits with banks decreased in the first quarter of 2024 by 9.0%, comprising a decrease of approx. NIS 4.6 billion. Most of the decrease stems from the decrease in deposits from the public and in securities lent or sold under agreements to repurchase.

Bonds and subordinated debt notes. The balance increased by approx. NIS 2.4 billion, mostly as a result of an issuance of bonds and commercial securities in the first quarter of the year. For additional details see "Issuances" above in the section "Management's handling of current material issues".

Securities lent or sold under agreements to repurchase. The balance decreased by approx. NIS 7.3 billion as a result of the reduction in activity following a change in the economic environment.

Credit to the public

General. Net credit to the public (after allowance for credit losses) as of March 31, 2024 totaled NIS 261,803 million, compared with NIS 258,727 million at the end of 2023, an increase of 1.2%.
For details on the credit portfolio, see the 2023 Annual Report (pp. 47-51). For details on credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2023 Annual Report (pp. 78-99). For details on the quality of credit, see Note 14 B, sections 1-2, to the condensed financial statements and Note 31 B, sections 1 and 2 in the 2023 Annual Report (pp. 273-276).

Composition of credit to the public by linkage segments

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

	March 31, 2024		December 31, 2023		
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	Rate of change in %
Non-linked shekels	190,981	72.9	189,185	73.1	0.9
CPI-linked shekels	29,772	11.4	29,084	11.2	2.4
Foreign currency and foreign currency-linked shekels	41,050	15.7	40,458	15.6	1.5
Total	**261,803**	**100.0**	**258,727**	**100.0**	**1.2**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 1.5% compared with December 31, 2023. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels decreased by US$3 million, compared to December 31, 2023. The total credit to the public, which includes credit in foreign currency and Israeli currency linked to foreign currency, computed in U.S. dollar terms, increased by a rate of 1.0% as compared to December 31, 2023.

Composition of credit to the public by regulatory operating segments

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

	March 31, 2024				December 31, 2023	
	Unlinked shekels	CPI-linked shekels	Foreign Currency	Total	Total	Change
	In NIS millions					in %
Domestic operations:						
Households*	82,940	19,964	78	103,182	101,552	1.6
Private banking*	378	85	-	463	454	2.0
Small and minute businesses	39,850	1,554	823	42,228	42,203	0.1
Medium businesses	17,300	1,588	817	19,705	20,053	(1.7)
Large businesses	53,410	6,591	8,844	68,844	67,479	2.0
Institutional bodies	460	-	678	1,138	1,354	(16.0)
Total Domestic operations	**194,538**	**29,782**	**11,240**	**235,560**	**233,095**	**1.1**
Total International operations*	**46**	**-**	**30,384**	**30,430**	**29,846**	**2.0**
Total credit to the public	**194,584**	**29,782**	**41,624**	**265,990**	**262,941**	**1.2**
Credit loss expenses	(3,403)	(210)	(574)	(4,187)	(4,214)	(0.6)
Total net credit to the public	**190,981**	**29,772**	**41,050**	**261,803**	**258,727**	**1.2**
*Of which - Mortgages	50,315	19,669	180	70,164	69,501	1.0

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

	December 31, 2023			
	Unlinked shekels	CPI-linked shekels	Foreign Currency	Total
	In NIS millions			
Domestic operations:				
Households*	81,586	19,879	86	101,552
Private banking*	357	71	26	454
Small and minute businesses	39,607	1,595	1,001	42,203
Medium businesses	17,601	1,511	942	20,053
Large businesses	53,149	6,250	8,080	67,479
Institutional bodies	272	-	1,082	1,354
Total Domestic operations	**192,572**	**29,306**	**11,217**	**233,095**
Total International operations*	**46**	**-**	**29,800**	**29,846**
Total credit to the public	**192,618**	**29,306**	**41,017**	**262,941**
Credit loss expenses	(3,433)	(222)	(559)	(4,214)
Total net credit to the public	**189,185**	**29,084**	**40,458**	**258,727**
*Of which - Mortgages	49,875	19,429	198	69,501

Credit to households excluding housing loans grew by NIS 967 million (3%). Credit to large businesses grew by NIS 1,365 million (2.0%) and housing credit grew by NIS 663 million (1.0%). On the other hand, credit to medium businesses decreased by NIS 348 million (1.7%).

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

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

	March 31, 2024		December 31, 2023		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	25,521	6.1	25,046	6.1	1.9
Construction and real estate - construction	51,346	12.6	(1)52,398	13.1	(2.0)
Construction and real estate - real estate activity	32,917	8.0	32,938	8.2	(0.1)
Commerce	41,462	10.1	40,454	10.0	2.5
Financial services	40,726	10.0	(1)39,772	9.9	2.4
Private individuals - housing loans	78,352	19.2	76,014	18.9	3.1
Private individuals - other	83,316	20.4	(1)81,915	20.3	1.7
Other sectors	55,443	13.6	54,170	13.5	2.4
Total overall credit to the public risk	**409,083**	**100.0**	**402,707**	**100.0**	**1.6**

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

The data presented above indicates that in the first quarter of 2024, the overall risk regarding credit to the public increased by 1.6% compared with the end of 2023. This growth applied mostly to the sectors of private individuals - housing loans, private individuals – other, other sectors and commerce. On the other hand, a decrease occurred in the construction and real estate - construction sector.

Development of problematic credit risk

Following are details on credit to the public, as specified in Note 14 to the condensed financial statements:

Problematic credit to the public. The balance-sheet problematic credit to the public (both accruing and non-accruing) amounted at March 31, 2024, to NIS 9,203 million, as compared to NIS 9,090 million at December 31, 2023, an increase of 1.2%.

Problematic credit to the public not accruing interest. The problematic credit to the public that does not accrue interest income amounted at March 31, 2024, to NIS 2,300 million, as compared to NIS 2,384 million at December 31, 2023, a decrease of 3.5%.

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

	March 31, 2024			December 31, 2023		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	25,521	1,112	4.4	25,046	1,076	4.3
Construction and real estate - construction	51,346	1,242	2.4	(1)52,398	1,353	2.6
Construction and real estate - real estate activity	32,917	1,991	6.0	32,938	2,181	6.6
Commerce	41,462	1,955	4.7	40,454	2,000	4.9
Financial services	40,726	228	0.6	(1)39,772	131	0.3
Private individuals - housing loans	78,352	365	0.5	76,014	362	0.5
Private individuals - other	83,316	795	1.0	(1)81,915	718	0.9
Hotels, Hotel Services and Food	4,293	380	8.9	4,100	338	8.2
Transportation and Storage	8,506	241	2.8	8,341	128	1.5
Other Sectors	42,644	1,522	3.6	41,729	1,427	3.4
Total Public	**409,083**	**9,831**	**2.4**	**402,707**	**9,714**	**2.4**
Banks	7,163	-	-	10,169	-	-
Governments	46,080	-	-	48,946	-	-
Total	**462,326**	**9,831**	**2.1**	**461,822**	**9,714**	**2.1**

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

In the first quarter of 2024, the ratio of problematic credit risk to the total credit risk remained unchanged.

The balances of the allowance for credit losses on credit to the public

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a collective basis, but not including allowance for off-balance sheet credit risk, totalled NIS 4,187 million as of March 31, 2024. The balance of this allowance constituted 1.6% of the credit to the public, compared with a balance of the allowance in the amount of NIS 4,214 million, constituting 1.6% of the credit to the public as of December 31, 2023.

The balance of allowances for credit losses for non-accruing credit amounted on March 31, 2024 to NIS 493 million, compared with a balance of allowances in an amount of NIS 505 million as of December 31, 2023.

The balance of allowances for credit losses for accruing credit amounted on March 31, 2024 to NIS 3,694 million (of which for accruing problematic debts – NIS 412 million), compared with a balance of allowances in an amount of NIS 3,709 million as of December 31, 2023 (of which for accruing problematic debts – NIS 492 million).

The risk characterization of the credit to the public portfolio

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

	For the three months ended March 31			
	2024		2023	
	Credit loss expense (expenses release)	Rate of expense	Credit loss expense (expenses release)	Rate of expense (expenses release)
sectors	In NIS millions	%	In NIS millions	%
Industry	41	1.2	13	0.4
Construction and real estate - construction	(19)	(0.3)	61	1.0
Construction and real estate - real estate activity	(49)	(0.7)	41	0.6
Commerce	50	0.6	16	0.2
Hotels, hotel services and food	1	0.1	1	0.1
Transportation and storage	21	1.4	(2)	(0.1)
Financial services	(20)	(0.4)	7	0.2
Other Business Services	1	0.1	(7)	(0.4)
Public and Community Services	(14)	(0.4)	(10)	(0.3)
Other Sectors	(10)	(0.4)	14	0.7
Total Commercial	**2**	**0.0**	**134**	**0.4**
Private Individuals - Housing Loans	4	0.0	6	0.0
Private Individuals - Other	79	0.9	60	0.7
Total credit loss expenses to the public.	**85**	**0.1**	**200**	**0.3**
Total Banks and Governments	(3)	(0.3)	4	0.4
Total credit loss expenses.	**82**	**0.1**	**204**	**0.3**

The data shown above indicates that the decrease in the credit loss expense in the first quarter of 2024 was focused on sectors of construction and real estate – real estate activity, construction and real estate – construction, financial services and other sectors. On the other hand, an increase was recorded in the commerce, industry, transportation and storage and private individuals – other sectors.

Securities

General. Securities in the Nosrto portfolio totaled NIS 56,061 million as of March 31, 2024, compared with NIS 59,268 million at the end of 2023, a decrease of 5.4%. Securities included in the "nostro" portfolio of the Discount Group, the investment in which as of March 31, 2024, amounted to 5% or over of the total amount of the portfolio: "government variable 1130" and the "government shekel 425" security types, which amounted to approx. 11.3% and approx. 6.3%, of the total portfolio, respectively.
As of March 31, 2024, approx. 75.1% of the portfolio is invested in Government bonds, and approx. 13.5% of the portfolio is invested in bonds backed by mortgages of different federal agencies (Freddie Mac, Fannie Mae, Ginnie Mae) with an "AAA" rating, (of which - approx. 0.3% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE)). For details on the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, sections 1-3. For details on the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – Appendix no. 3, section 2.
For details on the Nostro portfolios management policy, see 2023 Annual Report (p. 52).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	March 31, 2024	December 31, 2023	Rate of change in %
	In NIS millions		
Non-linked shekels	29,888	31,660	(5.6)
CPI-linked shekels	3,309	3,925	(15.7)
Foreign currency and foreign currency-linked shekels	20,891	21,680	(3.6)
Shares - non-monetary items	1,973	2,003	(1.5)
Total	**56,061**	**59,268**	**(5.4)**

Securities in foreign currency and in Israeli currency linked to foreign currency decreased by 3.6%, compared with December 31, 2023. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency decreased by US$302 million, a decrease of 5.1% as compared with December 31, 2023. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms, decreased by 5.9% as compared with December 31, 2023.

Composition of the securities portfolio according to portfolio classification

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

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

	March 31,2024			December 31 ,2023		
	Amortized Cost (in shares-cost)	Fair value	Book value	Amortized Cost (in shares-cost)	Fair value	Book value
	in NIS millions					
Bonds						
Held to maturity	12,024	10,671	12,024	13,179	11,948	13,179
Available for sale	36,178	34,843	34,843	37,693	36,450	36,450
Trading	7,227	7,221	7,221	7,625	7,636	7,636
Shares and funds						
Available for sale	1,731	1,874	1,874	1,777	1,899	1,899
Trading	82	99	99	82	104	104
Total Securities	**57,242**	**54,708**	**56,061**	**60,356**	**58,037**	**59,268**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of March 31, 2024, includes investments in corporate bonds in the amount of NIS 2,608 million (of which an amount of NIS 391 million is held by IDB Bank), compared with NIS 3,110 million as of December 31, 2023, a decrease of 16.1%. For details as to the balance of unrealized profit (losses) included in the balance of the said bonds, see Note 5 to the condensed financial statements.

Transfer of bonds to the held-to-maturity portfolio. On May 17, 2022, the Bank, IDB Bank and MDB transferred bonds from the available-for-sale portfolio to the held-to-maturity portfolio, in a total amount of approx. NIS 4.5 billion. As required by the reporting instructions, the unrealized loss on adjustment to fair value of the said bonds at the transfer date, would continue to be presented in other comprehensive income and would be amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield. The balance of unrealized losses on adjustment to fair value as of March 31, 2024, in respect of the said bonds, amounted to a pre-tax amount of NIS 318 million.

Data by economic sectors. For details of the data relating to available-for-sale bonds, bonds held to maturity and trading bonds according to economic sectors, see "Appendices to the quarterly report" – Appendix no. 2, sections 1-3.

Impairment of held to maturity bonds. For details regarding unrealized losses on held to maturity bonds that are in a loss position, by period of time and rate of impairment, see Note 5 C to the condensed financial statements.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of March 31, 2024 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 9,337 million, compared to an amount of NIS 9,297 million as at December 31, 2023, an increase of 0.4%. The amount includes investment in mortgage backed securities in the amount of NIS 8,431 million, which are held by IDB Bank, compared to an amount of NIS 8,412 million as at December 31, 2023, an increase at a rate of 0.2%. Approx. 81.3% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.

As of March 31, 2024, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 972 million, compared with NIS 879 million as of December 31, 2023.

For details on the agencies operating under the auspices of the U.S. Governance, see the 2023 Annual Report (pp. 53-54).

CLO. IDB New-York holds secured bonds of the CLO class in a total amount of approx. NIS 839 million. The said securities are rated AA-AAA. The Bank holds secured bonds of the CLO class in a total amount of NIS 905 million. The said securities are rated AA-AAA. For details, see Note 5 to the condensed financial statements.

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

In light of the increase trend in yields to maturity recorded in the bond market in the first quarter of 2024, unrealized losses were recorded, included in the portfolio of available-for-sale bonds, were recorded in the first quarter, which as of March 31, 2024 amounted to a total of NIS 1,434 million (before tax), representing approx. 4.1% of the portfolio balance (December 31, 2023 - losses in the amount of NIS 1,371 million, approx. 3.8% of the portfolio balance). As assessed by the Management, these losses are due to an increase in yields in the capital market in 2024, which is explained by the change in inflation expectations. It should also be noted that most of the losses in the portfolio are attributed to bonds issued by governments (mainly the Israeli government) and bonds backed by assets or mortgages. Based on the above, the Bank's Management estimates that these losses stem from changes in the market and not from credit losses. The classification of losses inherent in the portfolio of available-for-sale bonds is reviewed by the Bank on a quarterly basis. No provision for impairment in value was recognized in the statement of profit and loss for the first quarter of 2024.

For details on the review of impairment of available-for-sale bonds, see "Critical accounting policies and critical accounting estimates" in the 2023 Annual Report (pp. 123-124) and Note 1 D section 4 to the financial statements as of December 31, 2023 (pp. 153-157).

For details regarding unrealized losses on available-for-sale bonds that are in a loss position, by period of time and rate of impairment, see Note 5 to the condensed financial statements.

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

The balance of the adjustments presented as part of equity, for stating available-for-sale bonds at fair value, including for bonds on loan, amounted at March 31, 2024, to NIS 1,676 million unrealized losses before tax effect, compared to NIS 1,617 million unrealized losses before the tax effect, as of December 31, 2023.

Customer assets

Deposits from the public as of March 31, 2024, totalled NIS 295,468 million, compared with NIS 297,597 million at the end of 2023, a decrease of 0.7%.

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

	March 31, 2024		December 31, 2023		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Non-linked shekels	198,009	67.0	197,718	66.4	0.1
CPI-linked shekels	5,274	1.8	5,935	2.0	(11.1)
Foreign currency and foreign currency-linked shekels	92,185	31.2	93,944	31.6	(1.9)
Total	**295,468**	**100.0**	**297,597**	**100.0**	**(0.7)**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased at the rate of 1.9%, compared with December 31, 2023. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased by US$858 million, a decrease of 3.3% compared with December 31, 2023. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, decreased at a rate of 1.2%, compared with December 2023.

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

	March 31, 2024	December 31, 2023	
	In NIS millions		Change in %
Domestic operations:			
Households	96,447	95,619	0.9
Private banking	23,277	23,529	(1.1)
Small and minute businesses	46,702	47,388	(1.4)
Medium businesses	17,926	17,674	1.4
Large businesses	49,348	49,214	0.3
Institutional bodies	26,191	29,005	(9.7)
Total Domestic operations	**259,891**	**262,429**	**(1.0)**
Total International operations	**35,577**	**35,168**	**1.2**
Total deposits from the public	**295,468**	**297,597**	**(0.7)**

The ratio of total net credit to the public to deposits from the public was 88.6% as at March 31, 2024, compared with 86.9% at the end of 2023.

Deposits from the public of the three largest depositor groups amounted as of March 31, 2024, to NIS 9,400 million.

Securities held for customers. On March 31, 2024, the balance of the securities held for customers at the Bank amounted to approx. NIS 249.75 billion, including approx. NIS 1.01 billion of non-marketable securities, compared to approx. NIS 234.95 billion as at December 31, 2023, including approx. NIS 0.98 billion of non-marketable securities, an increase of approx. 6.3%. For details as to income from security activities, see "Distribution of the fees and commissions" above. In addition, the balance of securities held on behalf of customers at the MDB as of March 31, 2024, amounted to NIS 13.55 billion, compared with NIS 12.96 billion in December 31, 2023, an increase of 4.55%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at March 31, 2024, amounting to approx. NIS 22.25 billion, compared with NIS 21.8 billion as of December 31, 2023, an increase of approx. 2.1%.

Capital and capital adequacy

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

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

Relief regarding the efficiency plan. The Supervisor of Banks granted the Bank and MDB relief regarding the 2020 retirement plan. For further details, see the 2023 Annual Report (pp. 228-229) and Note 9 to the condensed financial statements, section 1 (c).

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

Effect of the rise in the interest rate. As estimated by the Bank, a rise of 1% in the interest rate would reduce the Common Equity Tier 1 ratio by approx. 0.12%, in terms of March 31, 2024 (the calculation is based on the impact of a parallel increase in interest of 1% on the Group's securities portfolio and actuarial liabilities as of March 31, 2024, net of the tax effect). The effect of a 1% decline in the interest rate graph would lead to a rise of a similar rate in the Common Equity Tier 1 ratio.

Effect of the credit rating of Israel. The credit rating of Israel has a direct effect on the capital requirements, in view of the fact that the capital requirement for exposure to governments, to public sector entities (local authorities, for instance) and to banks, derives from the credit rating of the State. On April 19, 2024, the S&P rating agency announced that Israel's credit rating would be reduced from AA- to A+. This decision would affect the calculation of the Tier 1 capital ratio beginning with the second quarter of 2024 and thereafter. According to estimates of the Bank, the said decision will cause a decrease of 0.22% in the Tier 1 capital ratio, in March 31, 2024 terms. For caution, the Bank is preparing in advance for the possibility of the lowering of the credit rating by S&P, on which it bases the computation regarding the risk weights, in accordance with the Basel instruction, the capital planning already assumed the expected lowering of the credit rating and a respective increase in the risk weights in computing the risk assets.

Effect of the decrease in the exchange rate. There is a US dollar exposure (structural position) stemming from the investment in IDB Bank, which prevents material fluctuations in the ratio of capital to risk components as a result of changes in the dollar exchange rate. The Bank assesses that a 1% fall in the exchange rate will not affect the Common Equity Tier 1 ratio in terms of March 31, 2024.

Effect of the decrease in the inflation rate. As estimated by the Bank, a decrease of 1% in the inflation rate would reduce the Common Equity Tier 1 ratio by approx. 0.05%, in terms of March 31, 2024.

Common Equity Tier 1 goal and total capital goal

At least once a year, the Board of Directors approves the Bank's capital goals, which comprise a Common Equity Tier 1 goal and a total capital goal. These goals are based on the policy that has been approved by the Board of Directors, which expresses the Bank's appetite for risk, pursuant to which the Bank is required to maintain a higher capital adequacy level than the rate required by the ICAAP result and according to a system stress test. It should be noted that these goals take into account, inter alia, the results from the Bank's internal processes for determining the capital goals (the ICAAP results) and the results of the last SREP that was carried out, which includes a dialogue between the Bank and the Banking Supervision Department in relation to the specific risks of the Bank at the time when this process was carried out and the uniform stress tests were conducted[1].

1 For the meaning of the term "uniform stress testing" and for further details, see "Stress testing" in Chapter C in the 2023 Annual Report (p. 77), as well as "Assessing the capital adequacy" in the "Disclosure according to the third pillar of Basel and additional information on risks" document, which had been published within the framework of the 2023 Annual Report.

On November 22, 2021, the Bank's Board of Directors decided, on the basis of the ICAAP and the SREP procedures as stated, including the latest uniform stress tests performed, to establish the Common Equity Tier 1 goal at a rate that is not less than 9.75% as well as establish the total capital goal at the rate that is not less than 12.6%.
For additional details, see the document "Disclosure according to the third pillar of Basel and additional information on risks", which had been published within the framework of the 2023 Annual Report.

Capital Planning

As part of the capital planning process, the capital targets of the work plan have been set in the outline, which enables attainment of the Board of Directors' goals while maintaining a capital buffer in the event of unexpected fluctuations affecting the capital ratio, and from these the risk assets budget is derived. The allocation of the risk assets between the business units and the subsidiaries is in line with the strategic plan, while optimizing the Group's return on equity. The capital outline takes into consideration various parameters that have an effect on the capital ratios, such as: assumption of profitability consistent with the risk assets budget, dividend distribution, changes in the various capital reserves, regulatory adjustments and amortizations according to transitional instructions. The Bank examines a number of scenarios in arriving at the prescribed capital ratios.
As part of the capital management process, the Bank routinely examines its ability to attain the internal capital targets set by the Board of Directors and included in the work plan. Should the forecasted capital ratio differ considerably from that planned (by a predetermined rate), a Management discussion takes place to consider the measures that need to be taken in order to attain the prescribed outline – measures such as reducing risk assets, utilizing the capital buffer, and so forth.
For additional details, see "Capital adequacy" in the document "Disclosure according to the third pillar of Basel and additional information on risks" which had been published within the framework of the 2023 Annual Report. The document is available for perusal on the Bank's website together with the Bank's 2023 Annual Report, on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Exposure regarding the investment in Discount Bancorp Inc.

A US dollar exposure (structural position) in the amount of US$1,222 million exists as of March 31, 2024, stemming from the investment in the banking subsidiary in New York (Discount Bancorp Inc.). This exposure prevents material fluctuations in the ratio of capital to risk components caused by the effect of exchange rate of the US dollar on the credit risk. On the other hand, changes in the exchange rate of the dollar affect the shekel value of the investment in the said subsidiary and lead to fluctuations in other comprehensive profit and in the equity capital of the Bank.

Components of capital

Total capital as at March 31, 2024, totalled NIS 30,227 million, compared with NIS 29,238 million at the end of 2023, an increase of 3.4%.
Shareholders' equity as at March 31, 2024, totalled NIS 29,431 million, compared with NIS 28,474 million at the end of 2023, an increase of 3.4%. The change in Shareholders' equity in the first three months of 2024 was affected, among other things, by the net profit during the period, net of the tax effect, from a decrease of NIS 40 million in the "Net adjustments, for presentation of available-for-sale bonds at fair value", from an increase of NIS 72 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 54 million and from a dividend that was paid, in the amount of NIS 184 million.
The ratio of total capital, to total assets as at March 31, 2024, stood at 7.7%, compared with 7.4% on December 31, 2023.

Components of the regulatory capital as of March 31, 2024

Ratio of common equity tier 1 as of March 31, 2024, amounted to 10.90%, compared with 10.71% on December 31, 2023.
Total capital ratio as of March 31, 2024, amounted to 13.66%, compared with 13.48% on December 31, 2023.

Components of the regulatory capital as of March 31, 2024

	March 31,		December 31,
	2024	2023	2023
	in NIS millions		
1. Capital for Calculating ratio of capital			
Total common equity tier 1 after supervisory adjustments and deductions	29,801	26,542	28,890
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	**29,801**	**26,542**	**28,890**
Tier 2 capital	7,521	7,003	7,469
Total capital	**37,322**	**33,545**	**36,359**
2. Weighted risk assets balance			
Credit risk(2)	245,043	(3)234,601	242,816
Market risk	4,998	4,747	4,209
CVA risk	2,243	2,428	2,338
Operational risk	21,016	18,012	20,406
Total weighted risk assets balance	**273,300**	**259,788**	**269,769**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.90	10.22	10.71
Ratio of total capital to risk assets	13.66	12.91	13.48
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.20	9.19	9.20
Total capital ratio	12.50	12.50	12.50

Footnotes:
(1) With an addition of 0.20% (March 31, 2023: 0.19%, December 31, 2023: 0.20%), according to the additional capital requirements with respect to housing loans - see Note 9 section 1 (b) to the financial statements.
(2) The total weighted balances of the risk assets have been reduced by NIS 131 million (March 31,2023: NIS 227 million, December 31,2023: NIS 155 million) due to adjustments in respect to the efficiency plan.
(3) The total weighted balances of the risk assets have been reduced by NIS 268 million on March 31,2023 due to adjustments in respect to the efficiency plan.

Raising of resources

The Bank may raise additional regulatory capital instruments according to the Bank's work plan for 2024 and market conditions, in order to maintain the total capital targets for 2024.

Additional disclosure according to the third pillar of Basel

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

Dividends distribution

For details on the dividend policy approved by the Board of Directors, see the 2023 Annual Report (pp. 58-59)
In a letter dated May 16, 2024, the Supervisor of Banks clarified that the present geopolitical situation requires the continuation of a conservative and educated examination of capital planning, dividend distribution policy and stock repurchase, while taking into consideration the actual capital ratios and capital buffers required according to the different possible scenarios.
The Bank's Board of Directors decided in its meeting on May 19, 2024, to make a dividend distribution at the rate of 30% of the profits of the first quarter of 2024, in an amount of approx. NIS 315 million, representing approx. 25.46 Agorot per ordinary A share of NIS 0.1 par value. Further details regarding the Board of Directors' decision, including the dates set as the record date and the payment date, are included in the immediate report that the Bank is issuing concurrently with the publication of this report.
For details of the dividends paid as from the first quarter of 2023, see Note 18 to the condensed financial statements.
For details regarding the limitations set in the Supervisor of Banks' directives, see Note 24 C (2) to the financial statements as of December 31, 2023 (p. 224).

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

General

The regulatory operating segments have been defined by the Bank of Israel in the new directives, based on the characteristics of their customers, such as: the nature of their activity (in relation to private customers), or their business turnover (in case of commercial customers), in a format that connects, on a uniform and single value basis, between the different customers of the banking industry as a whole, and the regulatory operating segments.
According to the instructions, a banking corporation, the operating segments of which, according to the approach of its Management, are materially different from the regulatory operating segments, shall provide in addition, disclosure regarding operating segments according to the Management's approach ("managerial operating segments"), according to the accounting principles accepted by U.S. banks in the matter of operating segments – (ASC 280). However, according to new directives and clarifications of the Banking Supervision Department, the disclosure in the directors' and management report shall relate to regulatory operating segments only. Note 13 to the condensed financial statements present a quantitative disclosure of the managerial operating segments that the Bank has identified.
Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements.
For details on the relevant public reporting instructions and the definition of the segments, and details on the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2023 (pp. 253-255).

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to NIS 424 million, compared to an amount of 423 million in the corresponding period last year.
The credit loss expenses in the first three months of 2024 recorded expenses of NIS 84 million, compared to expenses of NIS 68 million in the corresponding period last year, an increase of 23.5%. The increase in expenses is due, primarily, from the collective allowance.

Principal data on the household segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	1,718	1,646	6,961
Credit loss expenses	84	68	490
Total Operating and other expenses	922	925	3,670
Net Profit Attributed to the bank's shareholders	424	423	1,774

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

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to NIS 48 million, compared to NIS 58 million in the corresponding period last year, a decrease of 17.2%. The decrease in profits was mostly affected by a decline in income.

Principal data on the Private Banking segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	113	120	473
Credit loss expenses (expenses release)	-	(1)	-
Total Operating and other expenses	34	32	129
Net Profit Attributed to the bank's shareholders	48	58	226

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

Small and minute businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to 265 million, compared to an amount of NIS 255 million in the corresponding period last year, an increase at a rate of 3.9%. The increase in profit was affected, mainly, by a decrease in credit loss expenses.

The credit loss expenses in the first three months of 2024 an expenses release was recorded of NIS 3 million, compared to expenses of NIS 73 million in the corresponding period last year. The decrease in expenses is due, primarily, to the increase in the collective allowance.

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

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	792	824	3,398
Credit loss expenses (expenses release)	(3)	73	366
Total Operating and other expenses	357	351	1,440
Net Profit Attributed to the bank's shareholders	265	255	1,027

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

Medium businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to NIS 58 million, compared to an amount of 87 million in the corresponding period last year, a decrease at a rate of 33.3%, which resulted from a decrease in credit losses.
The credit loss expenses in the first three months of 2024 amounted to expenses of NIS 59 million, compared to expenses of NIS 1 million in the corresponding period last year, mainly by the worsening of the classification of a specific borrower.

Principal data on the Medium businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	221	208	906
Credit loss expenses	59	1	192
Total Operating and other expenses	68	72	294
Net Profit Attributed to the bank's shareholders	58	87	270

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

Large businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to NIS 211 million, compared to an amount of NIS 129 million in the corresponding period last year, an increase at a rate of 63.6%, which was affected by a recording of credit loss expenses release.

The credit loss expenses in the first three months of 2024 an expenses release was recorded of NIS 54 million, compared to expenses of NIS 74 million in the corresponding period last year. The decrease in expenses is due, primarily, to the decrease in the collective allowance.

Principal data on the Large businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	486	473	1,998
Credit loss expenses (expenses release)	(54)	74	410
Total Operating and other expenses	189	187	784
Net Profit Attributed to the bank's shareholders	211	129	485

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

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit of the segment in the first three months of 2024 amounted to NIS 2 million, compared with NIS 3 million in the corresponding period last year.

Principal data on the Institutional bodies segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	17	21	100
Credit loss expenses (expenses release)	(5)	-	4
Total Operating and other expenses	18	17	67
Net Profit Attributed to the bank's shareholders	2	3	20

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

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

Total income of the segment in the first three months of 2024 amounted to NIS 45 million, compared to NIS 574 million in the corresponding period last year, a decrease at a rate of 92.2%. The decrease in income was, inter alia, impacted by the decrease in the realization of assets compared with the corresponding period last year, and from the rise in price of money relating to deposits, offset by the rise in the price of money relating to credit and the rise in interest on bank deposits and bonds. See Note 20 to the condensed financial statements.

The net loss in the first three months of 2024 amounted to NIS 35 million, compared to a profit in an amount of NIS 193 million in the corresponding period last year, a decrease at a rate of 118.1%, which stemmed mostly from a decline in income.

Principal data on the Financial management segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	45	574	862
Credit loss expenses (expenses release)	(3)	4	9
Total Operating and other expenses	147	141	527
Net Profit Attributed to the bank's shareholders	(35)	193	202

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

International operations Segment

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2024 amounted to NIS 77 million, compared to NIS 121 million in the corresponding period last year, a decrease at a rate of 36.4%.

The credit loss expenses in this segment in the first three months of 2024 amounted to expenses of NIS 4 million, compared to expenses release of NIS 15 million in the corresponding period last year.

Principal data on the International operations segment

	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Total income	365	391	1,376
Credit loss expenses (expenses release)	4	(15)	31
Total Operating and other expenses	249	237	1,055
Net Profit Attributed to the bank's shareholders	77	121	188

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

Support of Customers during the "Iron Swords" War period

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

The Bank of Israel outline

On October 15, 2023, the Banking Supervision Department published the outline aimed at easing the burden of credit and commissions for households and businesses located and operating within 30 km of the Gaza Strip, civilians evacuated from their homes by an authorized party, reservists and those called-up under a compulsory callup order (“Tzav 8”), or first-degree relatives of those killed in the war, kidnapped or missing (hereafter: “the First Circle”). The outline refers to: (1) Deferral of loan repayments for three months without charging interest and without charging fees, in three activity segments: mortgages (in relation to first home and home renovations); consumer credit (in an aggregate amount of up to NIS 100 thousand); and business credit (a business with an operating turnover of up to NIS 25 million per year, not including loans in commercial cooperation with a third party; in an aggregate amount of up to NIS 2 million); (2) not charging interest on a debit balance of up to NIS 10 thousand for customers whose account immediately prior to the outline’s publication was in debit (this does not apply to reservists and those called up with a “Tzav 8”); and, (3) a three-months’ exemption from commissions and fees in certain areas of activity. The remaining customers (hereafter: the “Second Circle”) will be given the option to defer their loan repayments as stated without being charged commissions for 3 months, with the deferred repayments bearing interest at a rate not exceeding the interest rate in the loan contract and the payments being added at the end of the loan term. The outline is to go into effect on October 31, 2023, at the latest. On October 23, 2023, the Banking Supervision Department published an additional outline, which dealt with reliefs for customers in the First and Second Circles of credit card companies, with the repayment of loans and with exemption from commissions. The outlines prescribe a minimum condition for reliefs, and each bank and credit card company may offer additional favorable terms. On November 8, 2023, the Supervisor of Banks announced the expansion of the application of the outlines, so as to apply also to households and businesses situated and operating in communities located in Northern Israel (evacuees or those appearing on lists published on the Bank of Israel website).
A press release was published on December 17, 2023, regarding the extension of the outline by three additional months applying as from January 1, 2024, with certain changes, the essence of which is the expansion of the populations included in the outline.
On March 4, 2024, an announcement was published regarding the extension of the outline for three more months, starting on April 1, 2024, with certain changes, the main ones being the expansion of the populations included in the outline and the expansion of benefits to the reserve servicemen population (hereinafter: ”the last outline”).
According to a preliminary estimate, the maximum cost of the last outline, based on the assumptions used in calculating the costs of the previous outlines, will reach approx. NIS 75-80 million.

Assistance to Discount Customers

Assistance to all customers. Upon the outbreak of the War, the Bank extended to all its customers (private individuals and small businesses) a series of benefits regarding the management of their bank account, inter alia, increasing the overdraft limit by NIS 2,000 or up to 10% of the customer's existing overdraft limit, the higher of the two. The amount of the addition, if at all exercised, will bear no interest or commission charges. This update was initiated by the Bank with no need for an application on the part of the customer, and was in effect until November 9, 2023. The period of the increased overdraft limit has been extended to December 30, 2023 in respect of customers who took advantage of this benefit.

Immediate assistance to customers residing in Southern Israel. Bank customers residing in the South (up to 40 km away from the Gaza Strip) have the option of taking a loan of up to twice the amount of their salary or of their business turnover, up to a total amount of NIS 24,000, free of interest or commission charges, by applying to the Bank's call center. Repayment of the loan will be spread over 24 months. In continuation of the above, the customer population entitled to such assistance has been expanded to include the remaining customers in the first circle.

Furthermore, the Bank has setup a call center providing designated service and assistance.

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

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

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

As stated, on March 4, 2024, in view of the continuation of the War and its implications, the Bank of Israel announced the extension and expansion of the outline as from April 1, 2024, for three additional months. The Bank adopted the outline in its format.

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

ICC. ICC grants customers residing in Southern and Northern Israel and additional customer population exemption from credit card fees as well as deferral of payments. Furthermore, ICC implements the relief outline published by the Bank of Israel in relation to credit card companies. In addition, ICC allowed deferral of loan repayments and the spreading of charges at no cost to private customers, for a period of three months as well as making advance payments at no cost to business customers. Representatives of ICC were physically present at the evacuation centers for resident of communities surrounding the Gaza Strip in order to offer frontal service to evacuees. After the Bank of Israel's outline for credit card companies ended, in the period beginning on April 1, 2024, ICC is voluntarily granting certain reliefs in relation to credit and commissions for some of its customers.

Estimate of the Cost of Support of Customers

Benefits to customers within the framework of dealing with the "Iron Swords" War

	Housing	Private individuals – other	Small and minute businesses	Medium businesses	Large businesses	Other	Total
	March 31, 2024						
	In NIS millions						
Changes in terms of debts[1]	39	20	20	-	-	-	79
Interest free loans or at lower interest rates	-	8	2	-	-	-	10
Waiver of commission	-	33	10	-	-	-	43
Support of the community	-	-	-	-	-	70	70
Total benefits granted by the Bank	**39**	**61**	**32**	**-**	**-**	**70**	**202**
Benefits not yet exercised	26	43	24	1	-	-	94
Total estimate of the benefits under fully exercised assumption	**65**	**104**	**56**	**1**	**-**	**70**	**296**

Footnote:

(1) Including waiver of interest, waiver of principal, deferral of repayments and/or extension of repayment period.

The effect of the benefits is expected to reduce commission income and interest income and increase in expenses in an estimated amount of approx. NIS 202 million. The said amount estimates the present and future adverse effect on income and increase in expenses. The waiver of housing loan repayments (principal and interest) was charged in full to profit and loss in the fourth quarter of 2023. The rest of the customers' benefit components will affect the business results according to the benefit period for each individual component. The support for the 'Keren Or' Foundation will be charged to profit and loss gradually. The remaining community support expenses during the "Iron Swords" War are charged to profit and loss on an ongoing basis.

The total impact of customer and community support is estimated at approx. NIS 296 million.

The total impact of customer and community support, on the financial reports as of March 31, 2024, is estimated at approx. NIS 27 million and on the financial reports as of December 31, 2023 in a total of NIS 70 million.

The main assumptions used in the estimate. The Bank assumed, in accordance with guidelines of the Supervisor, that all entitled customers would exercise the reliefs offered by the Bank. The assessment is based on the number of customers who are actually entitled to the primary exercise or to an additional extension of the benefits to which they are entitled.

The actual cost of the potential deferral of loans/mortgages was computed in respect of each loan in accordance to the interest rate applying to the loan. In assessing the benefit regarding commissions, taken into account was the average monthly collection in the year preceding the outline, of the commissions to which the exemption applies according to the outline in relation to each customer in the population of the outline, and the multiplication thereof by the number of months during which the customer is entitled to the benefits of the outline. Estimate of the cost of benefits was computed on the basis of the interest on the loan and the period of deferral.

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

Additional information regarding activities in aid of borrowers within the framework of dealing with the War

	Housing	Private individuals – other	Small and minute businesses	Medium businesses	Large businesses	Total
	March 31, 2024					
	In NIS millions					
Balance of credit with changes in debt terms[1]	6,599	1,308	4,998	1,595	2,817	[2]17,317
Amount of deferred repayments	218	151	713	138	230	1,450
Average repayment deferral in months	7.5	5.7	4.9	3.3	5.5	5.2
Of which: problematic credit	48	24	238	59	164	533
Of which: debts of borrowers having financial difficulties, which have undergone changes in terms	2	12	69	–	56	139
Balance of loans granted interest free or at lower interest rates	–	62	27	–	–	89
Average interest rate (in %)	–	–	–	–	–	–
Average "Prime" interest rate (in %)	6.0	6.0	6.0	6.0	6.0	6.0
Loans granted under State guaranteed funds						
Balance of credit	–	–	1,338	207	60	1,605
Average interest rate (in %)	–	–	6.9	7.4	7.5	7.0
Of which:	–					
Balance of credit granted under the Bank of Israel finance	–	–	482	–	–	482
Average "Prime" interest rate (in %)	–	–	6.0	–	–	6.0
Balance of credit granted under the Bank of Israel finance (including by way of State guaranteed funds)						
Balance of credit	–	–	728	–	–	728
Average interest rate (in %)	–	–	6.0	–	–	6.0

Footnotes:
(1) Including waiver of interest, waiver of principal, deferral of repayments and/or extension of repayment period.
(2) Of which: debts amounting to NIS 8,078 million, the deferral of repayments applying to them has not yet expired at March 31, 2024 (at December 31, 2023: NIS 15,836 million).

Loans to small businesses

Loans to adversely affected businesses. The Supervisor of Banks announced on November 6, 2023, a focused monetary program, according to which, the Bank of Israel will provide banks with monetary loans bearing Bank of Israel variable interest rate less 1.5%, in an amount of up to NIS 10 billion, against loans granted by the banks to small and minute businesses which had suffered loss of revenues of at least 25% as a result of the War. This, on condition that the average rate of interest charged on the loans to such businesses shall not exceed the "prime" rate of interest.
The allocation of the monetary loan is made on the basis of a request that the banking corporation submits after the loan to the customer is set up.

State guaranteed loan Fund. On November 5, 2023, an "Iron Swords" track was introduced by the State guaranteed Loan Fund for small and middle market businesses, in which the banks participate as providers of credit. Within the framework of this track, it has been decided that the average rate of interest applicable to the loans would be at a margin that would not exceed 1.5% over the "prime" rate of interest.

On November 12, 2023, the Accountant General at the Ministry of Finance issued a letter to CEOs of the banks, requesting that the small and middle market businesses taking loans under the said "Iron Sward" track of the State guaranteed Loan Fund, would enjoy the terms applicable to the Bank of Israel monetary loans, so that the weighted average of the interest margin regarding these loans would not exceed the "prime" rate of interest.

Loans as stated were granted until January 31, 2024.

Main Investee Companies

General

The Bank's Group is composed of commercial banks in Israel and overseas and financial services companies. Total investment in the investee companies as at March 31, 2024, amounted to NIS 487 million, compared with NIS 471 million on December 31, 2023, an increase of 3.4%.

Distribution of Net profit by the Group's structure

	Contribution to the Group's profit				
	For the three months ended March 31				
	2024		2023		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
The Bank	684	65.1	803	63.3	(14.8)
Mercantile Discount Bank	184	17.5	237	18.7	(22.4)
Overseas - Discount Bancorp	68	6.5	94	7.4	(27.7)
Other Activities:					
Israel Credit Cards	46	4.4	112	8.8	(58.9)
Discount Capital	69	6.6	26	2.0	165.4
Other financial services	(1)	(0.1)	(3)	(0.2)	66.7
Net profit	**1,050**	**100.0**	**1,269**	**100.0**	**(17.3)**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 366 million in the first three months of 2024, compared to NIS 466 million in the corresponding period last year, and an income of NIS 1,460 million in all of 2023.

The Bank evaluates the performance and opportunities of the principal investee companies, an evaluation that includes, from time to time, an examination of the strategic alternatives relating to the main investee companies.

Following are the major developments in the Bank's main investee companies.

Banking Activity in Israel

Discount Bank and MDB – March 31, 2024

Net profit – NIS 868 million.

Return on equity – 17.1%.

Efficiency Ratio – 45.6%.

Discount Bancorp, Inc.

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

Discount Bancorp, Inc. – principal data

	First Quarter		Year
	2024	2023	2023
	In US$ millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	21	30	64
Net interest income	81	87	335
Credit loss expenses (expenses release)	1	(4)	8
Non-financing income (expenses)	18	17	45
Non-financing expenses	70	68	292
Principal balance sheet data for the end of the reporting period:			
Total assets	12,014	12,830	12,219
Credit to the public, net	8,140	8,086	8,102
Securities	2,605	2,679	2,608
Deposits from the public	10,157	10,773	10,316
Total equity	1,239	1,161	1,222
	In %		
Main performance indicators:			
Return on equity	7.0	10.5	5.5
Efficiency ratio	70.7	65.4	76.8
Ratio of total capital to risk assets	15.6	15.3	15.7
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.05	(0.18)	0.10
Total net return on interest bearing assets	2.89	3.03	2.90

The main factors affecting the quarter's results, compared to the corresponding quarter last year, are: a decrease in net interest income (US$5.8 million; 6.7%), credit loss expenses compared with credit loss expenses release, a slight increase in total operating and other expenses (US$1.4 million; 2.1%) and a decrease in tax expenses (US$3.5 million; 34%).

The contribution of Bancorp to the Bank's net results reached a profit of NIS 68 million in the first quarter of 2024 (after deducting a provision for taxes - complementing of taxes in Israel - of NIS 11 million), compared with NIS 94 million in the first quarter of 2023 (after deducting a provision for taxes - complementing of taxes in Israel - of NIS 12 million).

For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".

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

Mercantile Discount Bank Ltd.

Mercantile Discount Bank Ltd. ("Mercantile Discount") is a wholly-owned and controlled subsidiary of the Bank. At the end of the first quarter of 2024, MDB operated through 73 branches (73 branches at the end of 2023).

Mercantile Discount Bank – principal data

	First Quarter		Year
	2024	2023	2023
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	184	237	977
Net interest income	528	563	2,284
Credit loss expenses	56	53	314
Non-financing income	111	109	533
Non-financing expenses	277	255	1,048
Principal balance sheet data for the end of the reporting period:			
Total assets	63,674	64,417	63,789
Credit to the public, net	46,223	43,718	45,678
Securities	7,712	7,109	7,410
Deposits from the public	50,042	50,741	50,306
Total equity	5,147	4,262	4,977
	In %		
Main performance indicators:			
Return on equity	14.7	23.0	21.9
Efficiency ratio	43.3	37.9	37.2
Ratio of total capital to risk assets	15.22	13.75	14.98
Ratio of credit loss expenses to the average balance of credit to the public	0.50	0.50	0.70
Total net return on interest bearing assets	3.47	3.61	3.75

The principal factors affecting the business results. The profit in the first three months of 2024, compared to the corresponding period last year, was mainly affected by the following factors: an increase of NIS 3 million in credit loss expenses (5.7%); a decrease of NIS 35 million in net interest income, decrease of 6.2%, which mostly stemmed from the decline in interest margin and the decrease in the average balances of income producing assets; and an increase of NIS 22 million in the basis of operating expenses (8.6%), mainly in salary expenses.

Strategic plan of MDB. For details, see the 2023 Annual Report (p. 71).

Dividend distribution. On April 14, 2024, the Board of Directors of MDB resolved to distribute a dividend in the amount of NIS 175 million, for the first time since 2014.

For details on lawsuits and motions for approval of the lawsuits as class action suits and for details on additional proceedings, see Note 26 C to the financial statements as of December 31, 2023, sections 9.7 and 10.6 (pp. 240-242) and Note 10 to the condensed financial statements, sections 3.1 and 4.6(b).

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

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of March 31, 2024, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.
For details regarding the separation of ICC from the Discount Group, see Note 17 B 1 to the condensed financial statements.

Israel Credit Cards – principal data

	First Quarter		Year
	2024	2023	2023
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	81	263	450
The contribution to the Bank's business results[1]	46	112	226
Income from credit card transactions	438	423	1,751
Net interest income	220	194	822
Non-interest Income	5	301	310
Non-financing expenses	550	583	2,286
Of which: Credit loss expenses	40	41	285
Principal balance sheet data for the end of the reporting period:			
Total assets	20,639	19,435	19,378
Interest bearing credit to the public	8,909	8,416	9,005
Total equity	2,529	2,278	2,447
	In %		
Main performance indicators:			
Return on equity	13.2	50.0	19.5
Efficiency ratio	76.9	59.0	69.4
Ratio of total capital to risk assets	14.1	13.9	14.3
Turnover of credit card transactions – in NIS millions	43,218	39,699	163,002
Number of active cards – in thousands	3,539	3,382	3,467

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

The business results of ICC for the reported period, compared to the corresponding period last year, were mostly affected by an increase in income (NIS 41 million, 6.7%), stemming mostly from the increase in income from credit card transactions (NIS 15 million, 3.6%), which mostly stemmed from the growth in the transactions turnover of the company (compared with the corresponding quarter last year), and from an increase in net interest income (NIS 26 million, 13.5%),which mostly stemmed from growth at the rate of 17% in consumer credit balances, compared with March 31, 2023, and from an increase in the average rate of prime interest compared to the corresponding period last year. In addition, expenses of the company decreased (NIS 33 million, 6.7%), which mostly stemmed from expenses relating to phantom options in the corresponding quarter last year, in the amount of NIS 40 million, after the tax effect (see the 2023 Annual Report, pp. 319-321).
Profits in the first quarter of 2023 were affected, inter alia, by gains on the sale of the company's building in Givataim, in the amount of NIS 231 million, net of the tax effect (see Note 20 to the condensed financial statements), and on the other hand, by recognition of an expense for the "phantom" option granted to EL AL Company (see above).
Strategic plan. For details, see the 2023 Annual Report (p. 73).
Change in organizational structure. In April 2024, ICC's Board of Directors approved a change in the organizational structure, as part of which, the Customer Division, the Credit Division and the Strategy and Business Development Division would be reorganized in a customer focused structure, while creating product specialization and clear responsibility for business lines. The change process would be integrated gradually to be completed by the end of the third quarter of 2024.

Distribution of dividend. On March 31, 2023, ICC distributed to its shareholders a dividend of NIS 74 million (the share of the Bank is approx. NIS 53 million).

For details on activity in the credit card field in Israel, see in the 2023 Annual Report (pp. 316-323, 394-402) in the chapter "Corporate governance, audit and additional details on the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details on lawsuits and motions to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2023, sections 9.1, 9.4 and 9.8 (pp. 238-240).

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

Discount Capital Ltd.

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

Discount Capital – principal data

	In NIS millions		
Principal statements of profit and loss data for the Year:	**2024**	**2023**	**Change in %**
Net profit attributed to the shareholders	81	27	200.0
The contribution to the Bank's business results[(1)]	69	26	165.4
Principal balance sheet data for the end of the reporting period:	**March 31, 2024**	**December 31, 2023**	**Change in %**
Total assets	2,774	2,690	3.1
Total equity	1,487	1,407	5.7

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

For details regarding income from the investment portfolio of Discount Capital, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".

In the first three months of 2024, Discount Capital participated, via its subsidiary, in 13 public offerings, and in 4 private transactions, of which 1 public placement for the Discount Group, amounting to approx. NIS 8.3 billion. This, compared with 9 public offerings and 5 private transactions, of which 1 private offering for the Discount Group, amounting to approx. NIS 6.7 billion, in the corresponding period last year.

Chapter "C" - Risks review

General description of the risks and manner of management thereof

Risk Profile of the Discount Group - Risk Environment

For details on the risk profile of the Discount Group, see the 2023 Annual Report (pp. 74-75). For details on Risk Management Principles, see the 2023 Annual Report (pp. 75-77).

Disclosures according to the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure on the various risks above and below in this Chapter, is presented in the 2023 Annual Report (pp. 74-121) and in the document "Disclosure according to the third pillar of Basel and additional information on risks". The document is available for perusal on the Bank's website together with the Bank's 2023 annual report together with the Report for the first quarter of 2024 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

For details on Credit risks, see the 2023 Annual Report (pp. 78-99). For details regarding exposure to Russia and the Ukraine, see the 2022 Annual Report (p. 75).

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

As part of the Bank's arrangements for coping with continuation of the "Iron Swords" War, the Bank is keeping in regular contact with borrowers for the purpose of assisting them.

This situation requires increased alertness, risk assessment and quick response ability, and therefore the Bank has put into action a business continuity plan, and reports, controls and monitors with increased frequency, exposure of borrowers in all lines of business of the Bank, while following regulatory developments. Furthermore, the Bank applies stress tests as part of the strategy for the preparation and management of credit risk.

The Bank is prepared to assist its customers, in accordance with the outline published by the Bank of Israel, and to even go beyond this. See "Support of customers during the Iron Swords War period".

Credit to the public quality and problematic credit risk

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

	Commercial	Housing	Private	Total
	In NIS millions			
	March 31, 2024			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	161,993	69,405	32,077	263,475
Off-balance sheet credit risk[3]	70,642	8,118	47,685	126,445
Total credit risk in Credit Granting Rating	**232,635**	**77,523**	**79,762**	**389,920**
Credit risk not in Credit Granting Rating:				
1. Not problematic	4,321	393	1,904	6,618
2. Accruing problematic	6,213	98	594	6,905
3. Problematic non-accruing	1,833	268	199	2,300
Total balance sheet credit risk	**12,367**	**759**	**2,697**	**15,823**
Off-balance sheet credit risk[3]	**2,413**	**70**	**857**	**3,340**
Total credit risk not in Credit Granting Rating	**14,780**	**829**	**3,554**	**19,163**
Of which: Accruing debts in arrears of 90 days or more	71	-	45	116
Total overall credit risk of the public[2]	**247,415**	**78,352**	**83,316**	**409,083**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	1,888	268	199	2,355
	December 31, 2023			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	161,417	68,501	31,219	261,137
Off-balance sheet credit risk[3]	[4]72,712	6,464	43,339	122,515
Total credit risk in Credit Granting Rating	**234,129**	**74,965**	**74,558**	**383,652**
Credit risk not in Credit Granting Rating:				
1. Not problematic	3,516	638	2,085	6,239
2. Accruing problematic	6,111	103	497	6,711
3. Problematic non-accruing	1,907	259	218	2,384
Total balance sheet credit risk	**11,534**	**1,000**	**2,800**	**15,334**
Off-balance sheet credit risk[3]	**2,765**	**49**	**907**	**3,721**
Total credit risk not in Credit Granting Rating	**14,299**	**1,049**	**3,707**	**19,055**
Of which: Accruing debts in arrears of 90 days or more	76	-	43	119
Total overall credit risk of the public[2]	**248,428**	**76,014**	**78,265**	**402,707**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	1,938	259	218	2,415

Footnotes:

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

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

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

(4) Reclassified following improvement of data.

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

	Three months ended March 31							
	2024				2023			
	Commercial	Housing Loans	Private	Total	Commercial	Housing Loans	Private[3]	Total
	In NIS millions							
Movement in non-accruing debts (for credit to the public only)								
Balance of impaired debts at December 31, 2022					1,210	229	81	1,520
Adjustment to non-accruing credit at January 1, 2023[1]					1	-	70	71
Balance of non-accruing credit to the public at beginning of period	**1,907**	**259**	**218**	**2,384**	**1,211**	**229**	**151**	**1,591**
Credit classified as non-accruing during the period [2]	297	47	113	457	192	47	96	335
Credit resuming accruing interest income	(21)	(10)	(46)	(77)	(23)	(35)	(15)	(73)
Credit written off accounting wise	(86)	-	(80)	(166)	(67)	-	(51)	(118)
Repaid credit	(265)	(28)	(7)	(300)	(238)	(7)	(17)	(262)
Other	2	-	-	2	2	-	-	2
Balance of non-accruing debts at end of the period	**1,834**	**268**	**198**	**2,300**	**1,077**	**234**	**164**	**1,475**
Changes in allowances for credit losses on impaired debts:								
Balance of allowances for credit losses of December 31, 2022					205	13	30	248
Adjustment to allowance for credit losses of January 1, 2023[1]					1	-	43	44
Balance of allowance for credit losses as of the beginning of the year	**370**	**13**	**122**	**505**	**206**	**13**	**73**	**292**
Increase in allowances	115	2	53	170	70	1	84	155
Collection of debts and accounting write-offs	(109)	(2)	(71)	(182)	(92)	(2)	(102)	(196)
Balance of allowance for credit losses as of end of the period	**376**	**13**	**104**	**493**	**184**	**12**	**55**	**251**

Footnotes:

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

(2) Of which: Debts of borrowers in financial difficulties that had undergone changes in terms during the first three months of 2024, in the amount of NIS 186 million (debts that had undergone restructuring of a troubled debt during the first three months of 2023, in the amount of NIS 70 million).

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

	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total
	March 31, 2024			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	1.14%	0.38%	0.57%	0.86%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	1.18%	0.38%	0.70%	0.91%
Ratio of problematic credit to balance of credit to the public	5.00%	0.52%	2.27%	3.46%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	9.21%	1.18%	10.46%	7.26%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public	0.00%	0.02%	0.92%	0.12%
Ratio of net accounting write-off to the average balance of credit to the public	0.19%	-	0.87%	0.23%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.82%	0.49%	2.63%	1.57%
Ratio of credit loss allowance to balance of non-accruing credit to the public	159.81%	127.61%	461.62%	182.04%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	153.86%	127.61%	376.13%	173.30%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	9.77	-	3.05	7.03
	March 31, 2023			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.71%	0.35%	0.48%	0.58%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.76%	0.35%	0.59%	0.63%
Ratio of problematic credit to balance of credit to the public	4.04%	0.48%	2.47%	2.89%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	8.06%	1.43%	10.78%	6.68%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.36%	0.04%	0.70%	0.33%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.12%	-	0.47%	0.14%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.52%	0.41%	2.29%	1.33%
Ratio of credit loss allowance to balance of non-accruing credit to the public	213.56%	116.67%	481.10%	227.93%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	198.62%	116.67%	384.88%	210.52%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	12.50	-	4.93	9.77
	December 31, 2023			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	1.20%	0.37%	0.64%	0.91%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	1.24%	0.37%	0.77%	0.95%
Ratio of problematic credit to balance of credit to the public	5.03%	0.52%	2.10%	3.46%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	8.97%	1.51%	10.90%	7.25%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public	0.66%	0.11%	1.18%	0.59%
Ratio of net accounting write-off to the average balance of credit to the public	0.11%	0.00%	0.75%	0.17%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.86%	0.49%	2.68%	1.60%
Ratio of credit loss allowance to balance of non-accruing credit to the public	155.48%	130.50%	417.89%	176.76%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	149.52%	130.50%	349.04%	168.36%
Ratio of credit loss allowance to net accounting write-offs	16.85	112.67	3.50	9.60

Credit risk by economic sectors

Credit risk by economic sectors – consolidated

	March 31, 2024							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Credit Loss Expenses (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	19,233	18,310	682	241	144	48	34	332
Construction and Real Estate - Construction'[6]	51,147	49,180	1,242	725	706	(18)	2	738
Construction and Real Estate - Real Estate Activity	17,149	16,638	366	145	204	(12)	(1)	394
Commerce	30,093	28,470	901	722	203	30	15	470
Financial Services[7]	28,407	28,231	109	67	104	(25)	(1)	139
Other Business Services	45,249	43,426	933	890	248	10	10	775
Total Commercial	**191,278**	**184,255**	**4,233**	**2,790**	**1,609**	**33**	**59**	**2,848**
Private Individuals - Housing Loans	77,902	77,073	365	464	268	5	(1)	359
Private Individuals - Other	81,609	78,298	660	2,651	198	79	75	999
Total Public	**350,789**	**339,626**	**5,258**	**5,905**	**2,075**	**117**	**133**	**4,206**
Banks in Israel and Government of Israel	41,222	41,222	-	-	-	(1)	-	1
Total Lending Activity in Israel	**392,011**	**380,848**	**5,258**	**5,905**	**2,075**	**116**	**133**	**4,207**
Total Public - Lending Activity Outside of Israel	**58,294**	**50,294**	**4,573**	**3,427**	**280**	**(32)**	**16**	**477**
Banks and Governments Outside of Israel	12,021	12,021	-	-	-	(2)	-	35
Total Lending Activity Outside of Israel	**70,315**	**62,315**	**4,573**	**3,427**	**280**	**(34)**	**16**	**512**
Total	**462,326**	**443,163**	**9,831**	**9,332**	**2,355**	**82**	**149**	**4,719**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 273,861 million, NIS 54,088 million, NIS 930 million, NIS 1,990 million, NIS 131,457 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 387 million.

(7) Including mortgage backed securities in the amount of NIS 7,419 million, issued by GNMA and in the amount of NIS 174 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 11,285 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 115 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	March 31, 2023							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Credit Loss Expenses (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	17,813	17,115	454	244	118	15	11	236
Construction and Real Estate - Construction[6]	[10]48,804	[10]47,234	1,069	501	168	61	1	553
Construction and Real Estate - Real Estate Activity	17,439	16,808	441	190	304	35	20	362
Commerce	29,529	28,261	579	689	128	15	13	339
Financial Services[7]	[11]28,222	[11]27,994	4	224	1	5	(1)	101
Other Business Services	41,999	39,887	1,015	1,097	287	(8)	9	664
Total Commercial	**183,806**	**177,299**	**3,562**	**2,945**	**1,006**	**123**	**53**	**2,255**
Private Individuals - Housing Loans	74,419	73,465	319	635	234	14	-	286
Private Individuals - Other	[11]76,105	[11]72,737	562	2,806	164	61	40	864
Total Public	**334,330**	**323,501**	**4,443**	**6,386**	**1,404**	**198**	**93**	**3,405**
Banks in Israel and Government of Israel	37,542	37,542	-	-	-	1	-	5
Total Lending Activity in Israel	**371,872**	**361,043**	**4,443**	**6,386**	**1,404**	**199**	**93**	**3,410**
Total Public - Lending Activity Outside of Israel	**56,898**	**50,841**	**3,363**	**2,694**	**119**	**2**	**(7)**	**398**
Banks and Governments Outside of Israel	13,884	13,884	-	-	-	3	1	29
Total Lending Activity Outside of Israel	**70,782**	**64,725**	**3,363**	**2,694**	**119**	**5**	**(6)**	**427**
Total	**442,654**	**425,768**	**7,806**	**9,080**	**1,523**	**204**	**87**	**3,837**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 261,579 million, NIS 49,377 million, NIS 1,251 million, NIS 3,075 million, NIS 127,372 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 487 million.

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

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

(9) The balance of commercial debts includes housing loans in the amount of NIS 181 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) Reclassified – following improvement of data.

(11) Reclassified – mutual balances, which in the past were eliminated from the item "financial services", are also eliminated as from this reporting period from the item "private individuals – other". The comparative data were also reclassified accordingly.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2023							
						Credit Losses(3)		
	Total Credit Risk(1)(8)(9)	Of Which: Credit Performance Rating(4)	Of which: Problematic credit risk(5)	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	19,100	18,185	705	210	134	96	13	317
Construction and Real Estate - Construction(6)	(10)52,178	(10)50,295	1,353	530	801	284	22	757
Construction and Real Estate - Real Estate Activity	17,461	16,982	320	159	221	79	21	404
Commerce	28,893	27,452	905	536	202	183	61	455
Financial Services(7)	(11)27,715	(11)27,585	110	20	110	62	(6)	163
Other Business Services	43,967	42,202	863	902	284	161	63	777
Total Commercial	**189,314**	**182,701**	**4,256**	**2,357**	**1,752**	**865**	**174**	**2,873**
Private Individuals - Housing Loans	75,549	74,506	362	681	259	84	3	352
Private Individuals - Other	(11)79,622	(11)76,098	637	2,887	218	407	260	996
Total Public	**344,485**	**333,305**	**5,255**	**5,925**	**2,229**	**1,356**	**437**	**4,221**
Banks in Israel and Government of Israel	44,400	44,400	-	-	-	1	1	(2)
Total Lending Activity in Israel	**388,885**	**377,705**	**5,255**	**5,925**	**2,229**	**1,357**	**438**	**4,219**
Total Public - Lending Activity Outside of Israel	**58,222**	**50,347**	**4,459**	**3,416**	**186**	**137**	**2**	**522**
Banks and Governments Outside of Israel	14,715	14,715	-	-	-	8	-	41
Total Lending Activity Outside of Israel	**72,937**	**65,062**	**4,459**	**3,416**	**186**	**145**	**2**	**563**
Total	**461,822**	**442,767**	**9,714**	**9,341**	**2,415**	**1,502**	**440**	**4,782**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts(2), bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 273,270 million, NIS 57,265 million, NIS 851 million, NIS 2,065 million, NIS 128,371 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 496 million.

(7) Including mortgage backed securities in the amount of NIS 7,453 million, issued by GNMA and in the amount of NIS 175 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 11,258 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 97 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) Reclassified – following improvement of data.

(11) Reclassified – mutual balances, which in the past were eliminated from the item "financial services", are also eliminated as from this reporting period from the item "private individuals – other". The comparative data were also reclassified accordingly.

Exposure to Foreign Countries - consolidated

	As of March 31						As of December 31		
	2024			2023			2023		
	exposure			exposure			exposure		
The Country	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total
	In NIS millions								
United States	18,598	11,593	30,191	18,269	10,238	28,507	20,943	11,708	32,651
Other	5,960	(5)9,953	15,913	6,293	(5)10,278	16,571	7,167	(5)11,003	18,170
Total exposure to foreign countries(1)	**24,558**	**21,546**	**46,104**	**24,562**	**20,516**	**45,078**	**28,110**	**22,711**	**50,821**
Of which - Total exposure to the PIGS countries(4)	19	153	172	19	214	233	24	171	195
Of which - Total exposure to LDC countries(6)	483	118	601	384	163	547	416	136	552
Of which - Total exposure to countries having liquidity problems(8)	17	22	39	28	13	41	17	35	52

Notes:
(1) Exposure to countries where the total amounts of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is lower. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives.
(2) Balance sheet and off-balance sheet credit risk, are presented before the impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.
(3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.
(4) Portugal, Italy, Greece and Spain.
(5) Including the transfer of credit risk to a consortium of international insurers, as of March 31, 2024 in the following countries: Switzerland – an amount of NIS 2,830 million and Germany – an amount of NIS 2,988 million, as of March 31, 2023 in the following countries: Switzerland – an amount of NIS 3,069 million and Germany – an amount of NIS 2,986 million, and as of December 31, 2023 in the following countries: Switzerland – an amount of NIS 3,102 million and Germany – an amount of NIS 3,207 million.
(6) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.
(7) Balance sheet and off-balance sheet credit risk for derivative instruments is presented after credit risk mitigation.
(8) In respect of Turkey.

Credit Exposure to Foreign Financial Institutions

General. Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.
As opposed to the definition of the "financial services" economic sector for the purpose of disclosure in the Management Review concerning the "Overall credit risk according to economic sectors", the exposure to foreign financial institutions presented in the table hereunder includes exposure to foreign banks and to foreign investment banks, which, on the one hand, are not included in credit to the public, and on the other hand, does not include exposure to investment in asset backed securities and to potential off-balance sheet exposure.
As a general rule, the credit risk policy of the Group allows exposure to banks from Tier 1 only and a low credit risk appetite in respect of regional and middle-sized banks.
The Bank maintains a careful credit policy and is monitoring developments and volume of exposure to key markets and to markets of the countries at risk. This is performed on an ongoing basis and at the Group level, within the framework of an inter-division forum. The Bank's dealing room monitors these markets in order to obtain a comprehensive picture and to react in real time to currency risks according to the risk profile of each customer and the approved credit facilities.

As seen from the data presented above on "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.
For details on the manner of managing credit risk applying to foreign financial institutions, see the 2023 Annual Report (pp. 85-86).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, approx. 96% of the exposure as of March 31, 2024, is to financial institutions rated "A-" rating or higher, compared to approx. 98% to December 31, 2023.
The states for which the Bank has exposure as stated above as of March 31, 2024, include, inter-alia, the United States and Britain.
As of March 31, 2024, exposure to Russia and to the Ukraine is at a negligible scope (a mere few millions of NIS).
In the first quarter of 2024, no loss on impairment of securities was recorded for exposure to financial institutions.

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

	Balance sheet credit risk[(2)(4)(5)]	Present off balance sheet credit risk[(3)(4)]	Present credit exposure[(4)]
	In NIS millions		
	As of March 31, 2024		
Present credit exposure to foreign financial institutions[(1)(6)]			
External credit rating[(7)]			
AAA to AA-	488	39	527
A+ to A-	3,498	479	3,977
BBB+ to BBB-	30	80	110
BB+ to B-	2	35	37
Not rated	1	29	30
Total present credit exposure to foreign financial institutions	**4,019**	**662**	**4,681**
	As of December 31, 2023		
Present credit exposure to foreign financial institutions[(1)(6)]			
External credit rating[(7)]			
AAA to AA-	1,022	9	1,031
A+ to A-	4,827	444	5,271
BBB+ to BBB-	27	6	33
BB+ to B-	2	35	37
Not rated	10	26	36
Total present credit exposure to foreign financial institutions	**5,888**	**520**	**6,408**

Notes:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.
(2) Deposits with banks, credit to the public, investment in bonds, securities borrowed or purchased under agreements to resell and other Balance sheet credit risk for derivative instrument.
(3) Mainly guarantees, including guarantees securing third party indebtedness.
(4) Credit exposures and problematic credit risk are presented before the effect of allowance for credit losses and before deductions as defined in Section 5 of Proper Conduct of Banking Business Directive No. 313.
(5) For further information regarding the composition of the credit exposure reflected in the table showing derivative instruments in relation to banks/dealers/brokers, see Note 28 to the financial statements.
(6) Credit exposure does not include exposure to financial institutions that have explicit and full government guarantees, and does not include investment in assets backed securities (for additional details regarding assets backed securities, see Note 12 to the financial statements).
(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.

The balance of off-balance sheet exposure as of March 31, 2024, does not include the purchase of insurance from foreign insurance companies in respect of Sales Law guarantees of borrowers in the real estate sector, in a total amount of approx. NIS 9 billion.

In addition to the exposure presented in the above table, as of March 31, 2024 and December 31, 2023 a potential off-balance sheet exposure exists to derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 on "Restrictions on indebtedness of a single borrower and of a group of borrowers"), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 1,356 million and NIS 1,651 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB Bank (hereinafter will be named together as "the Group"). It is noted though, that the data relating to IDB Bank are negligible (housing credit in the amount of NIS 358 million as of March 31, 2024 and NIS 347 million as of December 31, 2023).

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

Since the second half of 2022, there has been a decrease in the execution of housing loans at the Bank and for the whole system. This downturn also continued in 2023, in direct line with the trend of rising interest rates in the economy. Along with the slowdown in the housing market, the decline in the scope of executing housing loans continued. Signs may be noticed in the first quarter of 2024 of a slight recovery, an increase in the scope of sales and in the prices of apartments, and at the same time an increase in the scope of granting mortgages in the system.

For details on the measures taken by the Group, see 2023 Annual Report (p. 88).

The volume of the Group's housing loan portfolio as of March 31, 2024, amounted to NIS 70,279 million (December 31, 2023 - NIS 69,598 million).

Certain risk characteristics of the Group's housing loans portfolio

	March 31, 2024	December 31, 2023
	%	
Rate of housing loans financing over 75% of the value of the property	0.6	0.6
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	14.6	14.7
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio[1]	58.1	57.9

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

Amount of loans and average financing ratios

	March 31,2024	December 31, 2023
Average amount of loan (in NIS thousands)	923	952
Average financing ratio for housing loans (in %)	53.7	54.4
Average financing ratio for general purpose loans (in %)	18.7	24.4

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

	March 31, 2024		December 31, 2023	
Credit limit net(1)(2) (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	44,203	63.2	43,907	63.4
Between 1,200 and 4,000	24,192	34.6	23,816	34.4
Over 4,000	1,540	2.2	1,535	2.2
Total	**69,935**	**100.0**	**69,258**	**100.0**
Of which:				
Housing loans that were granted abroad	354		342	

Footnotes:

(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 344 million (31.12.2023: NIS 340 million).

(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 115 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2023: NIS 97 million).

Volume of problematic debts in housing loans

	Balance of credit to the public(1)(2)	Balance of problematic credit: Accruing	Balance of problematic credit: Non-accruing	Balance of problematic credit: Total	Balance of allowances for credit losses	Ratio of problematic debt
	In NIS millions					Change in %
March 31, 2024	70,279	98	268	366	344	0.5
December 31, 2023	69,598	103	259	362	340	0.5

Footnotes:

(1) Recorded amount.

(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 115 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2023: NIS 97 million).

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

	For the three months ended March 31, 2024		For the three months ended March 31, 2023		For the year ended December 31, 2023	
Loan to value (LTV) ratio(1)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 45%	758	36.9	899	29.8	3,266	33.7
Between 45% and 60%	486	23.6	847	28.1	2,632	27.1
Over 60%	813	39.5	1,266	42.1	3,799	39.2
Total	**2,057**	**100.0**	**3,012**	**100.0**	**9,697**	**100.0**

Footnote:

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

The average loan period of housing loans at the Bank (standalone) in the first quarter of 2024, was 23.1 years, compared with 22.9 years in the industry. The amount of credit for a period of over twenty years amounted to 57% of the whole credit portfolio of housing loans at the Bank.

The data on the distribution of extended credit as of March 31, 2024, by period of loan shows that the granting of loans for periods of over twenty years reached a rate of 72.2% of the portfolio.

Data on developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			credit			
	Fixed interest	Variable interest		Fixed interest	Variable interest		Fixed interest	Variable interest		
	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	Total Housing Credit (1)(2)
As at March 31, 2024	22,004	28,252	71.9	7,194	12,419	28.0	54	12	0.1	69,935
As at December 31, 2023	21,938	27,932	71.9	6,930	12,363	27.9	26	69	0.1	69,258

Footnotes:

(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 115 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2023: NIS 97 million).

(2) The balance of credit is after deduction of allowance for credit losses of NIS 344 million (December 31,2023: NIS 340 million).

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

The outstanding balance as of March 31, 2024 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 12,360 million, comprising 17.7% of the total housing loans portfolio (as of December 31, 2023, the balance amounted to NIS 12,562 million, comprising 18.1% of the total housing loans portfolio).

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

	For the three months ended March 31,				For the year ended December 31, 2023	
	2024		2023			
Ratio of payment to income (PTI)(1)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 40%	1,721	99.9	2,771	99.9	8,667	99.9
Over 40%	2	0.1	4	0.1	12	0.1
Total	**1,723**	**100.0**	**2,775**	**100.0**	**8,679**	**100.0**

Footnote:

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

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

Credit risk of private individuals (excluding housing credit risk)

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

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

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

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

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

Development in balances

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

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	March 31, 2024				
Level of income to the account					
Excluding permanent income to the account	1,139	79	1,218	534	1,752
Less than NIS 10 thousand	3,423	646	4,069	2,974	7,043
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,500	1,483	5,983	3,903	9,886
Greater than NIS 20 thousand	4,444	3,041	7,485	6,312	13,797
Total	**13,506**	**5,249**	**18,755**	**13,723**	**32,478**
	December 31, 2023				
Level of income to the account					
Excluding permanent income to the account	869	67	936	555	1,491
Less than NIS 10 thousand	3,355	626	3,981	2,987	6,968
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,446	1,417	5,863	3,887	9,750
Greater than NIS 20 thousand	4,657	2,917	7,574	6,422	13,996
Total	**13,327**	**5,027**	**18,354**	**13,851**	**32,205**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	March 31, 2024	December 31, 2023
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,260	1,263
Over 1 year and up to 3 years	4,602	4,572
Over 3 years and up to 5 years	3,463	3,466
Over 5 years	3,249	3,095
Total	**12,574**	**12,396**

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

Distribution by size of credit to the borrower

	March 31, 2024	December 31, 2023
Balance sheet credit upper limit (NIS thousands)	in NIS million	
Up to 40	4,846	4,835
Between 40 and 150	8,860	8,926
Over 150	5,049	4,593
Total	**18,755**	**18,354**

Distribution by exposure to changes in interest rates

	March 31, 2024	December 31, 2023
	in NIS million	
Fixed interest credit	4,528	4,131
Variable interest credit	14,227	14,223
Total	**18,755**	**18,354**

Distribution of collateral securing the credit

	March 31, 2024	December 31, 2023
	Total collateral	
Type of collateral	in NIS millions	
Liquid financial assets	831	856
Other collateral	739	738
Total	**1,570**	**1,594**

Development of problematic credit risk for private individuals

	March 31, 2024	December 31, 2023	Change in	Rate from total balance-sheet to credit to the public March 31, 2024	2023
	in NIS million		%	%	
Problematic credit risk	177	170	3.8	0.9	0.9
Of which: Non-accruing credit risk	44	41	7.4	0.2	0.2
Debts in arrears of 90 days or more	45	43	4.7	0.2	0.2
Net accounting write-offs	16	57	(1)14.1	0.3	0.3
Balance of allowance for credit losses	544	522	4.2	2.9	2.8

Footnote:
(1)On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank, MDB and in ICC), amounted to NIS 1,041 million at March 31, 2024, compared with NIS 1,109 million as of December 31, 2023, a decrease of 6.1%.

Additional details

Background

Credit products. The credit activity in this field is conducted in three principal channels: current account credit facilities, credit card facilities and loans.
The loans comprise the major part of consumer credit balances, and are usually granted in amounts of less than NIS 50 thousand and for short periods (mostly up to five years). The market share of loan operations conducted through the digital channels rises gradually year by year and constitutes a central layer of the total consumer credit activity.
Credit underwriting. Over the years, the Bank has developed advanced models for the assessment of risk relating to a customer seeking credit. The underwriting processes for consumer credit at the Bank are accompanied by wide use of the model products and are conducted according to the Bank's credit policy, carefully modifying the product to the needs of the customer.
Credit underwriting at the branches is comprised of two layers: the one – underwriting under authority, performed at the discretion of an authorized factor using indications and products of models as to the risk rating of the customer, his repayment ability, as well as additional indications required according to the customer's risk and the amount of the loan. The other – automatic underwriting, being performed generally in the case of loans in relatively small amounts and according to the recommendation of the model, which takes into consideration the risk level of the customer, his repayment ability and the past experience of the Bank with the borrower. The Bank combines in both layers the information in the credit data report of the customer from the Bank of Israel data base in considering the extension of credit, everything according to the provisions of the law regarding use of information.

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.
The year 2023 was characterized by the continuation of the slowing down trend in the economy. The decrease in the scope of tax collection and the "Iron Swords" War contributed to an increase in the credit risk assessment. In view of the rise in the interest rate and its persistence over time at a relatively high rate, as well as the rise in the level of inflation and expectation for a slowing down in economic activity, an increase in credit risk is expected. The main reason for such a rise is a heavier burden of debt imposed on borrowers as a result of higher interest and inflation.
It is noted that the development of the risk is directly connected to additional economic indices, in particular, the growth rate, employment and private consumption. Developments in such indices in the coming period have a material impact upon the credit risk level.
As part of dealing with the consequences of the "Iron Swords" War, the Bank is performing heightened monitoring to identify signs of distress among retail borrowers. The monitoring is performed both at the micro level – specific identification of borrowers in difficulties, and also at the macro level – identifying trends and changes in the credit portfolio and the credit risk.
The Bank has integrated various tools, including a mandatory and voluntary deferral outline, loans from the fund guaranteed by the State and additional support tools in order to reduce and make it easier for borrowers to deal with the complexity of the situation.
As of date of publication of this report, the indicators regarding the level of risk existing in the retail credit portfolio do not point at a material change in the level of risk of the household credit portfolio. It may be estimated that part of the indices was affected by assistance measures that were offered to the population, among which, the deferral outline and the deferral of dates Law.

Risk mitigating measures

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

The fairness principle

According to guidelines of the Supervisor of Banks, criteria for the initiation and marketing of credit to the private individual customer population were defined, in respect thereof the Bank is permitted to initiate offers for the granting of credit. The rules are based upon the risk level of the customer as well as on the advisability of accepting the loan on the part of the customer.
The approach to the customer is made according to conversation scenarios that include proper disclosure of the loan terms, needs of the customer and his characteristics as well as mention of the assets and liabilities stated in the customer's account.
It is noted that the fairness principle as regards the customer, has been defined both as part of the risk appetite of the Discount Group and as part of the credit underwriting policy regarding private customers.
The principle of fairness and decency as regards debtors is being applied both while they are being handled under the responsibility of the managing branch as well as after passing them on for legal proceedings by the law offices engaged by the Bank. The guideline is to try and reach an arrangement with each debtor in default, which meets his capabilities and his repayment ability.
The Bank implements the requirements of the Fair Credit Law, 5753-1993. For details regarding this Law, see the 2020 Annual Report (pp. 396-397).

Monitoring and control

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

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

Quantitative data on credit granted to private individuals in ICC

A decline at the rate of 1.5% was recorded in the first quarter of 2024 in the balance of interest bearing credit granted to private individuals, follwong an increase of 10.1% in 2023. This credit amounted as of March 31, 2024, to NIS 7,626 million, and comprises 59.7% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 5,144 million, as compared to NIS 4,529 million as of December 31, 2023 (an increase of approx. 13.6%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.
Credit losses for private individuals amounted in the first quarter of 2024 to NIS 41 million, compared to an expense in the amount of NIS 56 million in the corresponding quarter last year and a total of NIS 285 million in all of 2023. The decrease in credit loss expenses is due, mainly, to a reduction in the collective allowance in light of the collection of debts accumulated in the fourth quarter of 2023, with the outbreak of the “Iron Swords” war due to the limited delay in the collection activity and due to a decrease in consumer credit balances. On the other hand, there was an increase in the volumes of accounting write-offs in the first quarter compared to the corresponding period last year due to the growth in the credit portfolio and to the macro-economic situation in Israel.

Credit risk in relation to the Construction and Real Estate Sector

The construction and real estate sectors are a central component in the Bank’s credit portfolio, and most of the credit to these sectors is managed by the Real Estate wing in the Corporate Division, which possesses a high level of expertise and considerable experience in this field.
With the outbreak of the “Iron Swords” War and in the last quarter of 2023, there was a marked slowdown in the progress of construction at building sites, and the sale of the new apartments reached a low, though a certain recovery is evident in the first months of 2024 in the pace of construction at the building sites and in the pace of apartment sales. The war has major potential to have a negative impact on the financial situation of real estate developers, with an emphasis on borrowers who have experienced an increase in their leverage level due to the increases in the interest rate since April 2022. The decrease in activity scopes in the economy harms also commercial real estate performance. The Bank is following the exposure and is closely monitoring the exposure and the effects of the war and the macro conditions, including the interest rate level, on the financial strength of borrowers and on property prices.
The Bank operates subject to the regulatory limitation and according to mitigating instructions determined by the Supervisor of Banks, within the framework of the Provisional Instruction, in order to enable dealing with the Corona crisis, according to which banks may increase the volume of credit extended to the construction and real estate sector, so that the rate of credit in this sector shall not exceed 26% of total credit, and after deduction of indebtedness of national infrastructure projects, shall not exceed 22%. The banks would be required to revert to a rate of 20% during a period of twenty-four months as from December 31, 2025, on condition that the rate of indebtedness during the said two years would not exceed the rate at December 31, 2025. The Bank conforms to the said limits and also to internal limits serving as alert levels. In addition, the Bank operates according to a series of relief measures published by the Supervisor of Banks since the outbreak of the War.
The credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see the “Construction and Real Estate Activity” under “Additional Details Regarding the Business of the Banking Corporation and Management Thereof” chapter.
In 2023, there was a significant slowdown in the construction and real estate sector, while the trend that began in the second quarter of the year intensified. The Bank operates with a focus on financing residential building projects and on financing the purchase of land. The Bank monitors and closely follows the growth in exposure, inter alia, for new transactions having increased risk (see below), and where required, the Bank has made adjustments to the collective allowance.

The Bank purchases insurance policies in respect of credit risk involved in bank guarantees issued under the Sales Law, execution guarantees and loans financing the purchase of land. Within the framework of such policies, the Bank transfers a share of the credit risk to an international consortium of reinsurers. In accordance with Proper Conduct of Banking Business Directive No. 203, the international rating of the reinsurers allows the Bank the replacement of counterparty risk, thus reducing up to 80% of the required capital allocation in respect of the insured assets. As of March 31, 2024, a total of approx. NIS 27.4 billion of exposure to the real estate sector, including commitments to extend credit, is insured under the said insurance policies.
The rate of exposure to credit in the construction and real estate sector stood at approx. 17.8% as of March 31, 2024, compared with 17.9% at the end of 2023.
The rising interest rates in the market, which started in April 2022, led to an increase in financing expenses of borrowers in the construction and real estate sector in general, and in the area of financing the purchase of land, in particular. The Bank closely follows-up and monitors exposure and the impact of rising interest rates on the financial stability of the borrowers, as well as the prices of properties.

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

The Supervisor of Banks issued on August 19, 2021, a letter in the matter of "Growth in credit risk pertaining to the construction and real estate sector", on the background of the significant growth that had taken place at the banking system during the first half of the year with respect to business credit balances in general and in credit balances to the construction and real estate sector in particular, and in view of the increase in competition and the growing risk appetite, and in consequence thereof, an increase in credit risk. The letter requires banking corporations to reinforce their monitoring and control procedures as regards the development of risks, especially with respect to new credit transactions. Within the framework of monitoring and control, as stated, banking corporations are required to determine criteria for credit underwriting defined by them as "increased risk" credit (on the basis of parameters stated in an Annex to the letter). Moreover, banking corporations are required to adjust the computation of the collective allowance for credit losses following the fast growth of the credit portfolio and the relaxation in underwriting conditions.
In continuation to that stated above, and on the background of the growth in risks pertaining to the construction and real estate sector, banks were required by the Supervisor of Banks, on October 11, 2021, to expand, as from the report for the third quarter of 2021, the quantitative and qualitative disclosure on the construction and real estate sector presented in their Boards of Directors and Managements' reports, and accordingly, a Table was added detailing credit exposure and data on credit rated for granting and credit not rated for granting. In a further letter from the Banking Supervision Department, dated December 30, 2021, the banking corporations were required to make an adjustment to the collective allowance in the 2021 financial statements in view of the rise in the risk and the level of exposure to the construction and real estate sector, as well as expanding the disclosure on this topic.
A detailed analysis of transactions made at Discount Bank during the first quarter of 2024 points at a decline in the volume of new credit that agrees with the criteria of increased risk.
During the reported period, MDB extended an insignificant amount of credit to the construction and real estate sectors, which matches the definition of increased risk credit, according to parameters defined by this bank. As of March 31, 2024, MDB has an outstanding balance of credit extended to the construction and real estate sectors of NIS 312 million, answering to the definition of "intensified credit risk for the purchase of land", compared with NIS 301 million as of December 31, 2023.
The data presented hereunder relate to operations conducted in Israel (operations by Discount Bank and by MDB).

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

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

	March 31, 2024					December 31, 2023					
Sector	Credit risk for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit risk credit	Credit risk for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit risk credit	Change in total credit risk
	in NIS million										%
Income generating real estate	14,060	224	1,748	16,032	342	14,261	193	1,938	16,392	295	(2.2)
Construction – general building contracting	992	241	597	1,830	28	1,139	283	780	2,202	41	(16.9)
Residential projects financing	8,371	5,786	9,214	23,371	121	7,922	5,749	(1)9,663	23,334	124	0.2
Acquisition of building land	13,626	442	596	14,664	907	13,900	468	778	15,146	987	(3.2)
Subcontracting	1,844	1,381	756	3,981	84	1,599	1,441	722	3,762	82	5.8
Civil engineering work	2,033	3,069	745	5,847	72	2,004	2,934	933	5,871	79	(0.4)
Other	1,641	419	508	2,568	54	1,791	482	656	2,929	65	(12.3)
Total	**42,567**	**11,562**	**14,164**	**68,293**	**1,608**	**42,616**	**11,550**	**15,470**	**69,636**	**1,673**	**(1.9)**

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

The credit risk relating to the construction and real estate sector decreased in the first quarter of 2024 at a rate of 1.9%. Most of the decline is in acquisition of building land and construction – general building contracting field.

Breakdown by quality of credit portfolio

	March 31, 2024	December 31, 2023	Change
	in NIS million		in %
Non-accruing credit risk	910	1,022	(10.9)
Credit risk of Impaired debts in Arrears of 90 Days or More	13	14	(7.1)
Other problematic credit risk	685	637	7.5
Total problematic credit risk debts	**1,608**	**1,673**	**(3.9)**
Credit risk of non-problematic debts ranked as "performing"	65,815	(1)67,274	(2.2)
Credit risk of non-problematic debts not ranked as "performing"	870	689	26.3
Total Credit risk	**68,293**	**69,636**	**(1.9)**

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

As shown by the Table, the credit risk for non-accruing debts for the construction and real estate sector decreased in the first quarter of 2024 by approx. 10.9%, due to debt collection. Other problematic debts increased by 7.5% and performing credit which is not at credit rated for granting increased by approx. 26.3%.

Breakdown by type of financing

	March 31, 2024	December 31, 2023	Change in %
	in NIS million		
Housing construction	35,910	(1)36,689	(2.1)
Industrial and commercial construction	17,909	17,678	1.3
Without real estate collateral	14,474	15,269	(5.2)
Total	**68,293**	**69,636**	**(1.9)**

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

Breakdown by type of collateral

	March 31, 2024	December 31, 2023	Change in %
	in NIS million		
"Gross" land	14,616	15,072	(3.0)
Real estate under construction	23,951	(1)23,603	1.5
Constructed real estate	15,252	15,692	(2.8)
Without real estate collateral	14,474	15,269	(5.2)
Total	**68,293**	**69,636**	**(1.9)**

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

Credit risk for leveraged finance

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

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

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

Following are data on credit risk pertaining to leveraged finance as of March 31, 2024. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

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

	March 31, 2024				December 31, 2023			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
Sector	In NIS millions							
Construction and real estate	441	291	732	-	541	391	932	-
Public and Community Services	234	5	239	-	239	5	244	-
Total	**675**	**296**	**971**	**-**	**780**	**396**	**1,176**	**-**

Exposure to leveraged finance as of March 31, 2024 amounted to NIS 675 million, compared with NIS 780 million as of December 31, 2023. The balance of exposure presented in the table above, is after accounting write-offs. The off-balance sheet exposure to leveraged finance transactions as of March 31, 2024, amounted to NIS 296 million, compared with NIS 396 million as of December 31, 2023.
The balance of exposure presented in the table above, is after accounting write-offs.
For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information on risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

Additional disclosure on credit risk for significant exposure to borrower groups

As at March 31, 2024, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

Market Risks

Market risks are presented in this review on a Group basis that includes the Bank, Mercantile Discount Bank, IDB Bank, ICC and the severance pay fund for the Bank's employees (hereafter in this section: "the Group"). Other Group companies do not have any material market risk.

For general details on market risks, see the 2023 Annual Report (pp. 99-102).

Quantitative information on interest risk – sensitivity analysis

Net balance-sheet balance and net adjusted fair value of the financial instruments of the Bank and its consolidated companies

	March 31, 2024			March 31, 2023			December 31, 2023		
	Israeli currency	Foreign currency(2)	Total	Israeli currency	Foreign currency(2)	Total	Israeli currency	Foreign currency(2)	Total
	In NIS millions								
Net balance-sheet balance(1)	16,558	4,037	20,595	14,385	3,721	18,106	16,144	3,919	20,063
Net adjusted fair value(1)(3)	21,451	5,486	26,937	(4)16,748	4,765	21,513	17,844	5,539	23,383
Of which: the banking book	16,950	6,730	23,680	(4)15,482	3,962	19,444	15,769	6,030	21,799
Of which: Effect of allocation to periods of on-call deposits	5,053	2,770	7,823	3,524	1,941	5,465	4,112	2,548	6,660
Of which: Effect of early repayments of housing loans	36	-	36	229	-	229	212	-	212
Of which: Effect of early repayments of deposits from the public	(286)	-	(286)	(310)	-	(310)	(246)	-	(246)

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

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	Israeli currency	Foreign currency(4)	(5)Total	Israeli currency	Foreign currency(4)	(5)Total	Israeli currency	Foreign currency(4)	(5)Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	(650)	39	(611)	(23)	53	30	(463)	41	(422)
Of which: the banking book	(661)	40	(621)	7	86	93	(415)	50	(365)
Of which: Effect of allocation to periods of on-call deposits	1,270	552	1,822	1,357	320	1,677	1,323	526	1,849
Of which: Effect of early repayments of housing loans	310	-	310	331	-	331	256	-	256
Of which: Effect of early repayments of deposits from the public	(102)	-	(102)	(155)	-	(155)	(120)	-	(120)
A parallel decrease of 1%	674	(71)	603	47	(96)	(49)	529	(88)	441
Of which: the banking book	688	(71)	617	19	(128)	(109)	480	(97)	383
Of which: Effect of allocation to periods of on-call deposits	(1,355)	(593)	(1,948)	(1,449)	(342)	(1,791)	(1,413)	(567)	(1,980)
Of which: Effect of early repayments of housing loans	(514)	-	(514)	(495)	-	(495)	(396)	-	(396)
Of which: Effect of early repayments of deposits from the public	105	-	105	162	-	162	123	-	123
Non-parallel changes									
Curving(2)	(798)	(7)	(805)	(746)	75	(671)	(767)	(3)	(770)
Flattening(3)	642	(6)	636	724	(80)	644	670	(78)	592
Interest rise in the short-term	337	(23)	314	659	(61)	598	429	(86)	343
Interest decline in the short-term	(387)	29	(358)	(703)	84	(619)	(469)	20	(449)

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

The change in sensitivity to interest rate changes compared with December 31, 2023, stems, mainly, from the following reasons:

- in the Israeli currency, exposure to loss increased due to the purchase of securities, increase in the credit portfolio, and from shortening of deposit periods. This increase was partly offset as a result of debt issue;
- in the foreign currency segment, there was an increase in exposure to loss due to the purchase of securities.

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	410	29	439	494	(6)	488	478	23	501
Of which: the banking book	385	24	409	471	(39)	432	449	64	513
A parallel decrease of 1%	(710)	(33)	(743)	(1,041)	-	(1,041)	(813)	(22)	(836)
Of which: the banking book	(685)	(69)	(715)	(1,018)	37	(981)	(784)	8	(776)

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

Sensitivity of the income is calculated on the basis of various assumptions regarding the effect of a change in interest on the return on assets and the cost of the deposits (Beta) and application of minimum interest levels for pricing.
As of March 31, 2024, the estimated effect of a parallel increase of 1% on interest income amounted to an increase of NIS 439 million, whereas the estimated effect of a parallel decrease of 1% amounted to a decrease of NIS 743 million. This compared to estimates as of December 31, 2023, which amounted to an increase in interest income of NIS 501 million, in a scenario of a parallel increase of 1%, and to a decrease in interest income of NIS 836 million, in a scenario of a parallel decrease of 1%.

For additional quantitative and qualitative details about the interest risks, see the “Disclosure according to the third pillar of Basel and additional information on risks” document, which is available for perusal on the Bank’s website, on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd.

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

Fair value of financial instruments. Most of the Bank’s balance sheet financial instruments do not have a quoted “market price” as they are not traded on an active market. Accordingly, according to the directive, the fair value is estimated using accepted pricing models, and in particular through the calculation of the present value of the discounted cash flows using a discount interest rate appropriate to the level of risk embodied in the instrument.
The determination of the discount interest rate is subjective. Thus, for most of the financial instruments, the fair value estimate presented below does not necessarily constitute an indication of the realizable value of the financial instruments on the reporting date.
The assessment of the present value of future cash flows was done according to the interest rates in effect on the reporting date, without taking into consideration fluctuations in interest rates. Using different discount rates assumptions, may result in significantly different fair value amounts. This relates particularly to financial instruments bearing a fixed interest rate or non-interest bearing.
It should be further noted, that the differential between the book value of the financial instrument and its fair value, may never be realized, as the Bank usually holds the financial instrument to maturity.
In consequence of the above, it should be stressed that the data included in this Note, is no indication of the Bank’s value.
Furthermore, due to the broad spectrum of possible assessment techniques and estimates in implementing the reporting directives with regard to the fair value, care should be taken when examining the fair value data itself as well as when comparing it with the fair value data presented by other banks.
Hybrid financial instruments are debt instruments, in which are embedded derivative components that have not been separated there from. In providing information on fair value, the Bank is not required to classify financial instruments as hybrid financial instruments, because, according to the Bank of Israel’s guidelines, the interest rate exposure of these instruments included the division of such transactions according to maturity dates, while separating the option component from these instruments. Following are details of the hybrid financial instruments, where in the disclosure on exposure to changes in interest rates, the separated option and the host instrument have been treated as standalone instruments (the effect on the financial statements is not material): deposits with the option of a fixed rate of interest or of a variable rate of interest, savings deposits linked to the CPI or linked to foreign currency with an option for changing the linkage base and an option securing the Shekel principal sum deposited, deposits and loans linked to the CPI or linked to foreign currency with an option for securing the Shekel principal sum.
For further details on the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2023 (pp. 297-299).
Following are certain updates as of March 31, 2024:
- The fair value of problematic debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the problematic debts by NIS 2.8 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the problematic debts by NIS 2.3 million (compared to a reduction of NIS 2.7 million and a reduction of NIS 2.1 million, respectively, as of December 31, 2023);

- Cash flows for mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, increased the fair value of the mortgages, particularly in the CPI linked segment, by NIS 36 million (compared to an increase of NIS 212 million as at December 31, 2023);
- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.70 years on March 31, 2024, compared to 3.33 years, taking into consideration the forecast for early redemptions (compared to 3.74 years and 3.33 years, respectively, as of December 31, 2023);
- Cash flows for deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits by NIS 268 million (compared to a reduction of NIS 246 million at December 31, 2023);
- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.72 years on March 31, 2024, compared to 2.62 years, taking into consideration the forecast for early redemption (compared to 2.61 years and 2.50 years, respectively, as of December 31, 2023).

For details on the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2023 (pp. 298-299).
The net changes in fair value, in the different linkage segments, stem from the active management of the active capital and the decision to move it according to returns expected in the different linkage segments.
No weekly cumulative change occurred in the past ten years, which had it occurred in the reported period would have adversely affected the "going concern" assumption used at the basis of preparation of the financial statements.

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

The data presented above, was computed on the basis of fair value, as required by the public reporting directives of the Supervisor of Banks and according to the calculation of the table "Exposure to interest rate changes", which is presented within the framework of the document "Disclosure according to the third pillar of Basel and additional information on risks".
The current management of exposure to interest rates applies to all of the Bank's operations, and takes into consideration additional data that represent the economic approach to the management of exposure of the economic value of the Bank's equity to changes in interest rates.
The principal differences between the computation of exposure according to accounting fair value and the managed economic exposure are as follows:
(a) The computation of the accounting fair value made use of graphs that take into consideration credit margins. Computation of the economic exposure made use of graphs representing the transfer prices;
(b) Items relating to liabilities for employee rights are included in the economic measurement in the CPI-linked segment, while in the accounting measurement they are presented in the unlinked segment;
(c) Economic exposure takes into consideration expected future cash flows, such as deposits in savings schemes, in contrast to the calculation on the fair value basis, which does not take into account such future deposits;
(d) A non-accruing impaired debt is related in economic exposure to the non-linked segment, as it does not carry interest, while in fair value calculations, it is presented in its original segment;
(e) Optional savings schemes are presented at fair value in their principal linkage segment, while in economic exposure each component is presented in its related linkage segment.

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

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
	In NIS millions				
	For the first quarter ended March 31, 2024				
An increase of 100BP in interest rates	(245)	(710)	(26)	23	(957)
A decrease of 100BP in interest rates	329	671	(4)	(25)	971
	For the fourth quarter ended December 31, 2023				
An increase of 100BP in interest rates	(194)	(703)	15	27	(855)
A decrease of 100BP in interest rates	283	772	(60)	(29)	966

For explanations regarding the change in sensitivity to changes in the interest rates, see above following the Table ”The impact of scenarios of changes in interest rates on the net adjusted fair value - consolidated”.
The changes between the effect of the changes in interest in this table and the changes presented in the table “the impact of scenarios of changes in interest rates on the net adjusted fair value” shown above are due mainly to the use of different discounting curves in the two measurements, as set forth above. This effect was mostly reflected in the non-linked segment, due to the fact that a significant gap in results exists in this segment, stemming from capitalization at transfer prices instead of capitalization at the cost of credit, since most of the interest exposure relates to the credit portfolio. In the dollar segment (including foreign currency) there is no material gap between the two tables, since most of the interest exposure in this segment derives from the deposits, which are not affected by the gap between the transfer price and the cost of credit.
In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

The impact of scenarios of changes in interest rates on the equity attributed to the Bank's shareholders

	March 31, 2024	March 31, 2023	December 31, 2023
		In NIS millions	
A parallel increase of 1%	(317)	(308)	(275)
A parallel decrease of 1%	309	279	245

As of March 31, 2024, the assessment of the effect of a parallel rise of 1% in the interest rate on the capital reserve in respect of the available-for-sale securities portfolio and the liabilities for pension amounts to a capital loss of NIS 317 million. In case of a parallel decrease of 1% in the interest rate, the capital profit amounts to NIS 309 million.

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details on assets and liabilities according to linkage terms, see Note 15 to the condensed financial statements.
Effects of the ”Iron Swords” War. The war has led to high volatility in the exchange rate, which was stabilized already at the beginning of 2024. The Bank has no significant exposure to changes in exchange rates except for the investment in New York, which has been recognized as a structural position. For further details, see ”Effect of hedging relations and transactions in derivative instruments on the exposure” below.
Capital sensitivity to changes in exchange rate. The capital’s sensitivity to changes in exchange rate is presented in the following table, which provides details on the impact of changes in exchange rates of the major currencies on the capital as of March 31, 2024.
Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank’s policy is not to create an exposure to foreign currency exchange rates in its ongoing activity.

The Bank's capital sensitivity of changes in exchange rates

	March 31, 2024			
	in NIS millions			
Segment	10%	5%	-5%	-10%
USD	254	123	(101)	(193)
EUR	99	45	(26)	(45)
Other Foreign Currencies	10	6	(2)	(4)

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

Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of March 31, 2024.

Sensitivity of the capital to changes in the CPI

	March 31, 2024	
	in NIS millions	
	Increase of 3%	Decrease of 3%
	552	(552)

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

For quantitative and qualitative details about share price risk, see the 2023 Annual Report (p. 107) and in the "Disclosure according to the third pillar of Basel and additional information on risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.
No deviation from the said restrictions was recorded in the first quarter of 2024.
For further details on the management of the Liquidity and financing risks, see the 2023 Annual Report (pp. 108-111).

Liquidity coverage ratio

As of the first quarter of 2024, the liquidity coverage ratio of the Discount Group, on the basis of 75 observations average, stood at 141.9%, compared with an average ratio of 130.7% as of the fourth quarter of 2023, higher than the minimum requirements according to the instructions.

Effects of the "Iron Swords" War. On October 7, 2023, the Iron Swords War broke out. Since the outbreak of the war through the date of publishing the financial statements, the War has had no material impact on the Bank's liquidity coverage ratio.
For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

The Bank's average liquidity ratio grew in the first quarter of 2024 as a result of raising of debt made by the Bank during the quarter. This impact was partly offset by the growth in the Bank's credit portfolio.

Transferability of liquidity within the Group. The transfer of liquidity between companies in the Group and the Bank is carried out on the basis of a mechanism of transfer prices and in accordance with market prices. In their liquidity model, the subsidiary companies are not allowed to rely upon the transfer of funds from other Group companies unless a liquidity facility has been defined and taken into account in the liquidity model of the counterparty. During the first quarter of 2024, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a liquidity surplus.

Deposits from the public (at the Bank)

	March 31, 2024	March 31, 2023	December 31, 2023	Change compared to March 31, 2023		Change compared to December 31, 2023	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	155,656	146,968	153,861	8,688	5.9	1,795	1.2
CPI-linked shekels	14,742	10,588	13,996	4,154	39.2	746	5.3
Foreign currency and foreign currency linked shekels	54,374	56,000	56,578	(1,626)	(2.9)	(2,204)	(3.9)
Total	**224,772**	**213,556**	**224,435**	**11,216**	**5.3**	**337**	**0.2**
Foreign currency and foreign currency linked shekels - In US$ millions	14,772	15,491	15,599	(719)	(4.6)	(827)	(5.3)

Deposits from Banks (at the Bank)

	March 31, 2024	March 31, 2023	December 31, 2023	Change compared to March 31, 2023		Change compared to December 31, 2023	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	4,902	10,168	5,041	(5,266)	(51.8)	(139)	(2.8)
CPI-linked shekels	18	22	17	(4)	(18.2)	1	5.9
Foreign currency and foreign currency linked shekels	1,060	692	1,131	368	53.2	(71)	(6.3)
Total	**5,980**	**10,882**	**6,189**	**(4,902)**	**(45.0)**	**(209)**	**(3.4)**

Analysis of the changes in deposits from the public according to linkage bases during the period indicates that most of the growth relates to the increase in scope of shekel deposits, mainly retail and financial deposits. On the other hand, there was a reduction in foreign currency deposits, mostly corporate deposits.

For additional details on liquidity risks and the management thereof, see the "Disclosure according to the third pillar of Basel and additional information on risks" document, which is available for perusal as stated, and also Note 15 on assets and liabilities according to linkage terms.

For additional details on financial risk, see the "Disclosure according to the third pillar of Basel and additional information on risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Operational Risks

For details on Operational risks and the manner of management thereof, including in the matter of business continuity, see the 2023 Annual Report (pp. 111-113) and the document "Disclosure according to the third pillar of Basel and additional information on risks" available for perusal as stated.

Other risks

For additional details on other risks, see 2023 Annual Report (including: Cross-border risks – pp. 113-114; Information technology risks – p. 114; Strategic risk - p. 114; Reputation risk – pp. 114-115; Data and cyber protection risks - p. 115; Legal risks – pp. 116-117; Conduct risks – p. 118).

Environmental and climate risks

For details regarding Environmental and climate risks, see the 2023 Annual Report (pp. 115-116).

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. In 2018, the Bank received immunity letter and indemnity letter signed by the State of Israel. Following extension, the indemnity letter and immunity letter are in effect until May 31, 2021.
On the background of the delay in the start of operation of the Correspondence Government Company, that had been established but has not yet begun operations for providing services for banks operating in areas of the Palestinian Authority, the validity of the letters of indemnity and immunity has been extended twice more, the last of which until June 30, 2024 and the Bank is negotiating presently with the Accountant General for the prolongation of their effect for an additional period. In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority. Notwithstanding the above, if the letters of indemnity and immunity are not extended, the Bank will consider the termination of the said services.

For further details on compliance risks including Discount Group's activities with banks acting in the Palestinian Authority, see the 2023 Annual Report (pp. 117-118).

Risk Factors Table

For details, see the 2023 Annual Report (pp. 118-121).

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

Critical Accounting Policies and Critical Accounting Estimates

The Bank's financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2023, pp. 151-165) and according to instructions and guidelines of the Supervisor of Banks.

The level of regulation regarding the financial reporting of banking corporations is among the highest in the financial reporting fields in Israel. The instructions and guidelines of the Supervisor of Banks are comprehensive, detailed and at times even dictate the wording to be used by banking corporations. Nonetheless, there are areas where implementation of the accounting policy involves a high level of evaluation and assessment performed by management of the banking corporation in the course of the preparation of the financial statements.

Implementation by management of the accounting principles and the instructions and guidelines of the Supervisor of Banks, sometimes requires various assumptions, evaluations and assessments that affect the reported amounts of assets and liabilities, including contingent liabilities, as well as the financial results reported by the Bank. It is possible that when the evaluations and assessments materialize in the future, their results may be different than those anticipated at the time the financial statements were prepared.

Certain of the evaluations and assessments applied involve uncertainty or sensitivity to various variables to a large extent. Such evaluations and assessments, changes in which might have a considerable effect on the reported financial results, are considered evaluations and assessments of "critical" matters.

The Bank's Management believes that the evaluations and assessments used in the preparation of the financial statements are fair and were made according to the best of its knowledge and professional judgment.

A summary review of evaluations and assessments made regarding "critical" matters is included in the 2023 Annual Report (pp. 122-127).

Measurement of financial instruments according to their fair value

The credit risk. Adjustment of the credit risk involved in assets and liabilities regarding derivative instruments, resulted in the first quarter of 2024 in a profit of NIS 22 million, compared to a profit of NIS 7 million in the corresponding period last year.

Adjustments made to assets and liabilities for derivative instruments

	March 31, 2024	December 31, 2023
	in NIS millions	
Assets for derivative instruments	10,031	11,107
Adjustment for credit risk regarding assets relating to derivative instruments	(39)	(65)
Liabilities for derivative instruments	8,793	10,483
Adjustment for credit risk regarding liabilities relating to derivative instruments	(2)	(6)

For additional details on the measurement of financial instruments according to their fair value, see the 2023 Annual Report (pp. 124-126).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of March 31, 2024. For details on the computation of the actuarial provision amount that would have been required were the cap rate to be determined according to the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the 2023 Annual Report.
Presenting the actuary's opinion for perusal. The opinion of the Actuary is available for perusal on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the 2024 First Quarter Report (this Report).
The actuarial estimate as of March 31, 2024, as compared with the estimate of December 31, 2023, has been mostly affected by the increase in the discounting rate. The principal change stemmed from an increase in the international margin and from an increase in the rates of yields to redemption of CPI-linked governments bonds.

Controls and Procedures

Disclosure controls and procedures

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

Changes in Internal Control

During the first quarter of 2024, no change has occurred in the Bank's internal control over financial reporting, which materially affected, or is reasonably expected to materially affect, the Bank's internal control over financial reporting.

May 19, 2024	Danny Yamin Chairman of the Board of Directors	Avi Levy President & Chief Executive Officer

Internal Control over Financial Reporting

Certification

I, Avi Levy, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2024 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

May 19, 2024

Avi Levy
President & Chief Executive Officer

Certification

I, Yossi Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2024 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   (b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   (c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   (d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

May 19, 2024

Yossi Beressi
Senior Executive Vice President
Chief Accountant

Condensed Financial Statements

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

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at March 31, 2024 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for this interim period according to Israeli GAAP regarding financial reporting for this interim period and according to the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

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

Conclusion

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

Emphasis of a matter

Without qualifying our above conclusion, we call attention to the Note 10 section 4 regarding claims that cannot be estimated.

Somekh Chaikin	Ziv Haft
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)

May 19, 2024

Condensed Consolidated statement of profit and loss

		Unaudited		Audited
		For the three months ended March 31,		For the year ended December 31,
	Notes	2024	2023	2023
		in NIS millions		
Interest income		5,164	4,693	20,712
Interest expenses		2,627	1,953	9,776
Net interest income	**2**	**2,537**	**2,740**	**10,936**
Credit loss expenses	6,14	82	204	1,502
Net interest income after credit loss expenses		**2,455**	**2,536**	**9,434**
Non-interest Income				
Non-interest financing income	3	358	329	1,218
Fees and commissions		860	887	3,495
Other income	20	2	301	425
Total non-interest income		**1,220**	**1,517**	**5,138**
Operating and other Expenses				
Salaries and related expenses		986	945	3,850
Maintenance and depreciation of buildings and equipment		379	324	1,397
Other expenses		619	693	2,719
Total operating and other expenses		**1,984**	**1,962**	**7,966**
Profit before taxes		1,691	2,091	6,606
Provision for taxes on profit		644	763	2,316
Profit after taxes		**1,047**	**1,328**	**4,290**
Bank's share in profit (loss) of associates, net of tax effect		17	5	(11)
Net profit:				
Before attribution to non-controlling interests		1,064	1,333	4,279
Attributed to the non-controlling interests		(14)	(64)	(87)
Net Profit Attributed to the Bank's Shareholders	**3A**	**1,050**	**1,269**	**4,192**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.85**	**1.03**	**3.39**

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

Danny Yamin Chairman of the Board of Directors	Avi Levy President & Chief Executive Officer	Yossi Beressi Senior Executive Vice President, Chief Accountant	May 19, 2024

Condensed Consolidated statement of comprehensive Income

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Net profit before attribution to non-controlling interests	1,064	1,333	4,279
Net profit attributed to non-controlling interests	(14)	(64)	(87)
Net profit attributed to the Bank's shareholders	**1,050**	**1,269**	**4,192**
Other comprehensive income (loss), before taxes:			
Net adjustments, for presentation of available-for-sale bonds at fair value[3]	(60)	3	323
Adjustments from translation of financial statements	72	132	148
Adjustments of liabilities for employee benefits[2]	82	24	122
Net income on cash flows hedge	3	5	16
Other comprehensive income, before taxes	**97**	**164**	**609**
Related tax effect	(9)	(9)	(152)
Other comprehensive income (loss), before attribution to non-controlling interests, after taxes	88	155	457
Other comprehensive income (loss) , attributed to non-controlling interests	-	1	(3)
Other comprehensive income, attributed to the Bank's shareholders, after taxes	**88**	**154**	**460**
Comprehensive income, before attribution to non-controlling interests	1,152	1,488	4,736
Comprehensive income, attributed to non-controlling interests	(14)	(65)	(84)
Comprehensive income, attributed to the Bank's shareholders[1]	**1,138**	**1,423**	**4,652**

Footnotes:
(1) See Note 4.
(2) Reflects mostly adjustments for actuarial assessments as of the end of the period of defined benefits pension plans and amortization of amounts recorded in the past in other comprehensive income.
(3) Including amortization as described in Note 5 K.
The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	March 31, 2024	March 31, 2023	December 31, 2023
		in NIS millions		
Assets				
Cash and deposits with banks		46,538	60,040	51,115
Securities				
Held-to-maturity bonds		12,024	13,582	13,179
Available- for- sale bonds		34,843	29,482	36,450
Not for trading shares		1,874	1,811	1,899
Trading securities		7,320	6,340	7,740
Total Securities (of which: 16,741, 19,538, 26,346 respectively, pledged to lenders)	**5**	**56,061**	**51,215**	**59,268**
Securities borrowed or purchased under agreements to resell		930	1,251	851
Credit to the public	6, 14	265,990	252,845	262,941
Allowance for credit losses	6, 14	(4,187)	(3,362)	(4,214)
Net credit to the public		**261,803**	**249,483**	**258,727**
Credit to Governments		2,889	2,912	3,073
Investments in Associates		487	491	471
Buildings and equipment		4,558	4,031	4,535
Intangible assets and goodwill		161	162	161
Assets for derivative instruments	11	10,030	11,959	11,106
Other assets		6,640	5,928	6,417
Total assets		**390,097**	**387,472**	**395,724**
Liabilities and Equity				
Deposits from the public	7	295,468	289,712	297,597
Deposits from banks		11,697	17,517	11,328
Deposits from the Government		76	131	76
Securities lent or sold under agreements to repurchase		5,351	7,787	12,642
Bonds and Subordinated debt notes		17,844	15,097	15,491
Liabilities for derivative instruments	11	8,784	10,005	10,469
Other liabilities (1)		20,650	20,473	18,883
Total liabilities		**359,870**	**360,722**	**366,486**
Equity attributed to the Bank's shareholders		29,431	26,096	28,474
Non-controlling rights		796	654	764
Total equity		**30,227**	**26,750**	**29,238**
Total Liabilities and Equity		**390,097**	**387,472**	**395,724**

Footnote:

(1) Of which NIS 496 million, NIS 444 million and NIS 529 million, as of March 31, 2024, March 31, 2023 and December 31, 2023, respectively, allowance for credit losses for off-balance sheet credit instruments.

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

Condensed Statement of Changes in Equity

		Capital reserves								
	Paid up Share capital	Share premium	Benefit in respect of share based payment transactions	Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
A. For the three months ended March 31, 2024 and 2023 (unaudited)										
Balance at December 31, 2023 (audited)	683	5,565	13	253	6,514	(1,552)	23,512	28,474	764	29,238
Net Profit for the period	-	-	-	-	-	-	1,050	1,050	14	1,064
Dividend paid	-	-	-	-	-	-	(184)	(184)	-	(184)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	-	-
Benefit for share based payment transactions	-	-	3	-	3	-	-	3	-	3
Issuance of shares in a consolidate company	-	-	-	-	-	-	-	-	18	18
Other comprehensive income, net after tax effect	-	-	-	-	-	88	-	88	-	88
Balance at March 31, 2024	**683**	**5,565**	**16**	**253**	**6,517**	**(1,464)**	**24,378**	**29,431**	**796**	**30,227**
Balance at December 31, 2022 (audited)	683	5,565	3	253	6,504	(2,012)	20,388	24,880	598	25,478
Adjustment to the opening balance, net of tax due to the effect of the initial application(1)	-	-	-	-	-	-	(21)	(21)	(10)	(31)
Net Profit for the period	-	-	-	-	-	-	1,269	1,269	64	1,333
Dividend paid	-	-	-	-	-	-	(188)	(188)	-	(188)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	21	21
Receipts on account of option warrants	-	-	2	-	2	-	-	2	1	3
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(21)	(21)
Other comprehensive income, net after tax effect	-	-	-	-	-	154	-	154	1	155
Balance at March 31, 2023	**683**	**5,565**	**5**	**253**	**6,506**	**(1,858)**	**21,448**	**26,096**	**654**	**26,750**
B. For the year of 2023 (audited)										
Balance at December 31, 2022	683	5,565	3	253	6,504	(2,012)	20,388	24,880	598	25,478
Adjustment to the opening balance, net of tax due to the effect of the initial application(1)	-	-	-	-	-	-	(21)	(21)	(10)	(31)
Net Profit for the year	-	-	-	-	-	-	4,192	4,192	87	4,279
Dividend paid	-	-	-	-	-	-	(1,047)	(1,047)	-	(1,047)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	40	40
Benefit for share based payment transactions	-	-	10	-	10	-	-	10	3	13
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(21)	(21)
Minority rights in a subsidiary established during the reporting period	-	-	-	-	-	-	-	-	70	70
Other comprehensive income, net after tax effect	-	-	-	-	-	460	-	460	(3)	457
Balance at December 31, 2023	**683**	**5,565**	**13**	**253**	**6,514**	**(1,552)**	**23,512**	**28,474**	**764**	**29,238**

Footnote:

(1) Cumulative effect of the initial implementation in a subsidiary (ICC) of US GAAP on January 1, 2023, regarding current expected credit losses.

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

Condensed Consolidated Statement of Cash Flows

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	in NIS millions		
Cash Flows from Operating (to Operating) Activities			
Net profit before attribution to non-controlling interests in consolidated companies	1,064	1,333	4,279
Adjustments necessary to present cash flows from current operations:			
Bank's share in undistributed profits of affiliated companies	(17)	(5)	11
Depreciation of buildings and equipment (including impairment in value)	170	150	623
Provision for impairment in value of securities	16	29	105
Credit expenses (reducing expenses) release	82	204	1,502
Gain on sale of credit portfolio, net	(1)	-	-
Profit on sale of available-for-sale bonds and shares not for trading	(94)	(58)	103
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	(13)	11	(13)
Non realized loss (gain) on adjustment to fair value of shares no for trading	(21)	7	(71)
Gain on realization of buildings and equipment	1	(297)	(415)
Benefit for share based payment transactions	3	3	13
Net deferred taxes	66	114	79
Severance pay – increase (decrease) in excess of provision over the deposits	(94)	(15)	(39)
Net change in current assets:			
Assets for derivative instruments	1,075	(538)	314
Trading securities	518	(4,028)	(5,498)
Other assets	34	(176)	(790)
Effect of changes in exchange rate on cash and cash equivalent balances	18	(31)	53
Accrual differences included in investment and financing activities	10	(307)	(353)
Net change in current liabilities:			
Liabilities for derivative instruments	(1,684)	656	1,121
Other liabilities	1,612	2,359	848
Adjustments for exchange rate differences on current assets and liabilities	38	125	123
Dividends received from affiliated companies	4	10	18
Net Cash Flows from Operating (to Operating) Activities	**2,787**	**(454)**	**2,013**

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

Condensed Consolidated Statement of Cash Flows (continued)

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	in NIS millions		
Cash Flows to Investing Activities			
Net change in Deposits with banks	38	(606)	(58)
Net change in net credit to the public	(133)	[1](5,934)	(5,594)
Net change in Credit to the Governments	2,152	348	4,351
Net change in Securities borrowed or purchased under agreements to resell	(79)	(394)	6
Acquisition of held-to-maturity bonds	(126)	(457)	(511)
Proceeds from redemption of held-to-maturity bonds	1,110	1,521	2,255
Purchase of available-for-sale bonds and shares not for trading	(6,077)	(7,720)	(24,178)
Proceeds of sale of available-for-sale bonds and shares not for trading	2,442	4,449	10,431
Purchased credit portfolios	(5,711)	(4,315)	(18,775)
Gain on sale of credit portfolio	-	[1]-	103
Proceeds of redemption of available-for-sale bonds	5,253	345	3,440
Purchase of shares in investee companies (consolidated – associates)	-	(2)	(3)
Acquisition of buildings and equipment	(169)	(308)	(1,194)
Proceeds from sale of buildings and equipment	-	248	424
Net Cash Flows to Investing Activities	**(1,300)**	**(12,825)**	**(29,303)**
Cash Flows from Financing Activities			
Net change in Deposits from banks	369	2,141	(4,048)
Net change in Deposits from the public	(1,311)	(1,657)	6,211
Net change in Deposits from the Government	-	14	(41)
Net change in Securities borrowed or purchased under agreements to resell	(7,291)	4,048	8,903
Issuance of subordinated debt notes	2,636	2,869	4,671
Payments for redemption of principal amounts in a financial lease	(1)	-	(1)
Redemption of subordinated debt notes	(251)	(238)	(1,952)
Dividend paid to the shareholders	(184)	(188)	(1,047)
Dividend to non-controlling interests	-	(21)	(21)
Net cash flows from Financing Activities	**(6,033)**	**6,968**	**12,675**
Increase (decrease) in cash	4,546	(6,311)	(14,615)
Cash balance at beginning of period	50,596	65,252	65,252
Effect of changes in exchange rate on cash and cash equivalent balances	7	32	(41)
Cash balance at end of period	**46,057**	**58,973**	**50,596**
Interest and taxes paid and/or received			
Interest received	5,095	4,482	19,818
Interest paid	(2,530)	(1,229)	(7,773)
Dividends received	11	11	30
Taxes on income paid	(392)	(446)	(2,444)
Taxes on income received	41	9	209

Footnote:

(1) Improvement of data.

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

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

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	in NIS millions		
Recognition of a right-of-use asset in consideration for a financial lease	5	-	8
Recognition of a right-of-use asset in consideration for a leasing liability	322	19	83
Purchase (sale) of fixed assets	21	(85)	166
Lending of securities	(717)	(979)	(290)

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

Notes to the Condensed Financial Statements

1. Accounting Policies

A. **General.** Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of March 31, 2024, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in Associates. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2023 and the accompanying notes. The interim financial statements have been prepared on the basis of the same accounting principles used for the preparation of the audited financial statements as of December 31, 2023 except as detailed in section E hereunder.

B. The interim financial statements were approved for publication by the Bank's Board of Directors on May 19, 2024.

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

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

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

Starting with the period beginning January 1, 2024, accounting standards and instructions are implemented as detailed hereunder:

(1) Update of Standard ASU 2022-02 regarding Troubled Debt Restructurings and Vintage Disclosures.

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

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

The provisions of the update apply to entities that have adopted the updated Standard 2016-13, starting with annual and interim periods beginning after December 15, 2022.

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

The implementation had no material effect on the computation of allowance for expected credit losses. The Standard contains also a change in disclosure requirements, and the implementation thereof is reflected in extended disclosure with respect to the substance of arrangements made and the components of the waiver by the Bank. Stated below are the main updates following the Amendment:

- The term "debts that had undergone restructuring of a troubled debt" was replaced by the term "changes in terms of debts of borrowers in financial difficulties";
- Disclosure requirements were added regarding changes made to terms of loans of borrowers in financial difficulties:
  - Types of changes – waiver of principal sums, reduction in interest rates, delay of repayment that is not negligible, extension of repayment period and the combination of several changes;
  - The financial effect of the changes according to the type of the change;
  - Performance of repayments of the debt during the twelve months following the change, including information regarding any default event during the period;
- Addition of disclosure regarding gross writes off during the reported period, according to year of granting the credit.

1. Accounting Policies (continued)

At date of initial application, the Bank adopted certain reliefs, as allowed in the transitional instructions, including the determination of the balance of debts of borrowers in financial difficulties, the terms of which had been changed until December 31, 2023, based on the balance of debts that had undergone restructuring of a troubled debt until December 31, 2023. Likewise, according to the transitional instructions, in its report for the first quarter of 2024, the Bank did not include a quantitative disclosure in accordance with the format determined in the matter of the details regarding the types of changes made during this quarter to debts of borrowers in financial difficulties, details of the financial effects of these changes, and details regarding the type of changes made to debts which defaulted during this quarter subsequent to the changes made to their terms.

2. Interest Income and Expenses

	Unaudited	
	For the three months ended March 31,	
	2024	2023
	In NIS millions	
A. Interest Income[2]		
Credit to the public	4,130	3,784
Credit to the Governments	41	35
Deposits with the Bank of Israel and cash	411	472
Deposits with Banks	56	50
Securities borrowed or purchased under resale agreements	9	11
Bonds[1]	511	335
Other assets	6	6
Total interest income	**5,164**	**4,693**
B. Interest Expenses[2]		
Deposits from the public	(2,286)	(1,677)
Deposits from the Government	(1)	(1)
Deposits from the Bank of Israel	(3)	(2)
Deposits from banks	(72)	(54)
Securities lent or sold under agreements to repurchase	(130)	(78)
Bonds and subordinated debt notes	(135)	(141)
Total interest expenses	**(2,627)**	**(1,953)**
Net interest income	**2,537**	**2,740**
C. Details of the net effect of hedge derivative instruments on interest income and expenses[3]:		
Interest Income	48	36
Interest expenses	(6)	(21)
D. Accrual basis, interest income from bonds:		
Held-to-maturity	52	54
Available-for-sale	403	231
Trading	56	50
Total included in interest income	511	335

Footnotes:

(1)	Interest Income generated by mortgage backed securities (MBS) - in US $ millions	15	12
	Interest Income generated by mortgage backed securities (MBS) - in NIS millions	56	43

(2) Including the impact of hedge relations.

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

3. Non-interest Financing Income

	Unaudited	
	For the three months ended March 31,	
	2024	2023
	In NIS millions	
A. Non-interest financing income (expenses) from operations not for trading purposes		
From operations in derivative instruments , net		
Net income for derivative instruments[4]	692	1,354
Total from operations in derivative instruments	**692**	**1,354**
From investments in bonds:		
Gains on sale of available-for-sale bonds[3]	38	7
Losses on sale of available-for-sale bonds[3]	(6)	(10)
Total from investments in bonds	**32**	**(3)**
Net exchange rate differences	**(562)**	**(1,137)**
Net profit from investments in shares:		
Gains on sale from non trading shares	62	61
Provision for impairment of non trading shares	(16)	(29)
Dividends from non trading shares	7	1
Unrealized profits (losses) [7]	21	(7)
Total from investment in shares	**74**	**26**
Net profit on loans sold	1	-
Total non-interest financing income (expenses) from operations not for trading purposes	**237**	**240**
B. Non-interest financing income from operations for trading purposes[5]:		
Net income for derivative instruments	108	100
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[1]	19	(4)
Net realized and non-realized losses on adjustment of trading shares to fair value[2]	(6)	(7)
Total from trading operations[6]	**121**	**89**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:		
Interest rate exposure	111	31
Foreign currency exposure	15	65
Share exposure	(5)	(7)
Total according to risk exposure	**121**	**89**
Total non-interest financing income	**358**	**329**

Footnotes:

(1) Of which, a part of the loss relating to trading bonds that are still on hand at balance sheet date	(6)	1
(2) Of which, a part of the income (loss) relating to trading shares that are still on hand at balance sheet date	16	23
(3) Reclassified from accumulated other comprehensive income (loss), see Note 4: Of which, profit, from investments in bonds, net	32	(3)

(4) Excluding the impact of hedge relations.

(5) Including exchange rate differences from trading operations.

(6) For interest income on investments in trading bonds, see Note 2, above.

(7) Including profits and losses on measurement at fair value of shares with readily determinable fair value, as well as upward or downward adjustments of shares without readily determinable fair value.

3A. Earnings Per Share

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	in NIS millions		
Earnings per share			
Total net income attributed to bank's shareholders	1,050	1,269	4,192

	In Thousand		
Earnings per share:			
Weighted average of shares of NIS 0.1 par value:			
Balance at the beginning and end of the period	1,237,011	1,237,011	1,237,011
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,237,011**	**1,237,011**	**1,237,011**
Earnings per share of NIS 0.1 (in NIS)	**0.85**	**1.03**	**3.39**

According to the rules, part of the stock options issued to Officers and senior employees (as detailed in Note 24 to the financial statements as of December 31, 2023) these are diluting by an immaterial amount.

4. Accumulated other comprehensive income (loss)

A. Changes in other comprehensive income (loss) after tax effect

	Other comprehensive income (loss), before attribution to non-controlling interests					Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for- sale bonds at fair value	Adjustments from translation of financial statements(1)	Net profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
A. For the three months ended March 31, 2024 and 2023 (unaudited)							
Balance at December 31, 2023 (audited)	(1,100)	(79)	(9)	(373)	(1,561)	(9)	(1,552)
Net change during the period	(40)	72	2	54	88	-	88
Balance at March 31, 2024	**(1,140)**	**(7)**	**(7)**	**(319)**	**(1,473)**	**(9)**	**(1,464)**
Balance at December 31, 2022 (audited)	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	3	132	4	16	155	1	154
Balance at March 31, 2023	**(1,316)**	**(95)**	**(16)**	**(436)**	**(1,863)**	**(5)**	**(1,858)**
B. For the year of 2023 (audited)							
Balance at December 31, 2022	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the year	219	148	11	79	457	(3)	460
Balance at December 31, 2023	**(1,100)**	**(79)**	**(9)**	**(373)**	**(1,561)**	**(9)**	**(1,552)**

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

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

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

	Unaudited						Audited		
	For the three months ended March 31						For the year ended December 31		
	2024			2023			2023		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions								
Changes in components of other comprehensive loss, before attribution to non-controlling interests:									
Adjustments for presentation of available-for- sale bonds at fair value									
Net unrealized loss from adjustments to fair value	(42)	13	(29)	(17)	4	(13)	(12)	6	(6)
loss on available-for-sale bonds reclassified to the statement of income [1]	(18)	7	(11)	20	(4)	16	335	(110)	225
Net change during the period[2]	**(60)**	**20**	**(40)**	**3**	**-**	**3**	**323**	**(104)**	**219**
Translation adjustments									
Adjustments from translation of financial statement[3]	72	-	72	132	-	132	148	-	148
Net change during the period	**72**	**-**	**72**	**132**	**-**	**132**	**148**	**-**	**148**
Cash flow hedging									
Net income (loss) for cash flow hedging	(18)	5	(13)	1	-	1	(5)	1	(4)
Net loss for cash flow hedging reclassified to the statement of income[4]	21	(6)	15	4	(1)	3	21	(6)	15
Net change during the period	**3**	**(1)**	**2**	**5**	**(1)**	**4**	**16**	**(5)**	**11**
Employee benefits									
Net actuarial income	70	(24)	46	13	(4)	9	75	(27)	48
loss reclassified to the statement of income[5]	12	(4)	8	11	(4)	7	47	(16)	31
Net change during the period	**82**	**(28)**	**54**	**24**	**(8)**	**16**	**122**	**(43)**	**79**
Total net change during the period	**97**	**(9)**	**88**	**164**	**(9)**	**155**	**609**	**(152)**	**457**
Changes in components of other comprehensive income attributed to non-controlling interests:									
Total net change during the period	**-**	**-**	**-**	**1**	**-**	**1**	**(4)**	**1**	**(3)**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**97**	**(9)**	**88**	**163**	**(9)**	**154**	**613**	**(153)**	**460**

Footnotes:

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

(2) Including amortization as described in Note 5 K.

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

(4) The pre-tax amount is reported in the of statement of profit and loss in the item "interest income and expenses".

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

5. Securities

A. Composition

	Unaudited				
	March 31,2024				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(1) Held-to-maturity bonds[6]					
Bonds and loans:					
Of the Israeli Government[9]	8,312	8,312	-	891	7,421
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,649	3,649	3	461	3,191
Of others abroad[5]	63	63	-	4	59
Total held-to-maturity bonds	**12,024**	**[8]12,024**	**3**	**1,356**	**10,671**

	Unaudited				
	March 31,2024				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[1]
	In NIS millions				
(2) Available- for- sale bonds[7]					
Bonds and loans:					
Of the Israeli Government[9]	21,705	22,468	43	806	21,705
Of foreign governments	4,842	4,887	6	51	4,842
Of Israeli financial institutions	70	71	-	1	70
Of foreign financial institutions	495	486	9	-	495
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,688	6,202	17	531	5,688
Of others in Israel	289	319	-	30	289
Of others abroad[5]	1,754	1,745	24	15	1,754
Total Available- for- sale bonds	**[8]34,843**	**36,178**	**[2]99**	**[2]1,434**	**34,843**

	Unaudited				
	March 31,2024				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1][3]
	In NIS millions				
(3) Investment in not for trading shares and funds	1,874	1,731	[4]150	[4]7	1,874
Of which: shares and funds, the fair value of which is not readily available[10]	1,692	1,648	44	-	1,692
Total not for trading securities	**48,741**	**49,933**			**47,388**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Unaudited				
	March 31,2024				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value(1)
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	7,141	7,147	2	8	7,141
Of foreign governments	78	78	–	–	78
Of others in Israel	2	2	–	–	2
Total bonds	**(8)7,221**	**7,227**	**2**	**8**	**7,221**
Shares	99	82	19	2	99
Total trading securities	**7,320**	**7,309**	**(4)21**	**(4)10**	**7,320**
Total securities	**56,061**	**57,242**			**54,708**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at March 31, 2024 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of March 31, 2024.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 3,757 million, from the available for sale portfolio with a market value of NIS 2,273 million.

(9) Including balances, as described in Note 5 K.

(10) The impairment in value (cumulative) of shares not held for trading and which have not got a fair value assessment, amounted in total to NIS 178 million, as of March 31, 2024. Of which: provision for impairment in respect of funds in an amount of NIS 74 million.

5. Securities (continued)

A. Composition (continued)

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	Unaudited				
	March 31,2023				
	In NIS millions				
(1) Held-to-maturity bonds[(6)]					
Bonds and loans:					
Of the Israeli Government[(9)]	9,921	9,921	-	898	9,023
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,597	3,597	4	371	3,230
Of others abroad[(5)]	64	64	-	2	62
Total held-to-maturity bonds	**13,582**	**[(8)]13,582**	**4**	**1,271**	**12,315**

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

	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)(3)]
	Unaudited				
	March 31,2023				
	In NIS millions				
(3) Investment in not for trading shares and funds	1,811	1,737	[(4)]84	[(4)]10	1,811
Of which:shares and funds, the fair value of which is not readily available[(10)]	1,683	1,649	34	-	1,683
Total not for trading securities	**44,875**	**46,299**			**43,608**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31,2023				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	6,220	6,217	12	9	6,220
Of foreign governments	77	77	-	-	77
Of others in Israel	16	18	-	2	16
Total bonds	**[(8)]6,313**	**6,312**	**12**	**11**	**6,313**
Shares	27	4	25	2	27
Total trading securities	**6,340**	**6,316**	**[(4)]37**	**[(4)]13**	**6,340**
Total securities	**51,215**	**52,615**			**49,948**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at March 31, 2023 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of March 31, 2023.

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

(9) Including balances, as described in Note 5 K.

(10) The impairment in value (cumulative) of shares not held for trading and which have not got a fair value assessment, amounted in total to NIS 126 million, as of March 31, 2023. Of which: provision for impairment in respect of funds in an amount of NIS 73 million.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2023				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(1) Held-to-maturity bonds[(6)]					
Bonds and loans:					
Of the Israeli Government[(9)]	9,473	9,473	-	823	8,650
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,643	3,643	7	413	3,237
Of others abroad[(5)]	63	63	-	2	61
Total held-to-maturity bonds	**13,179**	**[(8)]13,179**	**7**	**1,238**	**11,948**

	Audited				
	December 31, 2023				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[(1)]
	In NIS millions				
(2) Available- for- sale bonds[(7)]					
Bonds and loans:					
Of the Israeli Government[(9)]	22,339	23,055	52	768	22,339
Of foreign governments	5,347	5,391	16	60	5,347
Of Israeli financial institutions	99	101	-	2	99
Of foreign financial institutions	630	622	8	-	630
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,654	6,127	25	498	5,654
Of others in Israel	284	317	-	33	284
Of others abroad[(5)]	2,097	2,080	27	10	2,097
Total Available- for- sale bonds	**[(8)]36,450**	**37,693**	**[(2)]128**	**[(2)]1,371**	**36,450**

	Audited				
	December 31, 2023				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)(3)]
	In NIS millions				
(3) Investment in not for trading shares and funds	1,899	1,777	[(4)]130	[(4)]8	1,899
Of which:shares and funds, the fair value of which is not readily available[(10)]	1,732	1,688	44	-	1,732
Total shares	**51,528**	**52,649**	**-**	**-**	**50,297**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2023				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	7,557	7,545	16	4	7,557
Of foreign governments	76	76	-	-	76
Of others in Israel	3	4	-	1	3
Total bonds	**[(8)]7,636**	**7,625**	**16**	**5**	**7,636**
Shares	104	82	24	2	104
Total trading securities	**7,740**	**7,707**	**[(4)]40**	**[(4)]7**	**7,740**
Total securities	**59,268**	**60,356**			**58,037**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at December 31, 2023 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of December 31, 2023.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 7,110 million, from the available for sale portfolio with a market value of NIS 4,531 million and from trading portfolio with a market value of NIS 3,805 million.

(9) Including balances, as described in Note 5 K.

(10) The impairment in value (cumulative) of shares not held for trading and which have not got a fair value assessment, amounted in total to NIS 163 million, as of December 31, 2023. Of which: provision for impairment in respect of funds in an amount of NIS 74 million.

5. Securities (continued)

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

	Unaudited							
	March 31, 2024							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	63	2	-	2	7,349	552	337	889
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	377	5	-	5	3,022	326	130	456
Of others abroad	26	(1)-	-	-	37	4	-	4
Total held-to-maturity bonds	**466**	**7**	**-**	**7**	**10,408**	**882**	**467**	**1,349**

	Unaudited							
	March 31, 2023							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	7,075	471	-	471	1,920	183	244	427
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	566	16	-	16	2,717	332	23	355
Of others abroad	42	2	-	2	-	-	-	-
Total held-to-maturity bonds	**7,683**	**489**	**-**	**489**	**4,637**	**515**	**267**	**782**

	Audited							
	December 31, 2023							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	238	34	-	34	8,402	515	274	789
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	327	3	-	3	2,845	355	55	410
Of others abroad	-	-	-	-	37	2	-	2
Total held-to-maturity bonds	**565**	**37**	**-**	**37**	**11,284**	**872**	**329**	**1,201**

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

5. Securities (continued)

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

	Unaudited							
	March 31, 2024							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	6,759	94	-	94	10,648	596	116	712
Of foreign governments	2,317	12	-	12	1,418	39	-	39
Of Israeli financial institutions	1	(1)-	-	-	46	1	-	1
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	842	8	-	8	3,137	175	348	523
Of others in Israel	24	1	-	1	265	29	-	29
Of others abroad	299	3	-	3	251	12	-	12
Total available-for-sale bonds	**10,242**	**118**	**-**	**118**	**15,765**	**852**	**464**	**1,316**

	Unaudited							
	March 31, 2023							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	11,580	335	-	335	2,710	341	67	408
Of foreign governments	691	33	-	33	1,855	87	-	87
Of Israeli financial institutions	69	4	-	4	15	1	-	1
Of foreign financial institutions	158	4	-	4	116	5	-	5
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,108	97	-	97	3,246	323	185	508
Of others in Israel	299	36	-	36	3	1	-	1
Of others abroad	406	8	-	8	202	10	-	10
Total available-for-sale bonds	**15,311**	**517**	**-**	**517**	**8,147**	**768**	**252**	**1,020**

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

5. Securities (continued)

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

	Audited							
	December 31, 2023							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	9,175	174	15	189	7,324	461	118	579
Of foreign governments	962	15	-	15	1,361	45	-	45
Of Israeli financial institutions	1	(1)-	-	-	69	2	-	2
Of foreign financial institutions	17	(1)-	-	-	26	(1)-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	666	8	-	8	3,012	190	300	490
Of others in Israel	23	1	-	1	260	32	-	32
Of others abroad	208	1	-	1	261	9	-	9
Total available-for-sale bonds	**11,052**	**199**	**15**	**214**	**12,313**	**739**	**418**	**1,157**

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

D. The securities portfolio, as of March 31, 2024, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details on the terms "Mortgage-backed- securities - MBS", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2023.

E. The available-for-sale securities portfolio includes corporate bonds in a total amount of NIS 2,608 million (December 31, 2023: NIS 3,110 million). The balance of the said bonds included as of March 31, 2024, unrealized net losses in the amount of NIS 13 million (December 31, 2023: unrealized net losses of NIS 10 million).

F. Unrealized losses

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

Held-to-maturity bonds. The Bank and the relevant subsidiaries have not recognized an allowance for credit loss for most of the bonds held in the held-to-maturity portfolio, principally Israeli government bonds and US government bonds. As of March 31, 2024, the allowance for credit loss exists for other bonds is a negligible amount.

G. **Fair value presentation.** The balances of securities as of March 31, 2024, March 31, 2023, and December 31, 2023, include securities amounting to NIS 42,345 million, NIS 35,894 million and NIS 44,358 million, respectively, that are presented at fair value.

5. Securities (continued)

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

	Unaudited			
	March 31, 2024			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds(2)				
Mortgage pass-through bonds:	190	-	13	177
of which:				
Bonds guaranteed by GNMA	140	-	6	134
Bonds issued by FHLMC and FNMA	50	-	7	43
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,275	8	516	3,767
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,275	8	516	3,767
Total available-for-sale MBS bonds	**4,465**	**8**	**529**	**3,944**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	34	-	3	31
of which:				
Bonds guaranteed by GNMA	7	-	-	7
Bonds issued by FHLMC and FNMA	27	-	3	24
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,615	3	458	3,160
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,615	3	458	3,160
Total held-to-maturity MBS bonds	**3,649**	**3**	**461**	**3,191**
Total mortgage-backed bonds (MBS)	**8,114**	**11**	**990**	**7,135**
2.Asset-backed available-for-sale bonds (ABS):				
Total-Asset-backed available-for-sale bonds (ABS)	1,737	9	2	1,744
Of which collateralized bonds CLO	1,737	9	2	1,744
Total mortgage and asset-backed bonds	**9,851**	**20**	**992**	**8,879**

Footnotes:

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

(2) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of March 31, 2024.

5. Securities (continued)

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

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

Footnotes:

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

(2) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of March 31, 2023.

5. Securities (continued)

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

	Audited			
	December 31 ,2023			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds(2)				
Mortgage pass-through bonds:	199	-	12	187
of which:				
Bonds guaranteed by GNMA	148	-	6	142
Bonds issued by FHLMC and FNMA	51	-	6	45
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,258	18	478	3,798
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,258	18	478	3,798
Total available-for-sale MBS bonds	**4,457**	**18**	**490**	**3,985**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	34	-	2	32
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	26	-	2	24
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,609	7	411	3,205
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,609	7	411	3,205
Total held-to-maturity MBS bonds	**3,643**	**7**	**413**	**3,237**
Total mortgage-backed bonds (MBS)	**8,100**	**25**	**903**	**7,222**
2.Asset-backed available-for-sale bonds (ABS):				
Total-Asset-backed available-for-sale bonds (ABS)	1,670	7	8	1,669
Of which collateralized bonds CLO	1,670	7	8	1,669
Total mortgage and asset-backed bonds	**9,770**	**32**	**911**	**8,891**

Footnotes:

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

(2)No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of December 31, 2023.

5. Securities (continued)

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

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

	Unaudited			
	March 31, 2024			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass-through bonds				
Bonds guaranteed by GNMA	6	(1)–	122	6
Bonds issued by FHLMC and FNMA	–	–	43	7
Total mortgage-backed pass-through bonds	**6**	**-**	**165**	**13**
B.Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	762	8	2,422	508
Total other mortgage-backed bonds	**762**	**8**	**2,422**	**508**
Total available-for-sale MBS	**768**	**8**	**2,587**	**521**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	2	(1)–	3	(1)–
Bonds issued by FHLMC and FNMA	–	–	23	3
Total mortgage-backed pass-through bonds	**2**	**-**	**26**	**3**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	370	5	2,540	453
Total other mortgage-backed bonds	**370**	**5**	**2,540**	**453**
Total held-to-maturity MBS bonds	**372**	**5**	**2,566**	**456**
Total mortgage-backed bonds (MBS)	**1,140**	**13**	**5,153**	**977**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	74	(1)–	550	2
Total asset-backed available-for-sale bonds (ABS)	**74**	**-**	**550**	**2**
Total mortgage and asset-backed bonds	**1,214**	**13**	**5,703**	**979**

Footnote:

(1) Amount lower than NIS 1 million.

5. Securities (continued)

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

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

	Unaudited			
	March 31, 2023			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A.Mortgage pass through bonds:				
Bonds guaranteed by GNMA	173	8	4	(1)–
Bonds issued by FHLMC and FNMA	–	–	50	7
Total mortgage backed pass through bonds	**173**	**8**	**54**	**7**
B.Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,168	70	2,407	480
Total other mortgage backed bonds	**1,168**	**70**	**2,407**	**480**
Total available-for-sale MBS bonds	**1,341**	**78**	**2,461**	**487**
Held-to-maturity securities				
A.Mortgage pass through bonds:				
Bonds guaranteed by GNMA	6	(1)–	–	–
Bonds issued by FHLMC and FNMA	–	–	28	2
Total mortgage backed pass through bonds	**6**	**-**	**28**	**2**
Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	544	16	2,334	353
Total other mortgage backed bonds	**544**	**16**	**2,334**	**353**
Total held-to-maturity MBS bonds	**550**	**16**	**2,362**	**355**
Total mortgage-backed bonds (MBS)	**1,891**	**94**	**4,823**	**842**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	766	19	785	21
Of which Asset-backed bond (ABS)	1	(1)–	–	–
Total asset backed available-for-sale bonds (ABS)	**767**	**19**	**785**	**21**
Total mortgage and asset backed bond	**2,658**	**113**	**5,608**	**863**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

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

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

	Audited			
	December 31 ,2023			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A.Mortgage pass through bonds:				
Bonds guaranteed by GNMA	-	-	130	6
Bonds issued by FHLMC and FNMA	-	-	45	6
Total mortgage backed pass through bonds	**-**	**-**	**175**	**12**
B. Other Mortgage-Backed Securities (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	666	8	2,147	470
Total other mortgage-backed bonds	**666**	**8**	**2,147**	**470**
Total available-for-sale MBS bonds	**666**	**8**	**2,322**	**482**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	-	-	3	(1)-
Bonds issued by FHLMC and FNMA	-	-	24	2
Total mortgage-backed pass-through bonds:	**-**	**-**	**27**	**2**
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	324	3	2,408	408
Total other mortgage-backed bonds	**324**	**3**	**2,408**	**408**
Total held-to-maturity MBS bonds	**324**	**3**	**2,435**	**410**
Total mortgage-backed bonds (MBS)	**990**	**11**	**4,757**	**892**
2.Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	-	-	690	8
Total asset-backed available-for-sale bonds (ABS)	**-**	**-**	**690**	**8**
Total mortgage and asset backed bonds	**990**	**11**	**5,447**	**900**

Footnote:
(1) Amount lower than NIS 1 million

J. Information on problematic bonds

	March 31, 2024	March 31, 2023	December 31, 2023
	In NIS millions		
Recorded amount of non accruing interest income problematic bonds	-	-	-

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

On May 17, 2022, the Bank, IDB Bank and MDB moved bonds from the available-for-sale portfolio to the held-to-maturity portfolio, in a total amount of approx. NIS 4.5 billion. As required by the reporting instructions, the unrealized loss on adjustment to fair value of the said bonds at the transfer date, in a total amount of approx. NIS 450 million, is continued to be presented in other comprehensive income and is amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield. Until March 31, 2024, a total of NIS 135 million was amortized to profit and loss.

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

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

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

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

	Unaudited					
	March 31, 2024					
	Credit to the public					
	Commercial[1]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	149,534	358	990	150,882	54,666	205,548
Examined on a collective basis	[1]11,516	69,806	33,786	115,108	72	115,180
Total debts	**161,050**	**70,164**	**34,776**	**265,990**	**54,738**	**320,728**
Of which:						
Non-accruing debts	1,834	268	198	2,300	–	2,300
Debts in arrears of 90 days or more	71	–	45	116	–	116
Other problematic debts	6,141	98	548	6,787	–	6,787
Total Problematic debts	**8,046**	**366**	**791**	**9,203**	**-**	**9,203**
Allowance for Credit Losses for debts:						
Examined on a specific basis	2,549	4	7	2,560	36	2,596
Examined on a collective basis	382	338	907	1,627	–	1,627
Total allowance for Credit Losses	**2,931**	**342**	**914**	**4,187**	**36**	**4,223**
Of which: For non-accruing debts	376	13	104	493	–	493
Of which: For other problematic debts	386	2	24	412	–	412

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 115 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

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

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

	Unaudited					
	March 31, 2023					
	Credit to the public					
	Commercial[1]	Private Individuals - Housing Loans[2]	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	138,386	346	1,200	139,932	51,797	191,729
Examined on a collective basis	[1]13,055	66,582	33,276	112,913	-	112,913
Total debts	**151,441**	**66,928**	**34,476**	**252,845**	**51,797**	**304,642**
Of which:						
Non-accruing debts	1,077	234	164	1,475	-	1,475
Debts in arrears of 90 days or more	81	-	41	122	-	122
Other problematic debts	4,967	86	646	5,699	-	5,699
Total Problematic debts	**6,125**	**320**	**851**	**7,296**	**-**	**7,296**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,981	6	4	1,991	31	2,022
Examined on a collective basis	319	267	785	1,371	-	1,371
Total allowance for Credit Losses	**2,300**	**273**	**789**	**3,362**	**31**	**3,393**
Of which: For non-accruing debts	184	12	[2]55	251	-	251
Of which: For other problematic debts	349	1	65	415	-	415

Footnotes:

(1) The balance of commercial debts includes housing loans in the amount of NIS 181 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(2) Reclassified following improvement of data.

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

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

	Audited					
	December 31, 2023					
	Credit to the public					
	Commercial[1]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	149,114	347	1,217	150,678	59,895	210,573
Examined on a collective basis	[1]10,308	69,154	32,801	112,263	63	112,326
Total debts	**159,422**	**69,501**	**34,018**	**262,941**	**59,958**	**322,899**
Of which:						
Non-accruing debts	1,907	259	218	2,384	-	2,384
Debts in arrears of 90 days or more	76	-	43	119	-	119
Other problematic debts	6,030	103	454	6,587	-	6,587
Total Problematic debts	**8,013**	**362**	**715**	**9,090**	**-**	**9,090**
Allowance for Credit Losses for debts:						
Examined on a specific basis	2,580	6	6	2,592	39	2,631
Examined on a collective basis	385	332	905	1,622	-	1,622
Total allowance for Credit Losses	**2,965**	**338**	**911**	**4,214**	**39**	**4,253**
Of which: For non-accruing debts	370	13	122	505	-	505
Of which: For other problematic debts	421	1	70	492	-	492

Footnote:
(1) The balance of commercial debts includes housing loans in the amount of NIS 97 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

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

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

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds	Total
	In NIS millions					
	Three months ended March 31, 2024					
Balance of allowance for credit losses, as at December 31, 2023 (audited)	3,383	358	1,002	4,743	39	4,782
Expenses for credit loss (expenses release)	2	4	79	85	(3)	82
Accounting write-offs	(141)	1	(153)	(293)	–	(293)
Collection of debts written-off in previous years	66	–	78	144	–	144
Net accounting write-offs	(75)	1	(75)	(149)	–	(149)
Adjustments from translation of financial statements	4	–	–	4	–	4
Balance of allowance for credit losses, as at March 31, 2024	**3,314**	**363**	**1,006**	**4,683**	**36**	**4,719**
Of which: For off-balance sheet credit instruments	383	21	92	496	–	496
	Three months ended March 31, 2023					
Balance of allowance for credit losses, as at December 31, 2022 (audited)	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application(1)	22	–	28	50	–	50
Expenses for credit loss	134	6	60	200	4	204
Accounting write-offs	(120)	–	(114)	(234)	(1)	(235)
Collection of debts written-off in previous years	74	–	74	148	–	148
Net accounting write-offs	(46)	–	(40)	(86)	(1)	(87)
Adjustments from translation of financial statements	7	1	–	8	–	8
Balance of allowance for credit losses, as at March 31, 2023	**2,642**	**292**	**869**	**3,803**	**34**	**3,837**
Of which: For off-balance sheet credit instruments	342	19	80	441	3	444

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

7. Deposits from the public

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

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	65,489	(1)71,815	64,661
Interest bearing	32,056	(1)34,614	33,352
Total demand deposits	**97,545**	**106,429**	**98,013**
Time deposits	162,346	146,165	164,416
Total deposits in Israel*	**259,891**	**252,594**	**262,429**
* Of which:			
Private individuals deposits	119,724	118,862	119,148
Institutional bodies deposits	26,191	26,505	29,005
Corporations and others deposits	113,976	107,227	114,276
Outside Israel			
Demand deposits:			
Non-interest bearing	4,868	5,530	5,112
Interest bearing	22,387	22,983	21,537
Total demand deposits	**27,255**	**28,513**	**26,649**
Time deposits	8,322	8,605	8,519
Total deposits outside Israel	**35,577**	**37,118**	**35,168**
Total deposits from the public	**295,468**	**289,712**	**297,597**

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

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

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	96,892	97,443	96,203
Over 1 up to 10	70,255	70,081	70,114
Over 10 up to 100	46,557	42,996	46,953
Over 100 up to 500	33,565	34,424	32,550
Over 500	48,199	44,768	51,777
Total	**295,468**	**289,712**	**297,597**

8. Employee Benefits

A. Details on the benefits

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	2,643	2,645	2,690
Fair value of the plan's assets	1,349	1,234	1,303
Excess liabilities over the plan's assets included in the item "other liabilities"	**1,294**	**1,411**	**1,387**
Amounts included in the other liabilities item:			
Post retirement benefits to retirees	529	553	536
Vacation	176	160	152
Illness	7	7	7
Total Excess liabilities of the program included in the item "other liabilities"	**2,006**	**2,131**	**2,082**
Of which – for benefits to employees abroad	31	31	30

B. Defined benefit plan

1. Commitment and financing status

1.1 Change in commitment for anticipated benefits

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2024	2023	2024	2023	2023	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Commitment for anticipated benefits at the beginning of the period	2,690	2,644	536	562	2,644	562
Cost of service	23	24	1	1	98	6
Cost of interest	30	27	6	6	114	24
Actuarial profit	(36)	(7)	(8)	(7)	(25)	(24)
Changes in foreign currency exchange rates	–	–	1	1	–	1
Benefits paid	(64)	(43)	(7)	(10)	(141)	(33)
Other	–	–	–	–	–	–
Commitment at the end of the period for anticipated benefits	**2,643**	**2,645**	**529**	**553**	**2,690**	**536**
Commitment at the end of the period ifor accumulated benefits[1]	**2,188**	**2,273**	**529**	**553**	**2,338**	**536**

Footnote:

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

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	Severance pay, retirement and pension payments		
	in NIS millions		
Fair value of the plan's assets at the beginning of the period	1,303	1,219	1,219
Actual return on the plan's assets	41	14	84
Deposits to the plan	7	6	25
Benefits paid	(5)	(5)	(25)
An addition stemming from the merger of Municipal Bank	3	–	–
Fair value of the plan's assets at the end of the period	**1,349**	**1,234**	**1,303**
Financing status – net liability recognized at the end of the period	**(1,294)**	**(1,411)**	**(1,387)**

1.3 Amounts recognized in the consolidated balance sheet

	Unaudited				Audited	
	March 31				December 31	
	2024	2023	2024	2023	2023	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other liabilities"	(1,294)	(1,411)	(529)	(553)	(1,387)	(536)
Net liability at the end of the period	**(1,294)**	**(1,411)**	**(529)**	**(553)**	**(1,387)**	**(536)**

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

	Unaudited				Audited	
	March 31				December 31	
	2024	2023	2024	2023	2023	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Net actuarial profit (loss)	(491)	(647)	5	(16)	(566)	(2)
Net cost for prior service	–	–	(1)	(1)	–	(1)
Closing balances of accumulated other comprehensive loss	**(491)**	**(647)**	**4**	**(17)**	**(566)**	**(3)**

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for cumulative benefits	2,132	2,156	2,184
Fair value of the plan's assets	1,181	1,079	1,140

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

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for anticipated benefits	2,643	2,645	2,690
Fair value of the plan's assets	1,349	1,234	1,303

2. Expense for the period

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

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2024	2023	2023
	in NIS millions		
Severance pay, retirement and pension payments			
Cost of service	23	24	98
Cost of interest	30	27	114
Anticipated return on assets of the plan	(18)	(15)	(61)
Cost of prior service	–	–	–
Amortization of unrecognized amounts:			
Net actuarial loss	13	12	51
Total amortization of unrecognized amounts	**13**	**12**	**51**
Total net cost of benefits	**48**	**48**	**202**
Total expense regarding defined deposits pension plans	**55**	**54**	**229**
Total expenses included for Severance pay, retirement and pension payments	**103**	**102**	**431**
Of which: expenses included in salaries and related expenses	78	78	327
Of which: expenses included in other expenses	25	24	104
Post retirement retiree benefits			
Cost of service	1	1	6
Cost of interest	6	6	24
Amortization of unrecognized amounts:			
Net actuarial income	(1)	(1)	(4)
Total amortization of unrecognized amounts	**(1)**	**(1)**	**(4)**
Total net cost of benefits	**6**	**6**	**26**
Of which: expenses included in salaries and related expenses	1	1	6
Of which: expenses included in other expenses	5	5	20

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

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

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2024	2023	2024	2023	2023	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Net actuarial loss (income) for the year	(62)	(6)	(8)	(7)	(48)	(24)
Amortization of actuarial income (loss)	(13)	(12)	1	1	(51)	4
Total recognized in other comprehensive income (loss)	**(75)**	**(18)**	**(7)**	**(6)**	**(99)**	**(20)**
Total net cost of benefits[1]	**48**	**48**	**6**	**6**	**202**	**26**
Total amount recognized in net cost of benefits and in other comprehensive income (loss)	**(27)**	**30**	**(1)**	**-**	**103**	**6**

Footnote:
(1) See item 2.1 above.

3. Assumptions

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

3.1.1 Principal assumptions used in determining the commitment for the benefit

	Unaudited		Audited	Unaudited		Audited
	March 31		December 31	March 31		December 31
	2024	2023	2023	2024	2023	2023
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.93%-2.35%	1.71%-1.87%	1.92%-2.10%	2.09%-2.50%	1.84%-2.04%	1.98%-2.23%

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

	Unaudited		Audited	Unaudited		Audited
	March 31		December 31	March 31		December 31
	2024	2023	2023	2024	2023	2023
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.92%-2.10%	1.64%-1.83%	1.74%-1.90%	1.98%-2.23%	1.76%-2.00%	1.85%-2.06%

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions (continued)

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

	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
	Increase of one percentage point						Decrease of one percentage point					
	Severance pay, retirement and pension payments			Post retirement retiree benefits			Severance pay, retirement and pension payments			Post retirement retiree benefits		
	March 31		December 31	March 31		December 31	March 31		December 31	March 31		December 31
	2024	2023	2023	2024	2023	2023	2024	2023	2023	2024	2023	2023
	in NIS millions											
Discount rate	(189)	(221)	(217)	(33)	(40)	(39)	196	229	232	36	40	45

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

4. Cash flow

4.1 Deposits

	Unaudited			Audited
	Forecast(1)	Actual deposits		
		For the three months ended March 31,		For the year ended December 31,
	2024	2024	2023	2023
	Severance pay, retirement and pension payments			
	in NIS millions			
Deposits	23	7	6	25

Footnote:

(1) Assessment of expected deposits with defined benefit pension plans the remainder of 2024.

C. **Voluntary retirement plan – MDB.** On December 27, 2023, the Board of Directors of MDB approved a voluntary early retirement plan at preferred terms, applying to up to fifty bank employees who comply with the determined criteria (seniority and age). On January 29, 2024, the Board of Directors of MDB approved the enlarging of the retirement plan to ten additional employees. During February 2024, the realization of the retirement plan was completed, within the framework of which, sixty employees will retire, most of them by March 31, 2024, and the rest by June 30, 2024. As part of the plan, the retirees would be entitled to an increased retirement award in an amount of up to 150% of the amount of the severance payment payable under the law upon termination of employer/employee relations, to an additional award to those earning a low wage and to a signing award. Implementation of the plan led to an increase in the actuarial liabilities of MDB in a total amount of approx. NIS 50 million (approx. NIS 43 million relating to the first stage of the plan had already been recorded in the financial statements for 2023).

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

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

(a) **Adoption of Basel III instructions.** Details in this matter were brought in Note 25, section 1 a, in the 2022 Annual Report.

(b) **Additional capital requirements for housing loans.** According to the amendment to Proper Conduct of Banking Business Directive No. 329, a banking corporation is required to increase their Common equity tier 1 target by a rate which expresses 1% of the outstanding housing loans. The said requirement increased the minimum equity capital requirement by approx. 0.2%. It is noted that in accordance to the Provisional Instruction from April 27, 2020, the said requirement shall not apply to housing loans approved as from March 19, 2020 and until date of expiry of the Provisional Instruction (December 31, 2021). Housing loans approved as from the effective date of the provisional instruction, and for which, the additional capital requirement does not apply, as stated, amounted at March 31, 2024 to NIS 16,454 million.

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

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

(1) **Relief regarding the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 257 million (before taxes; an amount of NIS 169 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2020, and are gradually amortized, as from the third quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 127 million have been amortized to March 31, 2024.

(2) **Relief regarding the expanding of the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding the expanding of its 2020 retirement plan. Costs in a total amount of approx. NIS 238 million (before taxes; an amount of NIS 157 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2020, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 110 million have been amortized to March 31, 2024.

(3) **Relief regarding the retirement plan 2020 - MDB.** The Supervisor of Banks granted MDB a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 60 million (before taxes; an amount of NIS 40 million net of tax) have been eliminated in computing capital adequacy in the 2020 annual report, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 28 million have been amortized to March 31, 2024.

D. Capital for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	in NIS millions		
Common equity tier 1 after regulatory adjustments and deductions	[(1)]29,801	[(1)]26,542	[(1)]28,890
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	29,801	26,542	28,890
Tier 2 capital after deductions	7,521	7,003	7,469
Total capital	**37,322**	**33,545**	**36,359**

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

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

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

E. Weighted risk assets balance

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	in NIS millions		
Credit risk[1]	245,043	[2]234,601	242,816
Market Risk	4,998	4,747	4,209
CVA risk	2,243	2,428	2,338
Operational risk	21,016	18,012	20,406
Total weighted risk assets balance	**273,300**	**259,788**	**269,769**

Footnotes:

(1) The total weighted balances of the risk assets have been reduced by NIS 131 million (March 31, 2023: NIS 227 million, December 31,2023: NIS 155 million) due to adjustments in respect to the efficiency plan.

(2) The total weighted balances of the risk assets have been reduced by NIS 268 million on March 31, 2023 for increased risk loans for the purchase of land.

F. Ratio of capital risk assets

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.90	10.22	10.71
Ratio of total capital to risk assets	13.66	12.91	13.48
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[3]	9.20	9.19	9.20
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	12.84	11.27	12.58
Ratio of total capital to risk assets	15.22	13.75	14.98
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[4]	9.24	9.22	9.23
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
2. Discount Bancorp Inc. [1]			
Ratio of common equity tier 1 to risk assets	14.70	14.37	14.67
Ratio of total capital to risk assets	15.63	15.27	15.65
Ratio of minimum common equity tier 1 required according to local regulation[2]	4.50	4.50	4.50
Minimum total capital adequacy ratio required according to local regulation[2]	8.00	8.00	8.00
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	13.00	12.90	13.30
Ratio of total capital to risk assets	14.10	13.90	14.30
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.00	8.00	8.00
Minimum total capital adequacy ratio required by the Supervisor of Banks	11.5	11.5	11.5

Footnotes:

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

(2) IDB Bank is subject to the new Basel III capital rules based on the final rules published by the FRB. Capital ratios are as follows: 4.5% CET1 to risk-weighted assets; 6.0% Tier 1 capital to risk-weighted assets; and 8.0% Total capital to risk-weighted assets.

(3) With an addition of 0.20% (March 31, 2023: 0.19%, December 31, 2023: 0.20%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(4) With an addition of 0.24% (March 31, 2023: 0.22%, December 31, 2023: 0.23%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

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

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

G. On April 19, 2024, the S&P rating agency announced that Israel's credit rating would be reduced from AA- to A+, this decision would affect the calculation of the Tier 1 capital ratio beginning with the second quarter 2024, and thereafter. According to estimates of the Bank, the said decision will cause a decrease of 0.22% in the Tier 1 capital ratio, in March 31, 2024 terms.

H. Capital components for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	in NIS millions		
A. Common Equity Tier 1			
Common equity	30,227	26,750	29,238
Difference between common equity and common equity tier 1	(409)	(306)	(399)
Total common equity tier 1 before supervisory adjustments and deductions	**29,818**	**26,444**	**28,839**
Supervisory adjustments and deductions			
Goodwill and other intangible assets	161	175	161
Supervisory adjustments and other deductions	20	23	24
Total supervisory adjustments and deductions before effect of adjustments for the efficiency plan and before effect of adjustment for expected credit losses	**181**	**198**	**185**
Total adjustments in respect to the efficiency plan	101	179	119
Total adjustments for expected credit losses	63	117	117
Total common equity tier 1 after supervisory adjustments and deductions	**29,801**	**26,542**	**28,890**
B. Additional tier 1 capital			
Additional tier 1 capital before supervisory adjustments and deductions	-	-	-
Total additional tier 1 capital after supervisory adjustments and deductions	**-**	**-**	**-**
C. Tier 2 capital			
Instruments before deductions	4,293	3,938	4,296
Allowance for credit losses before deductions	3,091	2,963	3,064
Minority interests in a subsidiary	137	102	109
Total tier 2 capital before deductions	7,521	7,003	7,469
Deductions	-	-	-
Total tier 2 capital	**7,521**	**7,003**	**7,469**

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

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	In %		
Ratio of Common Equity Tier 1 to risk items before effect of adjustments	10.85	10.08	10.62
Effect of the adjustments in respect to the efficiency plan[(1)]	0.03	0.08	0.05
Effect of adjustments for expected credit losses[(2)]	0.02	0.05	0.04
Effect of adjustments for increased risk loans for the purchase of land[(3)]	-	0.01	-
Ratio of common equity tier 1 to risk assets after the effect of the adjustments	10.90	10.22	10.71

Footnote:

(1) See item "C" and "H" above.

(2) Adjustments in respect of the effect of initial application of accounting principles regarding expected credit losses, which are gradually being decreased until December 31, 2025. See also item "H" above.

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

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

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

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

Temporary directive for a relaxation in relation to leverage in light of the Corona crisis. On November 15, 2020, the Banking Supervision Department issued an update to Proper Conduct of Banking Business Directive No. 250. The update deals with the relaxation in the leverage ratio for a banking corporation, so that it will amount to 4.5% for a banking corporation whose market share is smaller than 24%. This was done in order to prevent a situation where the leverage ratio would constitute an obstacle to extending bank credit. The temporary directive has been extended from time to time. In a circular dated December 20, 2023, the relief stipulated in this matter was extended so that it will be valid until June 30, 2026, provided that the leverage ratio is not less than the rate on December 31, 2025 or from the minimum leverage ratio required from a banking corporation prior to the temporary directive, the lower of the two.

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	in NIS millions		
A. Consolidated			
Tier 1 capital[(1)]	29,801	26,542	28,890
Total exposures	429,219	427,263	434,193

	In %		
Leverage ratio	6.9	6.2	6.7
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	7.7	6.3	7.4
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
2. Discount Bakcorp Inc.			
Leverage ratio	11.2	10.5	10.7
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.9	9.4	9.8
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5

Footnote:

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

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

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

General. Computed according to Proper Conduct of Banking Business Directive No. 221 in the matter of liquidity coverage ratio. The computation is based on the average of daily observations in the period of ninety days prior to the date of the report (with the exception of ICC, where the computation was based on the average of monthly observations).

	Unaudited		Audited
	For the three months ended		
	March 31,		
	2024	2023	2023
	In %		
A. Consolidated			
Liquidity coverage ratio	141.9	137.3	130.7
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	160.6	158.9	146.2
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries[(1)]			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	149.6	138.2	132.5
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

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

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

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

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

	Unaudited		Audited
	March 31,		December 31,
	2024	2023	2023
	In %		
A. Consolidated			
Net stable funding ratio (NFSR)	122.6	124.8	122.3
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Net stable funding ratio (NFSR)	124.3	122.9	127.7
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0

10. Contingent liabilities and special commitments

Contingent liabilities and other special commitments

	Unaudited		Audited
	March 31		December 31
	2024	2023	2023
	in NIS millions		
1. Commitment to acquire buildings and equipment	259	415	141
2. Commitment to invest in private investment funds and in venture capital funds	949	841	897

3. Various actions against the Bank and its consolidated subsidiaries:

As detailed in Note 26 C 10 to the financial statements as at December 31, 2023, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and applications to approve actions as class action suits. In the opinion of the Bank's Management, which is based, inter alia, on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based upon the opinion of their legal counsels, respectively, as the - case may be, adequate provisions have been included in the financial statements, where required.

The total exposure with respect to claims filed against the Bank and its consolidated subsidiaries, whose prospects of materializing, in whole or in part, have been assessed as reasonably possible, amounted to approx. NIS 683 million as of March 31, 2024.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 9-10 to the financial statements as at December 31, 2023. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 17 to the financial statements as at December 31, 2023.

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

3.1 Note 26 C 9.7 to the financial statements as of December 31, 2023, described a claim together with an application for its approval as a class action filed on September 16, 2020, against MDB at the Jerusalem District Court. The Claimant alleges that as a condition for the grant of a state-guaranteed loan MDB requires to open a deposit from the loan funds, with id pledged to secure the repayment of the loan, namely that the amount of the loan actually received is the amount of the loan, net of the amount of the deposit. The Claimant also alleges that the loan documents do not mention the level of the effective interest, including all fees, interest and other payments that have to be made.

The Claimant has assessed the amount of the action for the whole group in the sum of approx. NIS 817 million.

On December 26, 2023, the parties filed an amended application for approval of the compromise arrangement.

On March 3, 2024, the State submitted its response to the application for approval of a compromise arrangement. On March 27, 2024, the parties submitted their response to the response of the State.

4. Class action suits and applications to approve certain actions as class action suits as well as other actions are pending against the Bank and its consolidated subsidiaries, which, in the opinion of the Bank's Management, based on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based on the opinions of their legal counsels, respectively, as the case may be, it is not possible at this stage to evaluate their prospects of success, and therefore no provision have been included in respect therewith.

4.1 Note 26 C 10.1 to the financial statements as of December 31, 2023, described a statement of claim together with a plea for deferment of the payment of Court fees, filed on December 19, 2019, with the Tel Aviv-Yaffo District Court against the Bank and against five additional defendants. The claim had been filed by a commercial bank in the Ukraine, the Joint Stock Company Commercial Bank, Privat Bank, and the cause of action being fraud, embezzlement and deceit perpetrated by former controlling stockholders of the Plaintiff who are being sued in the statement of claim.

As argued in the statement of claim, the controlling stockholders of the Plaintiff had acted for the granting of loans by the Plaintiff to entities under their control, such loan monies being later transferred through bank accounts in order to hide their source, and finally usurped for the personal benefit of the controlling stockholders. It is further argued that as part of the fraud and embezzlement perpetrated according to the instructions of the controlling stockholders, an amount of US$1.2 billion was smuggled to Israel by way of monetary transfers from a bank account in Cyprus belonging to a company owned by the controlling stockholders to its account with the Bank.

10. Contingent liabilities and special commitments (continued)

As described in the statement of claim, the said monetary transfers were made in the years from 2007 to 2011. According to the allegations of the Plaintiff by allowing these monetary transfers to and from the Bank, the Bank has caused damage to the Plaintiff, and this, as argued by the Plaintiff, is in contradiction to the duties applying to him under the Prohibition of Money Laundering Law in Israel.

The amount of the claim against all defendants is stated at NIS 2.1 billion.

Since the filing of the action, the hearing of the case concentrates mostly on preliminary issues.

4.2 Note 26 C 10.2 to the financial statements as of December 31, 2023 described an action together with an application for its approval as a class action suit, filed on June 4, 2023 with the District Court-Central against Discount Bank and additional banks ("the Application"). Inter alia, it is being argued in the Application that the banks have to inform customers who have credit balances in their accounts, of the possibility to transfer such funds to an interest bearing daily deposit account, or automatically credit such customers with daily interest on their credit balances.

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

4.3 Note 26 C 10.3 to the financial statements as of December 31, 2023, described an action together with an application for its approval as a class action suit, filed on June 21, 2023 with the Tel Aviv District Court against Discount Bank and additional banks. It is, inter alia, argued in the application that despite instructions granting the banks the right to raise the interest rate during the period of engagement under agreements between the bank and its customers, the bank is not permitted to raise the interest rate on current account debit balances, interest on loans, etc., at the same rate by which the Bank of Israel raised the interest, inter alia, because the said instructions constitute depriving stipulations in a uniform contract, and the banks may raise the interest rate only while maintaining a proper, reasonable and fair margin between the interest charged and the interest credited.

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

4.4 Note 26 C 10.4 to the financial statements as of December 31, 2023, described a claim together with an application for its approval as a class action, filed on July 19, 2023 with the Tel Aviv District Court against Israel Discount Bank and additional banks ("the Respondents"). It is alleged in the application, inter alia, that the Respondents do not disclose to their customers, who contact them via the Internet/the app requesting to place their funds on deposit, that the interest offered to them over said channel is lower than the interest offered/customary at the Respondents in relation to the same type of deposit which is given to a customer who makes contact over another channel or who bargains with the Bank. The amount of the damages claimed by the whole class amounts to NIS 984 million and is attributable to all the respondent banks collectively.

4.5 Note 26 C 10.5 to the financial statements as of December 31, 2023, described a claim and an application for its approval as a class action, filed on August 6, 2023 in the Tel Aviv District Court against the Discount Bank and additional banks ("the Respondents"). It is alleged in the application, inter alia, that the Respondents require borrowers taking out a mortgage to insure the mortgaged property under a building insurance policy and do not inform the borrowers that there is no legal obligation to insure the property in order to take out a mortgage on it. On May 15, 2024, the Bank submitted its response to the application.

4.6 (a) Note 26 C 10.6 (a) to the financial statements as of December 31, 2023, described an application against the Bank filed on November 1, 2023, with the Tel Aviv District Court, for approval as a class action suit of a lawsuit, the subject matter of which is the unlawful charging to customers of a document preparation commission upon renewal of a bank guarantee that does not involve preparation of new or additional collateral, and this, as argued in the application, in contradiction of that stated in the pricelist of the Bank relating to large businesses and in contradiction to the exemption paragraph appearing therein. The Claimant has attached an opinion rendered by an expert on its behalf assessing the damaged caused to the class at NIS 201 million.

It is noted that similar lawsuits have been lodged against MDB and the Bank, as detailed in sections (b) and (c) below.

(b) On August 7, 2017, a claim and an application for its approval as a class action were filed at the District Court in Tel-Aviv against MDB. It is alleged in the application that MDB charges fees for drawing up guarantee documents when extending a guarantee's validity, contrary to the contractual arrangement between the customer and the Bank, and it was notes that the estimated amount damages by all the members of the class is approx. NIS 24 million. On January 11, 2022, a ruling was given approving the conduct of the claim as a class action. The parties referred to mediation proceedings. An application for approval of the compromise agreement between the parties was filed with the Court on September 4, 2023. On January 11, 2024, the Attorney General's position regarding the compromise was submitted. On February 21, 2024, the parties submitted their joint position with respect to the position of the Attorney General for the Government. A verdict was received on March 13, 2024, approving the compromise arrangement.

10. Contingent liabilities and special commitments (continued)

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

(d) On January 8, 2024, the Bank filed an application to consolidate the application described in section (a) above with the application described in section (c) above or, alternatively, to dismiss one of them. In its ruling of February 29, 2024, the Court ordered the consolidation of the legal actions and the filing of an amended consolidated claims brief. On April 18, 2024, a consolidated claims brief was submitted as stated. The Bank has to submit its response to the consolidated application until September 10, 2024. A pre-trial hearing was set for November 21, 2024.

4.7 On April, 16, 2024, the Bank received notice of an action and an application for its approval as a class action, filed against the Bank and MDB with the District Court – Central Region. It is, inter alia, argued in the application, that in the case of an incoming transfer of funds in foreign currency by means of the SWIFT system, the banks do not immediately credit the account of the customer, but only after the passing of a period of time which is allegedly unreasonable, and that such a delay causes damage to the customer. The alleged damage to the class is in excess of NIS 2.5 million.

5. **Directors and officers liability insurance.** On April 1, 2024, pursuant to the approval of the Compensation Committee and the Board of Directors, the Bank took out a collective policy for the insurance of directors and officers, who are currently serving with the Bank or who will serve with it from time to time, including with respect to their service on behalf of the Bank as officers with any other company which is held by the Bank (hereinafter: "the Insurance Policy"), with this being according to Regulation 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, and according to the Israel Securities Authority's position paper 101-21, Compensation policy (as updated in August 2020) and with the provisions of the Bank's compensation policy, as approved by the general meeting of the Bank's shareholders on February 28, 2023, subject to that stated below.

The Insurance Policy will be in effect from April 1, 2024 through March 31, 2025 (hereinafter: "the Insurance Period"). The liability limit insured within the framework of the Insurance Policy is US$200 million per claim and in aggregate for the Insurance Period. In the event of a claim against any of the officers, whether it may be indemnified by the Bank or not, no deductible shall be applicable to the officers themselves. To the extent that these are claims that may be indemnified by the Bank, the Bank bears deductibles in amounts and under terms stated in the insurance policy.

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

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	March 31, 2024			March 31, 2023			December 31, 2023		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions								
Interest rate contracts									
Forward and Futures contracts	6,669	27,294	33,963	7,155	(6)20,411	27,566	5,677	15,101	20,778
Options written	-	2,782	2,782	-	642	642	-	1,812	1,812
Options purchased	-	1,261	1,261	-	642	642	-	650	650
Swaps(1)	36,612	171,605	208,217	43,859	154,514	198,373	38,877	183,879	222,756
Total(2)	**43,281**	**202,942**	**246,223**	**51,014**	**176,209**	**227,223**	**44,554**	**201,442**	**245,996**
Of which: Hedging derivatives(5)	14,921	-	14,921	14,125	-	14,125	13,973	-	13,973
Foreign currency contracts									
Forward and Futures contracts(3)	1,667	58,547	60,214	1,775	65,635	67,410	1,229	57,520	58,749
Options written	-	13,888	13,888	-	18,286	18,286	-	11,150	11,150
Options purchased	-	15,798	15,798	651	18,411	19,062	1,088	11,949	13,037
Swaps	34,818	105,378	140,196	47,226	110,319	157,545	41,859	92,375	134,234
Total	**36,485**	**193,611**	**230,096**	**49,652**	**212,651**	**262,303**	**44,176**	**172,994**	**217,170**
Contracts on shares									
Options written	8	12,807	12,815	9	8,088	8,097	9	14,554	14,563
Options purchased(4)	8	12,807	12,815	9	8,088	8,097	9	14,554	14,563
Swaps	-	8,884	8,884	-	2,086	2,086	-	6,839	6,839
Total	**16**	**34,498**	**34,514**	**18**	**18,262**	**18,280**	**18**	**35,947**	**35,965**
Commodities and other contracts									
Forward and Futures contracts	-	2	2	-	3,470	3,470	-	13	13
Total	**-**	**2**	**2**	**-**	**3,470**	**3,470**	**-**	**13**	**13**
Total stated amount	**79,782**	**431,053**	**510,835**	**100,684**	**410,592**	**511,276**	**88,748**	**410,396**	**499,144**

Footnotes:

(1) Of which: swaps on which the Bank pays a fixed interest	106,332	(6)100,439	(6)95,460
(2) Of which: shekel/CPI swaps	15,773	17,557	15,550
(3) Of which: spot foreign currency swap contracts	2,611	3,380	2,064
(4) Of which: traded on the Stock Exchange	12,815	8,097	14,563

(5) The Bank conducts accounting hedge by way of IRS transactions.

(5) Reclassified following improvement of data.

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

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

2. Gross fair value of derivative instruments

	Gross amount of assets for derivative instruments			Gross amount of liabilities for derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	March 31, 2024					
Interest rate contracts	791	4,398	5,189	603	3,623	4,226
Of which: Hedging	567	–	567	192	–	192
Foreign currency contracts	322	2,227	2,549	352	1,922	2,274
Contracts on shares	–	2,293	2,293	–	2,293	2,293
Total assets/liabilities for derivatives gross(1)	**1,113**	**8,918**	**10,031**	**955**	**7,838**	**8,793**
Balance sheet balance	1,113	8,918	10,031	955	7,838	8,793
Of which: not subject to net settlement arrangement or similar arrangements	21	377	398	20	1,814	1,834
	Unaudited					
	March 31, 2023					
Interest rate contracts	919	4,085	5,004	695	4,082	4,777
Of which: Hedging	517	–	517	161	–	161
Foreign currency contracts	1,499	3,922	5,421	121	3,582	3,703
Contracts on shares	1	1,521	1,522	1	1,521	1,522
Commodities and other contracts	–	14	14	–	14	14
Total assets/liabilities for derivatives gross(1)	**2,419**	**9,542**	**11,961**	**817**	**9,199**	**10,016**
Balance sheet balance	2,419	9,542	11,961	817	9,199	10,016
Of which: not subject to net settlement arrangement or similar arrangements	54	933	987	21	1,444	1,465
	Audited					
	December 31, 2023					
Interest rate contracts	803	4,046	4,849	430	3,628	4,058
Of which: Hedging	406	–	406	185	–	185
Foreign currency contracts	380	3,803	4,183	898	3,452	4,350
Contracts on shares	1	2,074	2,075	1	2,074	2,075
Total assets/liabilities for derivatives gross(1)	**1,184**	**9,923**	**11,107**	**1,329**	**9,154**	**10,483**
Balance sheet balance	1,184	9,923	11,107	1,329	9,154	10,483
Of which: not subject to net settlement arrangement or similar arrangements	25	1,776	1,801	22	1,804	1,826

Footnote:

(1) Of which: NIS 1 million (March 31, 2023: NIS 2 million, December 31, 2023: NIS 1 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 9 million (March 31, 2023: NIS 11 million, December 31, 2023: NIS 14 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

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

B. Accounting hedge

1. Effect of fair value hedge

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Interest income (expenses)		
	In NIS millions		
Profit (loss) on fair value hedge			
Interest rate contracts			
Hedged items	(137)	134	230
Hedging derivatives	153	(115)	(195)

2. Items hedged by fair value hedge

	Unaudited						Audited		
	March 31, 2024			March 31, 2023			December 31, 2023		
	Book value	Cumulative fair value adjustments increasing (decreasing) the book value		Book value	Cumulative fair value adjustments increasing (decreasing) the book value		Book value	Cumulative fair value adjustments increasing (decreasing) the book value	
		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations
	In NIS millions								
Securities	9,745	(268)	-	8,159	(284)	-	9,006	[(1)](157)	-
Deposits from the public	2,114	(54)	-	3,032	(88)	-	2,275	[(1)](58)	-
Bonds and subordinated debt notes	2,892	(75)	-	2,911	[(1)](9)	-	2,942	[(1)](26)	-

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

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

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

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Profit recognized in accumulated other comprehensive income for the derivative		
	In NIS millions		
Hedge contract			
Interest rate	3	5	16

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

B. Accounting hedge (continued)

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

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

	Unaudited		Audited
	For the year ended December 31		For the year ended December 31
	2024	2023	2023
	Profit recognized in accumulated other comprehensive income for the derivative		
	In NIS millions		
Hedge contract			
Interest rate	21	4	21

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

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)		
	In NIS millions		
Interest rate contracts	59	(100)	123
Foreign currency contracts	743	1,554	2,220
Contracts on shares	(2)	-	-
Total	**800**	**1,454**	**2,343**

Footnote:

(1) Included in the item Non-interest financing income (expenses)

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

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

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	In NIS millions						
	Unaudited						
	March 31, 2024						
Balance sheet balance of assets for derivative instruments[2]	98	3,070	36	2	805	6,020	10,031
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[4]	-	(1,490)	-	-	(571)	(2,842)	(4,903)
Credit risk mitigation for cash collateral received	-	(1,275)	(30)	-	(68)	(648)	(2,021)
Adjusting net balance sheet with balance sheet credit risk	(2)	(23)	-	-	-	(1,092)	(1,117)
Balance sheet credit risk for derivative instruments	**96**	**282**	**6**	**2**	**166**	**1,438**	**1,990**
Off-balance sheet credit risk for financial instruments[1]	3,043	1,428	21	23	1,809	1,666	7,990
Total credit risk for derivative instruments	**3,139**	**1,710**	**27**	**25**	**1,975**	**3,104**	**9,980**
Balance sheet balance of liabilities for financial instruments[3]	1,790	1,877	1	100	1,223	3,802	8,793
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,490)	-	-	(571)	(2,842)	(4,903)
Pledged cash collateral	-	(74)	-	-	(369)	(129)	(572)
Net amount of liabilities for derivative instruments	**1,790**	**313**	**1**	**100**	**283**	**831**	**3,318**
	Unaudited						
	March 31, 2023						
Balance sheet balance of assets for derivative instruments[3]	80	3,498	51	-	2,737	5,595	11,961
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(1,993)	-	-	(368)	(3,158)	(5,519)
Credit risk mitigation for cash collateral received	-	(752)	(30)	-	(1,683)	(169)	(2,634)
Adjusting net balance sheet with balance sheet credit risk	-	(1)	(1)	-	-	(730)	(732)
Balance sheet credit risk for derivative instruments	**80**	**752**	**20**	**-**	**686**	**1,538**	**3,076**
Off-balance sheet credit risk for derivative instruments[1]	1,764	1,957	422	45	2,211	1,577	7,976
Total credit risk for derivative instruments[5]	**1,844**	**2,709**	**442**	**45**	**2,897**	**3,115**	**11,052**
Balance sheet balance of liabilities in respect of derivative instruments[4]	1,388	3,484	26	220	529	4,369	10,016
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,993)	-	-	(368)	(3,158)	(5,519)
Pledged cash collateral	-	(903)	-	-	(67)	(172)	(1,142)
Net amount of liabilities in respect of derivative instruments	**1,388**	**588**	**26**	**220**	**94**	**1,039**	**3,355**

For footnotes see next page.

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

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

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	In NIS millions						
	Audited						
	December 31, 2023						
Balance sheet balance of assets for derivative instruments(2)	114	3,100	36	13	2,003	5,841	11,107
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments(4)	-	(1,689)	-	-	(806)	(2,828)	(5,323)
Credit risk mitigation for cash collateral received	-	(875)	(25)	-	(1,139)	(540)	(2,579)
Adjusting net balance sheet with balance sheet credit risk	-	-	-	-		(1,141)	(1,141)
Balance sheet credit risk for derivative instruments	**114**	**536**	**11**	**13**	**58**	**1,332**	**2,064**
Off-balance sheet credit risk for derivative instruments(1)	1,894	1,838	25	42	1,759	1,648	7,206
Total credit risk for derivative instruments(5)	**2,008**	**2,374**	**36**	**55**	**1,817**	**2,980**	**9,270**
Balance sheet balance of liabilities for derivative instruments(3)	1,741	2,806	-	186	2,140	3,610	10,483
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,689)	-	-	(806)	(2,828)	(5,323)
Pledged cash collateral	-	(500)	-	-	(907)	(53)	(1,460)
Net amount of liabilities for derivative instruments	**1,741**	**617**	**-**	**186**	**427**	**729**	**3,700**

Footnotes:

(1) The difference, if positive, between the total amount regarding derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, after credit risk mitigation, and between the balance sheet credit risk regarding derivative instruments of the borrower.

(2) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 10,030 million included in the item assets for derivative instruments (March 31, 2023: NIS 11,959 million, December 31, 2023: NIS 11,106 million).

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 8,784 million included in the item liabilities for derivative instruments (March 31, 2023: NIS 10,005 million, December 31, 2023: NIS 10,469 million).

(4) The fair value of derivative instruments subject to netting agreements is in the amount of NIS 4,903 million (March 31, 2023: NIS 5,519 million, December 31, 2023: NIS 5,323 million).

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

D. Due dates - Par value: consolidated period end balances

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
			In NIS millions		
			Unaudited		
			March 31, 2024		
Interest rate contracts					
Shekel/CPI	937	5,757	6,950	2,129	15,773
Other	39,071	53,475	92,817	45,087	230,450
Foreign currency contracts	132,195	78,477	15,141	4,283	230,096
Contracts on shares	26,588	7,829	97	-	34,514
Commodities and other contracts	2	-	-	-	2
Total	**198,793**	**145,538**	**115,005**	**51,499**	**510,835**
			Unaudited		
			March 31, 2023		
Total	**191,252**	**161,667**	**111,640**	**46,717**	**511,276**
			Audited		
			December 31, 2023		
Total	**211,972**	**126,140**	**110,943**	**50,089**	**499,144**

12. Regulatory Operating Segments

A. Details on the regulatory segments were brought in Note 29 A to the financial statements as of December 31, 2023. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2023.

For details on administrative segments recognized by the Bank were brought in Note 30 A to the financial statements as of December 31, 2023.

Whereas, with respect to a part of the customers, the Bank did not have the complete information required for the classification to regulatory operating segment, according to the new instructions, in particular information on their business turnover, various actions were taken to obtain such information, and in certain cases, in the absence of information, decisions had been made on the basis of evaluations and estimates. The Bank is acting to complete the improvement of the information, and accordingly, such improvements may in future reporting periods require the reclassification of customers to the operating segments. It is noted however, that the volume of classified customers, based on an estimate, continues to decline over the years.

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the three months ended March 31, 2024				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,374	778	262	5	825
Interest expenses To external sources	380	-	-	211	275
Net interest income from external sources	994	778	262	(206)	550
Net interest income Intersegmental	250	(570)	(6)	296	99
Total net Interest income	1,244	208	256	90	649
Non-interest financing income from external sources	417	3	356	(99)	54
Non-interest financing income Intersegmental	57	-	-	122	89
Total Non-interest financing income	474	3	356	23	143
Total income	**1,718**	**211**	**612**	**113**	**792**
Credit loss expenses (expenses release)	84	5	42	-	(3)
Operating and other expenses	922	63	396	34	357
Profit before taxes	**712**	**143**	**174**	**79**	**438**
Provision for taxes on profit	261	54	58	31	170
Profit after taxes	**451**	**89**	**116**	**48**	**268**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	451	89	116	48	268
Net Loss (Profit) from ordinary operations Attributed to the non-controlling interests	(27)	-	(27)	-	(3)
Net Profit(Loss) Attributed to the bank's shareholders	**424**	**89**	**89**	**48**	**265**
Balance of Average Assets	100,461	68,745	16,638	546	42,075
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	99,327	68,949	15,992	468	41,570
Balance of credit to the public at the period end(3)	103,182	(4)69,430	19,371	(4)463	42,228
Balance of impaired non-accruing balance of debts in arrear for over ninety days	511	268	154	-	706
Other problematic debts	514	98	329	-	837
Balance of allowance for credit losses	1,253	342	467	2	1,102
Net accounting write-offs	(75)	1	(61)	-	(27)
Balance of Average Liabilities	99,708	95	2,834	22,748	52,743
Of which - Balance of Average Deposits from the public	95,887	-	17	22,671	46,805
Balance of deposits from the public at the period end	96,447	-	17	23,277	46,702
Balance of Average Risk-assets(1)	74,942	39,087	18,402	977	42,847
Balance of Risk-assets at the period end(1)	76,011	39,340	18,933	999	42,872
Balance of Average assets under management(2)	40,206	391	-	29,482	34,674
Net interest income:					
Margin from credit activity to the public	604	200	255	1	341
Margin from deposits activity from the public	625	-	-	89	265
Other	15	8	1	-	43
Total net interest income	**1,244**	**208**	**256**	**90**	**649**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 4,215 million.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
344	1,032	17	883	4,480	684	5,164
170	576	314	325	2,251	376	2,627
174	456	(297)	558	2,229	308	2,537
10	(92)	309	(872)	–	–	–
184	364	12	(314)	2,229	308	2,537
(21)	(25)	(44)	881	1,163	57	1,220
58	147	49	(522)	–	–	–
37	122	5	359	1,163	57	1,220
221	**486**	**17**	**45**	**3,392**	**365**	**3,757**
59	(54)	(5)	(3)	78	4	82
68	189	18	147	1,735	249	1,984
94	**351**	**4**	**(99)**	**1,579**	**112**	**1,691**
35	138	2	(28)	609	35	644
59	**213**	**2**	**(71)**	**970**	**77**	**1,047**
–	–	–	17	17	–	17
59	213	2	(54)	987	77	1,064
(1)	(2)	–	19	(14)	–	(14)
58	**211**	**2**	**(35)**	**973**	**77**	**1,050**
19,695	68,831	1,285	120,754	353,647	42,462	396,109
–	–	–	475	475	–	475
19,774	68,144	1,251	–	230,534	29,527	260,061
19,705	68,844	1,138	–	235,560	30,430	265,990
324	695	–	–	2,236	180	2,416
668	1,577	–	–	3,596	3,191	6,787
460	1,076	5	–	3,898	289	4,187
(34)	4	–	–	(132)	(17)	(149)
18,946	57,010	28,535	48,215	327,905	37,394	365,299
17,702	51,082	28,557	–	262,704	35,177	297,881
17,926	49,348	26,191	–	259,891	35,577	295,468
20,436	74,662	1,024	20,129	235,017	36,518	271,535
20,184	75,763	1,071	19,758	236,658	36,642	273,300
8,676	51,456	95,739	541	260,774	20,044	280,818
114	253	–	–	1,313	172	1,485
50	42	12	–	1,083	107	1,190
20	69	–	(314)	(167)	29	(138)
184	**364**	**12**	**(314)**	**2,229**	**308**	**2,537**

12. Regulatory Operating Segments (continued)

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

	Unaudited				
	For the three months ended March 31, 2023				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,362	821	224	5	784
Interest expenses To external sources	245	-	-	147	195
Net interest income from external sources	1,117	821	224	(142)	589
Net interest income Intersegmental	40	(612)	(7)	239	83
Total net Interest income	1,157	209	217	97	672
Non-interest financing income from external sources	217	2	353	(311)	(166)
Non-interest financing income Intersegmental	272	-	-	334	318
Total Non-interest financing income	489	2	353	23	152
Total income	**1,646**	**211**	**570**	**120**	**824**
Credit loss expenses (expenses release)	68	15	55	(1)	73
Operating and other expenses	925	62	434	32	351
Profit before taxes	**653**	**134**	**81**	**89**	**400**
Provision for taxes on profit	220	46	25	31	142
Profit after taxes	**433**	**88**	**56**	**58**	**258**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	433	88	56	58	258
Net Loss (Profit) from ordinary operations Attributed to the non-controlling interests	(10)	-	(10)	-	(3)
Net Profit Attributed to the bank's shareholders	**423**	**88**	**46**	**58**	**255**
Balance of Average Assets	96,094	64,788	15,879	553	41,488
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	95,639	65,293	15,455	485	40,964
Balance of credit to the public at the period end(3)	99,458	(4)66,203	18,607	(4)474	42,085
Balance of impaired non-accruing balance of debts in arrear for over ninety days	439	234	122	-	699
Other problematic debts	440	86	260	-	635
Balance of allowance for credit losses	1,050	273	381	2	952
Net accounting write-offs	(40)	-	-	-	(27)
Balance of Average Liabilities	98,606	100	2,957	22,364	55,316
Of which - Balance of Average Deposits from the public	(6)94,452	-	11	22,233	(6)49,590
Balance of deposits from the public at the period end	95,659	-	11	23,203	47,437
Balance of Average Risk-assets(1)	70,794	37,179	17,180	836	41,097
Balance of Risk-assets at the period end (1)	71,532	37,586	17,255	900	41,655
Balance of Average assets under management(2)	36,606	380	-	25,062	54,664
Net interest income:					
Margin from credit activity to the public	(5)543	(5)179	(5)214	(5)2	(5)363
Margin from deposits activity from the public	568	-	-	95	275
Other	(5)46	(5)30	(5)3	(5)-	(5)34
Total net interest income	**1,157**	**209**	**217**	**97**	**672**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 4,071 million.
(5) Reclassified – Starting from 30.09.2023 report, the theoretical interest on the equity attributable to each segment is presented on other margin instead of in margin from the activity of providing to the public. The comparative data have been reclassified accordingly.
(6) Improvement in computing of the data.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
294	866	6	774	4,091	602	4,693
112	418	283	289	1,689	264	1,953
182	448	(277)	485	2,402	338	2,740
(12)	(94)	298	(554)	-	-	-
170	354	21	(69)	2,402	338	2,740
(65)	(25)	(127)	1,941	1,464	53	1,517
103	144	127	(1,298)	-	-	-
38	119	-	643	1,464	53	1,517
208	**473**	**21**	**574**	**3,866**	**391**	**4,257**
1	74	-	4	219	(15)	204
72	187	17	141	1,725	237	1,962
135	**212**	**4**	**429**	**1,922**	**169**	**2,091**
47	79	1	195	715	48	763
88	**133**	**3**	**234**	**1,207**	**121**	**1,328**
-	-	-	5	5	-	5
88	133	3	239	1,212	121	1,333
(1)	(4)	-	(46)	(64)	-	(64)
87	**129**	**3**	**193**	**1,148**	**121**	**1,269**
17,571	60,498	539	123,589	340,332	42,748	383,080
-	-	-	482	482	-	482
17,623	60,223	505	-	215,439	29,304	244,743
18,186	62,431	551	-	223,185	29,660	252,845
173	223	-	-	1,534	63	1,597
395	1,947	-	-	3,417	2,282	5,699
285	789	6	-	3,084	278	3,362
(28)	2	-	-	(93)	7	(86)
17,025	53,169	24,836	46,430	317,746	37,950	355,696
(6)15,667	(6)48,487	24,791	-	(6)255,220	35,245	(6)290,465
15,507	44,283	26,505	-	252,594	37,118	289,712
17,770	67,849	991	19,541	218,878	34,740	253,618
18,458	70,030	1,097	21,132	224,804	34,984	259,788
8,206	49,346	66,439	537	240,860	16,225	257,085
(5)103	(5)236	(5)-	-	(5)1,247	162	(5)1,409
52	66	20	-	1,076	167	1,243
(5)15	(5)52	(5)1	(69)	(5)79	9	(5)88
170	**354**	**21**	**(69)**	**2,402**	**338**	**2,740**

12. Regulatory Operating Segments (continued)

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

	Audited				
	For the year ended December 31, 2023				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	5,602	3,328	931	20	3,409
Interest expenses To external sources	1,267	-	-	745	1,064
Net interest income from external sources	4,335	3,328	931	(725)	2,345
Net interest income Intersegmental	661	(2,453)	(15)	1,111	438
Total net Interest income	4,996	875	916	386	2,783
Non-interest financing income from external sources	1,573	11	1,460	(301)	192
Non-interest financing income Intersegmental	392	-	-	388	423
Total Non-interest financing income	1,965	11	1,460	87	615
Total income	**6,961**	**886**	**2,376**	**473**	**3,398**
Credit loss expenses (expenses release)	490	84	291	-	366
Operating and other expenses	3,670	259	1,570	129	1,440
Profit before taxes	**2,801**	**543**	**515**	**344**	**1,592**
Provision for taxes on profit	958	186	185	118	548
Profit after taxes	**1,843**	**357**	**330**	**226**	**1,044**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit(Loss) from ordinary operations before Attributed to the non-controlling interests	1,843	357	330	226	1,044
Net Loss (Profit) from ordinary operations Attributed to the non-controlling interests	(69)	-	(69)	-	(17)
Net Profit(Loss) Attributed to the bank's shareholders	**1,774**	**357**	**261**	**226**	**1,027**
Balance of Average Assets	98,528	66,820	16,487	544	41,948
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	97,667	67,008	15,960	478	41,439
Balance of credit to the public at the period end(3)	101,552	(4)68,777	18,432	(4)454	42,203
Balance of impaired non-accruing balance of debts in arrear for over ninety days	520	259	177	-	791
Other problematic debts	476	105	290	-	818
Balance of allowance for credit losses	1,236	334	479	2	1,127
Net accounting write-offs	(263)	(3)	(215)	-	(143)
Balance of Average Liabilities	99,901	97	2,954	22,460	54,749
Of which - Balance of Average Deposits from the public	95,696	-	12	22,316	49,106
Balance of deposits from the public at the period end	95,619	-	17	23,529	47,388
Balance of Average Risk-assets(1)	73,976	38,803	18,112	963	42,616
Balance of Risk-assets at the period end (1)	73,876	38,835	17,870	955	42,821
Balance of Average assets under management(2)	36,373	389	-	25,920	31,608
Net interest income:					
Margin from credit activity to the public	2,245	723	901	4	1,492
Margin from deposits activity from the public	2,526	-	-	380	1,132
Other	225	152	15	2	159
Total net interest income	**4,996**	**875**	**916**	**386**	**2,783**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 4,200 million.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
1,362	4,002	29	3,625	18,049	2,663	20,712
595	1,890	1,447	1,377	8,385	1,391	9,776
767	2,112	(1,418)	2,248	9,664	1,272	10,936
(17)	(567)	1,508	(3,134)	–	–	–
750	1,545	90	(886)	9,664	1,272	10,936
59	227	155	3,129	5,034	104	5,138
97	226	(145)	(1,381)	–	–	–
156	453	10	1,748	5,034	104	5,138
906	**1,998**	**100**	**862**	**14,698**	**1,376**	**16,074**
192	410	4	9	1,471	31	1,502
294	784	67	527	6,911	1,055	7,966
420	**804**	**29**	**326**	**6,316**	**290**	**6,606**
145	300	9	136	2,214	102	2,316
275	**504**	**20**	**190**	**4,102**	**188**	**4,290**
–	–	–	(11)	(11)	–	(11)
275	504	20	179	4,091	188	4,279
(5)	(19)	–	23	(87)	–	(87)
270	**485**	**20**	**202**	**4,004**	**188**	**4,192**
18,738	64,826	604	124,790	349,978	44,733	394,711
–	–	–	478	478	–	478
18,753	63,906	569	–	222,812	30,269	253,081
20,053	67,479	1,354	–	233,095	29,846	262,941
303	780	–	–	2,394	109	2,503
752	1,521	–	–	3,567	3,020	6,587
435	1,101	9	–	3,910	304	4,214
(42)	19	–	–	(429)	(10)	(439)
18,068	50,903	30,419	49,631	326,131	39,582	365,713
16,745	45,151	30,363	–	259,377	36,663	296,040
17,674	49,214	29,005	–	262,429	35,168	297,597
19,992	73,685	1,004	20,723	232,959	37,719	270,678
20,685	73,562	977	20,499	233,375	36,394	269,769
9,014	48,125	90,700	518	242,258	18,551	260,809
462	1,030	3	–	5,236	810	6,046
212	238	83	–	4,571	467	5,038
76	277	4	(886)	(143)	(5)	(148)
750	**1,545**	**90**	**(886)**	**9,664**	**1,272**	**10,936**

13. Managerial Operating Segments

	Unaudited									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	In NIS millions									
	For the three months ended March 31, 2024									
Net interest income	1,616	242	464	(324)	8	301	220	10	-	2,537
Non-interest income	286	32	114	234	85	56	[4]443	20	(50)	1,220
Total income	**1,902**	**274**	**578**	**(90)**	**93**	**357**	**663**	**30**	**(50)**	**3,757**
Credit loss expenses (expenses release)	37	13	(11)	(1)	-	4	40	-	-	82
Operating and other expenses	868	80	172	103	12	250	516	33	(50)	1,984
Income(loss) before taxes	997	181	417	(192)	81	103	107	(3)	-	1,691
Provision for taxes on income	383	68	159	(72)	27	35	40	4	-	644
Income (loss) after taxes	614	113	258	(120)	54	68	67	(7)	-	1,047
Bank's share in profits of Associates, net of tax effect	1	-	-	-	17	-	-	-	(1)	17
Net profit (loss) before attributed to the non-controlling interests	615	113	258	(120)	71	68	67	(7)	(1)	1,064
Net Loss (profit) attributed to the non-controlling interests	-	-	-	-	-	-	(23)	7	2	(14)
Net income (loss) attributed to the Bank's shareholders	**615**	**113**	**258**	**(120)**	**71**	**68**	**44**	**-**	**1**	**1,050**
Balance of Assets	115,647	32,614	76,777	122,214	2,770	44,222	20,633	17,344	(42,116)	390,105
Balance of credit to the public	114,689	32,917	73,328	-	236	30,430	19,025	-	(4,635)	265,990
Balance of deposits from the public	166,298	28,160	66,048	14,778	-	35,584	18	825	(16,243)	295,468
	For the three months ended March 31, 2023									
Net interest income	1,569	247	419	(25)	11	317	194	7	1	2,740
Non-interest income	308	36	148	241	38	52	724	20	(50)	1,517
Total income	**1,877**	**283**	**567**	**216**	**49**	**369**	**918**	**27**	**(49)**	**4,257**
Credit expenses (loss expenses)	40	-	136	-	-	(13)	41	-	-	204
Operating and other expenses	826	92	164	98	14	239	542	36	(49)	1,962
Income before taxes	1,011	191	267	118	35	143	335	(9)	-	2,091
Provision for taxes on income	347	66	92	45	11	49	149	4	-	763
Income) after taxes	664	125	175	73	24	94	186	(13)	-	1,328
Bank's share in profits of Associates, net of tax effect	1	-	-	1	4	-	-	-	(1)	5
Net profit (loss) before attributed to the non-controlling interests	665	125	175	74	28	94	186	(13)	(1)	1,333
Net Loss (profit) attributed to the non-controlling interests	-	-	-	-	-	-	(74)	9	1	(64)
Net income attributed to the Bank's shareholders	**665**	**125**	**175**	**74**	**28**	**94**	**112**	**(4)**	**-**	**1,269**
Balance of Assets	112,422	32,139	71,950	125,959	2,594	46,379	19,437	13,860	(37,268)	387,472
Balance of credit to the public	111,064	32,298	66,226	-	97	29,660	18,389	-	(4,889)	252,845
Balance of deposits from the public	166,375	26,903	59,949	11,599	-	37,124	11	688	(12,937)	289,712

footnotes:

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

13. Managerial Operating Segments (continued)

	Audited									
	For the year ended December 31, 2023									
	Retail banking[2]	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	In NIS millions									
Net interest income	6,660	1,006	1,848	(738)	33	1,273	822	31	1	10,936
Non-interest income	1,199	142	466	1,118	169	104	2,062	75	(197)	5,138
Total income	**7,859**	**1,148**	**2,314**	**380**	**202**	**1,377**	**2,884**	**106**	**(196)**	**16,074**
Credit (expenses) loss expenses	495	177	511	1	2	31	285	-	-	1,502
Operating and other expenses	3,498	331	736	346	51	1,056	2,002	142	(196)	7,966
Income before taxes	3,866	640	1,067	33	149	290	597	(36)	-	6,606
Provision for taxes on income	1,305	217	367	24	43	100	245	15	-	2,316
Income after taxes	2,561	423	700	9	106	190	352	(51)	-	4,290
Bank’s share in profits of Associates, net of tax effect	1	-	-	7	(17)	-	1	-	(3)	(11)
Net income (loss) before attributed to the non-controlling interests	2,562	423	700	16	89	190	353	(51)	(3)	4,279
Net loss (profit) attributed to the non-controlling interests	-	-	-	-	-	-	(127)	36	4	(87)
Net income attributed to the Bank's shareholders	**2,562**	**423**	**700**	**16**	**89**	**190**	**226**	**(15)**	**1**	**4,192**
Balance of Assets	114,755	32,233	79,927	128,152	2,687	44,320	19,379	14,810	(40,535)	395,728
Balance of credit to the public	113,491	32,723	73,908	-	240	29,848	18,190	-	(5,459)	262,941
Balance of deposits from the public	164,687	29,263	68,915	12,344	-	35,174	17	772	(13,575)	297,597

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

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

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

A. Held-to-maturity and available-for-sale bonds and off-balance sheet credit instruments

1. Change in the balance of the allowance for credit losses - Consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds[3]	Total
	In NIS millions					
	Three months ended March 31, 2024					
Balance of allowance for credit losses, as at December 31, 2023	3,383	358	1,002	4,743	39	4,782
Credit loss expenses (expenses release)	2	4	79	85	(3)	82
Accounting write-offs	(141)	1	(153)	(293)	-	(293)
Collection of debts written-off in previous years	66	-	78	144	-	144
Net accounting write-offs	(75)	1	(75)	(149)	-	(149)
Adjustments from translation of financial statements	4	-	-	4	-	4
Balance of allowance for credit losses, as at March 31, 2024	**3,314**	**363**	**1,006**	**4,683**	**36**	**4,719**
Of which: For off-balance sheet credit instruments	383	21	92	496	-	496
	Three months ended March 31, 2023					
Balance of allowance for credit losses, as at December 31, 2022	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application[1]	22	-	28	50	-	50
Credit loss expenses	134	6	60	200	4	204
Accounting write-offs	(120)	-	(114)	(234)	(1)	(235)
Collection of debts written-off in previous years	74	-	74	148	-	148
Net accounting write-offs	(46)	-	(40)	(86)	(1)	(87)
Adjustments from translation of financial statements	7	1	-	8	-	8
'Balance of allowance for credit losses, as at March 31, 2023	**2,642**	**292**	**869**	**3,803**	**34**	**3,837**
Of which: For off-balance sheet credit instruments	342	19	80	441	3	444

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

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

B. Credit to the public

1. Credit quality and arrears - consolidated

	Unaudited					
	March 31, 2024					
		Problematic[1]			Accruing debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[2]	In Arrears of 30 to 89 Days[3]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	26,475	468	682	27,625	12	48
Construction and Real Estate - Real Estate Activity	14,510	143	204	14,857	1	4
Financial Services	16,042	-	104	16,146	-	8
Commercial - Other	67,047	1,852	591	69,490	56	241
Total Commercial	**124,074**	**2,463**	**1,581**	**128,118**	**69**	**301**
Private Individuals - Housing Loans	69,352	98	268	69,718	-	353
Private Individuals - Other Loans	33,127	458	198	33,783	45	141
Total Public - Activity in Israel	**226,553**	**3,019**	**2,047**	**231,619**	**114**	**795**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,675	1,569	29	13,273	-	-
Commercial - Other	17,255	2,180	224	19,659	2	20
Total Commercial	**28,930**	**3,749**	**253**	**32,932**	**2**	**20**
Private Individuals	1,304	135	-	1,439	-	3
Total Public - Activity Abroad	**30,234**	**3,884**	**253**	**34,371**	**2**	**23**
Total public	**256,787**	**6,903**	**2,300**	**265,990**	**116**	**818**

For footnotes see p. 157.

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

B. Credit to the public (continued)

1. Credit quality and arrears – consolidated (continued)

	Unaudited					
	March 31, 2023					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[2]	In Arrears of 30 to 89 Days[3]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	23,564	852	131	24,547	12	26
Construction and Real Estate - Real Estate Activity	14,641	82	304	15,027	-	10
Financial Services	15,190	3	1	15,194	3	-
Commercial - Other	62,241	1,429	522	64,192	65	116
Total Commercial	**115,636**	**2,366**	**958**	**118,960**	**80**	**152**
Private Individuals - Housing Loans	66,172	86	234	66,492	-	311
Private Individuals - Other Loans	32,725	395	164	33,284	41	138
Total Public - Activity in Israel	**214,533**	**2,847**	**1,356**	**218,736**	**121**	**601**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	10,967	1,232	24	12,223	-	-
Commercial - Other	18,713	1,450	95	20,258	1	2
Total Commercial	**29,680**	**2,682**	**119**	**32,481**	**1**	**2**
Private Individuals	1,336	292	-	1,628	-	-
Total Public - Activity Abroad	**31,016**	**2,974**	**119**	**34,109**	**1**	**2**
Total public	**245,549**	**5,821**	**1,475**	**252,845**	**122**	**603**

For footnotes see next page.

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

B. Credit to the public (continued)

1. Credit quality and arrears – consolidated (continued)

	Audited					
	December 31, 2023					
		Problematic(1)			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More(2)	In Arrears of 30 to 89 Days(3)
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	26,214	476	775	27,465	12	88
Construction and Real Estate - Real Estate Activity	14,777	81	221	15,079	2	10
Financial Services	17,662	-	110	17,772	-	-
Commercial - Other	64,375	1,776	615	66,766	59	94
Total Commercial	**123,028**	**2,333**	**1,721**	**127,082**	**73**	**192**
Private Individuals - Housing Loans	68,705	103	259	69,067	-	391
Private Individuals - Other Loans	32,173	416	218	32,807	43	139
Total Public - Activity in Israel	**223,906**	**2,852**	**2,198**	**228,956**	**116**	**722**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,509	1,748	54	13,311	-	-
Commercial - Other	16,872	2,025	132	19,029	3	37
Total Commercial	**28,381**	**3,773**	**186**	**32,340**	**3**	**37**
Private Individuals	1,564	81	-	1,645	-	87
Total Public - Activity Abroad	**29,945**	**3,854**	**186**	**33,985**	**3**	**124**
Total public	**253,851**	**6,706**	**2,384**	**262,941**	**119**	**846**

Footnotes:

(1) Substandard or special mention non-accruing credit to the public.

(2) Classified as problematic debts accruing interest income.

(3) Accruing interest income. Debts in arrears for 30 to 89 days amounting to NIS 197 million, were classified as problematic debts (March 31, 2023 - NIS 219 million, December 31, 2023 - NIS 353 million).

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit

	Unaudited								
	March 31, 2024								
	Recorded amount of fixed-time credit to the public								
	2024	2023	2022	2021	2020	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**6,036**	**14,507**	**6,836**	**3,567**	**1,303**	**2,346**	**7,887**	**-**	**42,482**
Credit performance rating	6,015	14,222	6,511	2,982	1,220	2,213	7,415	-	40,578
Non problematic credit having no credit performance rating	18	127	103	28	24	15	92	-	407
Accruing problematic credit	3	149	140	67	23	56	173	-	611
Non-accruing credit	-	9	82	490	36	62	207	-	886
Accounting write-offs during the year	-	(1)	(1)	-	(3)	-	(9)	-	(14)
Total commercial - Other	**12,577**	**17,380**	**10,091**	**6,990**	**4,396**	**8,489**	**25,713**	**-**	**85,636**
Credit performance rating	12,469	16,702	9,510	6,338	4,170	8,048	24,561	-	81,798
Non problematic credit having no credit performance rating	82	436	164	115	70	76	348	-	1,291
Accruing problematic credit	24	211	282	468	102	157	608	-	1,852
Non-accruing credit	2	31	135	69	54	208	196	-	695
Accounting write-offs during the year	(4)	-	(3)	-	(3)	(7)	(81)	-	(98)
Total private Individuals - Housing Loans	**2,012**	**8,807**	**16,017**	**14,768**	**7,865**	**20,249**	**-**	**-**	**69,718**
LTV up to 60%	1,242	5,235	9,303	8,773	4,909	13,827	-	-	43,289
LTV over 60% up to 75%	763	3,558	6,684	5,922	2,877	5,939	-	-	25,743
LTV over 75%	7	14	30	73	79	483	-	-	686
Credit not in arrears and in credit performance rating	2,001	8,732	15,897	14,636	7,779	19,913	-	-	68,958
Credit not in arrears and not in credit performance rating	2	28	34	31	23	21	-	-	139
In arrears of 30 to 89 days	9	43	63	61	37	140	-	-	353
Non-accruing credit	-	4	23	40	26	175	-	-	268
Accounting write-offs during the year	-	-	-	-	-	1	-	-	1
Total private Individuals - Other Loans	**8,560**	**8,804**	**4,374**	**1,975**	**635**	**556**	**8,879**	**-**	**33,783**
Credit not in arrears and in credit performance rating	8,413	8,102	3,885	1,756	562	468	8,090	-	31,276
Credit not in arrears and not in credit performance rating	115	592	417	189	63	66	681	-	2,123
In arrears of 30 to 89 days	8	38	27	12	4	5	47	-	141
In arrears of 90 days or over	-	8	6	2	1	1	27	-	45
Non-accruing credit	24	64	39	16	5	16	34	-	198
Accounting write-offs during the year	(17)	(19)	(22)	(7)	(2)	(5)	(81)	-	(153)
Total Credit to the public - Activity in Israel	**29,185**	**49,890**	**37,318**	**26,908**	**14,199**	**31,640**	**42,479**	**-**	**231,619**
Total Credit to the public - Activity Abroad	**2,112**	**6,504**	**4,095**	**4,318**	**1,607**	**4,022**	**11,262**	**451**	**34,371**
Non-problematic credit	2,014	6,208	3,364	4,058	1,277	3,193	9,927	193	30,234
Accruing problematic credit	98	261	728	260	318	772	1,282	165	3,884
Non-accruing credit	-	35	3	-	12	57	53	93	253
Accounting write-offs during the year	-	(29)	-	-	-	-	-	-	(29)
Total Credit to the public	**31,297**	**56,394**	**41,413**	**31,226**	**15,806**	**35,662**	**53,741**	**451**	**265,990**

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit (continued)

	Unaudited								
	March 31, 2023								
	Recorded amount of fixed-time credit to the public								
	2023	2022	2021	2020	2019	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**6,730**	**12,837**	**8,104**	**2,307**	**1,412**	**1,747**	**6,437**	**-**	**39,574**
Credit performance rating	6,712	12,447	7,423	2,110	1,353	1,594	6,029	-	37,668
Non problematic credit having no credit performance rating	4	263	59	49	18	23	121	-	537
Accruing problematic credit	-	43	580	113	27	98	73	-	934
Non-accruing credit	14	84	42	35	14	32	214	-	435
Total commercial - Other	**11,186**	**15,513**	**9,379**	**6,273**	**3,291**	**8,022**	**25,719**	**3**	**79,386**
Credit performance rating	11,005	14,660	8,720	5,932	3,118	7,670	24,695	3	75,803
Non problematic credit having no credit performance rating	159	464	168	140	67	77	553	-	1,628
Accruing problematic credit	8	254	456	120	71	178	345	-	1,432
Non-accruing credit	14	135	35	81	35	97	126	-	523
Total private Individuals - Housing Loans	**2,495**	**16,704**	**15,988**	**8,467**	**5,713**	**17,125**	**-**	**-**	**66,492**
LTV up to 60%	1,709	8,596	9,599	5,334	3,734	(1)12,134	-	-	41,106
LTV over 60% up to 75%	785	8,081	6,323	3,060	1,947	(1)4,474	-	-	24,670
LTV over 75%	1	27	66	73	32	517	-	-	716
Credit not in arrears and in credit performance rating	2,465	16,593	15,866	8,391	5,647	16,630	-	-	65,592
Credit not in arrears and not in credit performance rating	18	53	54	26	18	186	-	-	355
In arrears of 30 to 89 days	12	50	53	32	27	137	-	-	311
Non-accruing credit	-	8	15	18	21	172	-	-	234
Total private Individuals - Other Loans	**7,191**	**9,399**	**3,940**	**1,450**	**971**	**532**	**7,042**	**2,759**	**33,284**
Credit not in arrears and in credit performance rating	6,942	8,682	3,537	1,292	853	445	6,515	2,440	30,706
Credit not in arrears and not in credit performance rating	194	635	355	139	103	72	458	279	2,235
In arrears of 30 to 89 days	9	38	21	8	6	5	41	10	138
In arrears of 90 days or over	-	5	4	2	2	-	28	-	41
Non-accruing credit	46	39	23	9	7	10	-	30	164
Total Credit to the public - Activity in Israel	**27,602**	**54,453**	**37,411**	**18,497**	**11,387**	**27,426**	**39,198**	**2,762**	**218,736**
Total Credit to the public - Activity Abroad	**2,441**	**5,162**	**5,396**	**2,169**	**2,073**	**3,081**	**13,245**	**542**	**34,109**
Non-problematic credit	2,425	4,999	5,146	1,864	1,461	2,726	11,946	449	31,016
Accruing problematic credit	16	139	242	292	579	355	1,258	93	2,974
Non-accruing credit	-	24	8	13	33	-	41	-	119
Total Credit to the public	**30,043**	**59,615**	**42,807**	**20,666**	**13,460**	**30,507**	**52,443**	**3,304**	**252,845**

Footnote:
(1) Reclassified following improvement of data.

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit (continued)

	Audited								
	December 31, 2023								
	Recorded amount of fixed-time credit to the public								
	2023	2022	2021	2020	2019	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**18,384**	**7,684**	**3,968**	**1,552**	**1,169**	**1,438**	**8,349**	**-**	**42,544**
Credit performance rating	18,327	7,541	3,442	1,415	1,141	1,346	7,679	-	40,891
Non problematic credit having no credit performance rating	20	14	12	8	7	6	33	-	100
Accruing problematic credit	26	50	14	15	5	38	409	-	557
Non-accruing credit	11	79	500	114	16	48	228	-	996
Total commercial - Other	**24,496**	**11,258**	**7,708**	**5,062**	**2,414**	**7,133**	**26,467**	**-**	**84,538**
Credit performance rating	23,581	10,608	7,091	4,831	2,286	6,886	25,643	-	80,926
Non problematic credit having no credit performance rating	563	194	115	80	30	20	109	-	1,111
Accruing problematic credit	212	226	467	90	66	121	594	-	1,776
Non-accruing credit	140	230	35	61	32	106	121	-	725
Total private Individuals - Housing Loans	**8,819**	**16,313**	**15,070**	**8,001**	**5,366**	**15,498**	**-**	**-**	**69,067**
LTV up to 60%	5,290	8,431	9,167	4,996	3,484	(1)11,479	-	-	42,847
LTV over 60% up to 75%	3,515	7,852	5,833	2,924	1,851	(1)3,551	-	-	25,526
LTV over 75%	14	30	70	81	31	468	-	-	694
Credit not in arrears and in credit performance rating	8,711	16,153	14,886	7,910	5,277	15,136	-	-	68,073
Credit not in arrears and not in credit performance rating	68	69	76	31	34	66	-	-	344
In arrears of 30 to 89 days	36	70	76	35	37	137	-	-	391
Non-accruing credit	4	21	32	25	18	159	-	-	259
Total private Individuals - Other Loans	**14,957**	**5,277**	**2,419**	**785**	**492**	**237**	**8,640**	**-**	**32,807**
Credit not in arrears and in credit performance rating	14,145	4,724	2,156	696	434	186	7,814	-	30,155
Credit not in arrears and not in credit performance rating	682	471	226	77	50	36	710	-	2,252
In arrears of 30 to 89 days	41	27	14	5	2	3	47	-	139
In arrears of 90 days or over	9	6	4	2	2	-	20	-	43
Non-accruing credit	80	49	19	5	4	12	49	-	218
Total Credit to the public - Activity in Israel	**66,656**	**40,532**	**29,165**	**15,400**	**9,441**	**24,306**	**43,456**	**-**	**228,956**
Total Credit to the public - Activity Abroad	**7,509**	**3,982**	**4,366**	**1,681**	**1,819**	**2,245**	**11,857**	**526**	**33,985**
Non-problematic credit	7,311	3,426	4,080	1,346	1,115	2,075	10,350	242	29,945
Accruing problematic credit	198	552	262	323	636	144	1,455	284	3,854
Non-accruing credit	-	4	24	12	68	26	52	-	186
Total Credit to the public	**74,165**	**44,514**	**33,531**	**17,081**	**11,260**	**26,551**	**55,313**	**526**	**262,941**

Footnote:

(1) Reclassified following improvement of data.

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

B. Credit to the public (continued)

3. Additional information on non-accruing debts

	Unaudited					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
	March 31, 2024					
Lending Activity in Israel						
Construction and Real Estate	807	144	79	886	1,489	3
Commercial - Other	602	222	93	695	2,246	3
Total Commercial	**1,409**	**366**	**172**	**1,581**	**3,735**	**6**
Private Individuals - Housing Loans	268	13	-	268	300	-
Private Individuals - Other Loans	197	104	1	198	243	-
Total Credit To The Public - Activity in Israel	**1,874**	**483**	**173**	**2,047**	**4,278**	**6**
Lending Activity Abroad						
Total Credit To The Public - Activity Abroad	**109**	**10**	**144**	**253**	**455**	**-**
Total	**1,983**	**493**	**317**	**2,300**	**4,733**	**6**
Of which:						
Measured specifically according to present valued of cash flows	633	224	68	701	877	
Measured specifically according to fair value of collateral	830	140	247	1,077	3,221	
Measured on a collective basis	520	129	2	522	635	

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

B. Credit to the public (continued)

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

	Unaudited					
	March 31, 2023					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	357	45	78	435	1,306	2
Commercial - Other	415	[5]133	108	523	2,175	3
Total Commercial	**772**	**178**	**186**	**958**	**3,481**	**5**
Private Individuals - Housing Loans	234	12	-	234	275	-
Private Individuals - Other Loans	164	[5]55	-	164	201	-
Total Credit To The Public - Activity in Israel	**1,170**	**245**	**186**	**1,356**	**3,957**	**5**
Lending Activity Abroad						
Total Credit To The Public - Activity Abroad	**41**	**6**	**78**	**119**	**301**	**-**
Total	**1,211**	**251**	**264**	**1,475**	**4,258**	**5**
Of which:						
Measured specifically according to present valued of cash flows	535	[5]129	47	582	734	
Measured specifically according to fair value of collateral	232	46	216	448	2,953	
Measured on a collective basis	444	[5]76	1	445	571	

For footnotes see next page.

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

B. Credit to the public (continued)

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

	Audited					
	December 31, 2023					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	906	155	90	996	1,600	26
Commercial - Other	620	204	105	725	2,246	7
Total Commercial	**1,526**	**359**	**195**	**1,721**	**3,846**	**33**
Private Individuals - Housing Loans	259	13	-	259	294	1
Private Individuals - Other Loans	217	122	1	218	260	-
Total Credit To The Public - Activity in Israel	**2,002**	**494**	**196**	**2,198**	**4,400**	**34**
Lending Activity Abroad						
Total Credit To The Public - Activity Abroad	**112**	**11**	**74**	**186**	**379**	**2**
Total	**2,114**	**505**	**270**	**2,384**	**4,779**	**36**
Of which:						
Measured specifically according to present valued of cash flows	613	206	44	657	791	
Measured specifically according to fair value of collateral	971	153	224	1,195	3,346	
Measured on a collective basis	530	146	2	532	642	

Footnotes:
(1) Recorded amount.
(2) The amount of interest income recorded in the reported period for the average balance of non-accruing debts, in the period of time in which the debts had been classified as non-accruing.
(3) Had the non-accruing debts accrue interest according to the original terms, interest income of NIS 38 million would have been recorded for the period of three months ended March 31, 2024 (March 31, 2023 - NIS 19 million, December 31, 2023 - NIS 124 million).
(4) Additional information: the total average recorded amount of the debt of non-accruing debts in the period of three months ended March 31, 2024, amounts to NIS 2,487 million (March 31, 2023 - NIS 1,634 million, December 31, 2023 - NIS 2,717 million).
(5) Reclassified following improvement of data.

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

B. Credit to the public (continued)

4. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms

General. As from January 1, 2024, the Bank implements the circular regarding "changes in terms of debts of borrowers in financial difficulties" (see Note 1 E 1). To the extent practicable, the comparative data was presented according to the new disclosure format. The balances as at March 31, 2023 and December 31, 2023, are the balances of debts that had been restructured, which, as stated, were restated in accordance with the new disclosure format.

A. Credit quality and arrears situation of debts of borrowers having financial difficulties, which have undergone changes in terms

	Recorded amount				
	Problematic		not problematic		
	non-accruing	accruing interest income	in arrears for 30 days or more	not in arrears	Total
	In NIS millions				
	Unaudited				
	March 31, 2024[(1)(2)]				
Lending Activity in Israel					
Commercial	475	56	-	4	535
Private Individuals - Housing Loans	12	4	-	6	22
Private Individuals - Other Loans	45	41	-	7	93
Total Public - Activity in Israel	**532**	**101**	**-**	**17**	**650**
Total Public - Activity Abroad	**78**	**163**	**-**	**138**	**379**
Total	**610**	**264**	**-**	**155**	**1,029**
	Unaudited				
	March 31, 2023				
Lending Activity in Israel					
Commercial	366	86	-	54	506
Private Individuals - Housing Loans	3	6	-	7	16
Private Individuals - Other Loans	70	50	-	11	131
Total Public - Activity in Israel	**439**	**142**	**-**	**72**	**653**
Total Public - Activity Abroad	**76**	**172**	**-**	**28**	**276**
Total	**515**	**314**	**-**	**100**	**929**
	Audited				
	December 31, 2023				
Lending Activity in Israel					
Commercial	405	57	-	45	507
Private Individuals - Housing Loans	5	3	-	9	17
Private Individuals - Other Loans	67	42	-	9	118
Total Public - Activity in Israel	**477**	**102**	**-**	**63**	**642**
Total Public - Activity Abroad	**121**	**87**	**-**	**138**	**346**
Total	**598**	**189**	**-**	**201**	**988**

Footnotes:

(1) As of March 31, 2024, accruing debts that had undergone a change in terms in previous years, in the amount of NIS 41 million, are no longer included in the disclosure, due to the following conditions having been met:

A. An updated and well documented credit evaluation has been made with respect to the financial condition of the borrower and his repayment ability in accordance with the new terms, indicating that the debt may continue to be classified as an accruing debt and that the debt is not in arrears and is not problematic.

B. The evaluation included examination of the continuous historical repayments by the borrower, within their meaning in Section 30(e) of the public reporting directives, during a period of at least 24 months.

(2) As of March 31, 2024, there were no debts of borrowers in financial difficulties where the terms of such debts had been modified more than twice (an examination, as stated, was not conducted in respect of previous periods).

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

B. Credit to the public (continued)

4. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms (continued)

B. Credit quality and arrears situation of debts of borrowers in financial difficulties, which have undergone changes in terms during the reported period

	Debts of borrowers having financial difficulties, which have undergone changes in terms during three months ended March 31, 2024					
	Recorded amount					
	Problematic		not problematic			
	non-accruing	accruing interest income	in arrears for 30 days or more	not in arrears	Total	accounting write-off
	In NIS millions					
	March 31, 2024					1-3/2024
Lending Activity in Israel						
Commercial	161	-	-	-	161	1
Private Individuals - Housing Loans	7	-	-	-	7	-
Private Individuals - Other Loans	18	-	-	-	18	-
Total Public - Activity in Israel	**186**	**-**	**-**	**-**	**186**	**1**
Total Public - Activity Abroad	**-**	**82**	**-**	**-**	**82**	**-**
Total	**186**	**82**	**-**	**-**	**268**	**1**

	Debts of borrowers having financial difficulties, which have undergone changes in terms during three months ended March 31, 2023				
	Recorded amount				
	Problematic		not problematic		
	non-accruing	accruing interest income	in arrears for 30 days or more	not in arrears	Total
	In NIS millions				
	March 31, 2023				
Lending Activity in Israel					
Commercial	50	-	-	-	50
Private Individuals - Housing Loans	-	-	-	-	-
Private Individuals - Other Loans	20	2	-	-	22
Total Public - Activity in Israel	**70**	**2**	**-**	**-**	**72**
Total Public - Activity Abroad	**-**	**-**	**-**	**-**	**-**
Total	**70**	**2**	**-**	**-**	**72**

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

B. Credit to the public (continued)

4. Information regarding debts of borrowers having financial difficulties, which have undergone changes in terms (continued)

C. debts of borrowers in financial difficulties, which have undergone changes in terms during the reported period[1]

	Debts of borrowers having financial difficulties becoming delinquent in the reported year following changes in terms[2]		
	Recorded amount		
	Three months ended March 31,		For the year ended December 31
	2024	2023	2023
	In NIS millions		
Lending Activity in Israel			
Commercial	6	20	46
Private Individuals - Housing Loans	-	-	-
Private Individuals - Other Loans	3	2	15
Total Public - Activity in Israel	**9**	**22**	**61**
Total Public - Activity Abroad	**-**	**-**	**-**
Total	**9**	**22**	**61**

Footnotes:

(1) In the three months ended on March 31, 2024, the Bank made changes in the terms of debts of borrowers in financial difficulties amounting to NIS 268 million, mainly in the commercial segment, when most of the changes were made by way of extending the repayment period. The financial effect of the said changes is not material.

(2) Debts that had a payment default in the reported year, following changes in terms of debts of borrowers in financial difficulties, in the course of the twelve months prior to date of payment default.

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

B. Credit to the public (continued)

5. Additional information on non-accruing credit in arrears

	In arrears for up to 89 days	In arrears of 90 to 180 days	In arrears for over 180 days to one year	In arrears for over one year to three years	In arrears of over three to five years	In arrears of over five to seven years	In arrears of over seven years	Total non-accruing debts in arrears	Non-accruing debts not in arrears	Total non-accruing
	In NIS millions									
	Unaudited									
	March 31, 2024									
Commercial	574	204	59	275	29	14	23	1,178	656	1,834
Private Individuals - Housing Loans	1	122	79	36	10	6	14	268	-	268
Private Individuals - Other Loans	4	53	-	-	-	-	-	57	141	198
Total	**579**	**379**	**138**	**311**	**39**	**20**	**37**	**1,503**	**797**	**2,300**
	Unaudited									
	March 31, 2023									
Commercial	140	69	47	127	30	54	15	482	595	1,077
Private Individuals - Housing Loans	-	107	59	35	11	8	13	233	1	234
Private Individuals - Other Loans	3	94	-	-	-	-	-	97	67	164
Total	**143**	**270**	**106**	**162**	**41**	**62**	**28**	**812**	**663**	**1,475**
	Audited									
	December 31, 2023									
Commercial	137	55	250	106	39	12	58	657	1,250	1,907
Private Individuals - Housing Loans	1	126	68	33	8	8	14	258	1	259
Private Individuals - Other Loans	3	59	-	-	-	-	-	62	156	218
Total	**141**	**240**	**318**	**139**	**47**	**20**	**72**	**977**	**1,407**	**2,384**

6. Additional disclosure on the quality of credit

(A) Risk characteristics according to credit segments

(1) Commercial credit

- The "Iron Swords" War has significant impacts on economic activity and on the economic environment of businesses in Israel. Many businesses along the northern border and in the Western Negev are not operating due to the state of war and are suffering cumulative losses. The business assistance programs that began to be formed at the beginning of November 2023 provide a partial solution to small and middle market businesses only;
- A recovery is evident in private consumption of the full range of products and services, excluding tourism services;
- The interest rate in real-terms, which increased following the high inflation that prevailed in Israel and the world, reduces accessibility of households and the business sector to sources of finance, leading, even prior to the outbreak of the War to an adverse effect on economic performance and to a slowdown in growth;
- The condition of the economy may have an impact on the repayment ability of borrowers in all lines of business, and in particular, in the center of risk is found the real estate sector with its different activities, including construction projects, a field the activity thereof started to slow down even prior to the outbreak of the War;

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

B. Credit to the public (continued)

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

- Implications are expected on the level of foreign investments, in a way that may affect also the ability of recovery of the hi-tech sector;
- Geopolitical tension, with Iran, in Europe and in US-China relations as well as in the Red Sea arena, might lead to damage in scope of production and in global trading and to the continuation of the rise in prices of finished goods;

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

(2) Credit to private individuals – housing loans

- Loans involving a high finance ratio carry risk in the event of impairment in the value of collateral below the balance of the loan. The Bank's underwriting policy and the regulation limit the ratio of finance when granting a loan;
- High exposure to variable interest may increase the risk of repayment ability of borrowers, in view of the rising cost of interest in the economy. The Bank's underwriting policy coupled with regulation hedge against such risk.

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors;
- The continuation of the state of the fighting and the shutdown of operation of many businesses in the North and in the South, harm the repayment ability regarding credit granted to part of the private individuals segment. The reliefs approved by the government mitigate this harm in the short term;
- The deterioration in the security situation and its impact on economic activity in Israel, may lead to recession, the force of which depends also on the global economic situation;
- The growth in competition in recent years, whether within the banking industry or against off-banking institutions, may lead to erosion of the spreads, to a decline in the quality of borrowers, and as a result thereof to increased credit risk. The present credit policy examines thoroughly the risk involved in the underwriting of loans to existing and new customers using models and tools developed for sales points, thus reducing such risk.

(4) Implication of the prime interest rate on credit to private individuals (mortgage and other)

The volume of demand for mortgage loans has declined; the increase in amount of monthly repayments following the high interest rates adversely affects the repayment ability. Towards the end of the first quarter, there was a decrease in number of borrowers applying for deferral of principal repayments in the framework of reliefs that were approved as part of the reliefs outline of the "Iron Swords" War, as compared to the situation at the beginning of the "Iron Swords" War.

The rise in housing prices leads to higher leverage ratios and higher repayment rates, as well as to longer average periods to maturity in housing loans.

(B) Indication of credit quality

	Unaudited				Audited			
	March 31, 2024				December 31, 2023			
		Private Individuals				Private Individuals		
	Commercial	Housing Loans	Other Loans	Total	Commercial	Housing Loans	Other Loans	Total
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	95.0%	99.5%	97.7%	96.5%	95.0%	99.5%	98.0%	96.5%
Ratio of accruing credit to balance of credit to the public	3.9%	0.1%	1.7%	2.6%	3.8%	0.1%	1.4%	2.6%
Ratio of non-accruing credit to balance of credit to the public	1.1%	0.4%	0.6%	0.9%	1.2%	0.4%	0.6%	0.9%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of credit to the public	1.8%	0.5%	2.6%	1.6%	1.9%	0.5%	2.7%	1.6%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	33.9%	93.7%	115.0%	42.7%	34.6%	93.4%	126.9%	43.7%

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

B. Credit to the public (continued)

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

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs.

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

7. Additional information on housing loans

Balances for the year end, according to Loan-to-Value (LTV)[1] ratio, manner of repayment and type of interest

		Balance of housing loans			
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	Total Off-Balance Sheet Credit Risk
		In NIS millions			
		Unaudited			
		March 31, 2024			
First degree pledge: financing ratio	Up to 60%	43,735	565	25,164	799
	Over 60%	25,937	150	15,205	468
Second degree pledge or without pledge		492	126	168	6,921
Total		**(2)70,164**	**841**	**40,537**	**8,188**
		Unaudited			
		March 31, 2023(3)			
First degree pledge: financing ratio	Up to 60%	41,542	381	24,194	614
	Over 60%	24,730	126	14,704	409
Second degree pledge or without pledge		656	198	229	6,909
Total		**(2)66,928**	**705**	**39,127**	**7,932**
		Audited			
		December 31, 2023(3)			
First degree pledge: financing ratio	Up to 60%	43,280	575	24,920	645
	Over 60%	25,686	131	15,108	435
Second degree pledge or without pledge		534	158	170	5,433
Total		**(2)69,500**	**864**	**40,198**	**6,513**

Footnotes:

(1) The ratio between the authorized credit line at the time the credit line was granted and the value of the asset, as confirmed by the Bank at the time the credit line was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.

(2) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 115 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (March 31, 2023 - NIS 181 million, December 31, 2023 - NIS 97 million).

(3) Reclassified following improvement of data.

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

C. Information on the purchase and sale of debts

Details on the consideration paid or received for the acquisition or sale of loans

	Unaudited									
	Credit to the public					Credit to the public				
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total
	In NIS millions									
	For the three months ended March 31, 2024					For the three months ended March 31, 2023				
Loans acquired	3,743	-	-	1,968	5,711	3,654	-	-	661	4,315
Loans sold	-	-	-	-	-	-	-	-	-	-

D. Off balance Sheet Financial Instruments(3)

	Unaudited				Audited	
	Balance(1)	Provision(2)	Balance(1)	Provision(2)	Balance(1)	Provision(2)
	March 31, 2024		March 31, 2023		December 31, 2023	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	791	4	1,478	4	749	4
Credit guarantees	3,428	47	2,907	35	3,440	51
Guarantees for home purchasers	15,181	5	18,380	6	15,504	6
Other guarantees and obligations	15,558	38	14,092	53	15,783	40
Unutilized facilities for transactions in derivative instruments	6,276	-	7,238	-	4,562	-
Unutilized facilities credit line for credit cards	45,547	75	39,928	68	45,027	76
Unutilized current loan account facilities and other credit facilities in on-call accounts	10,768	82	10,244	64	11,007	82
Irrevocable commitments to extend credit approved but not yet granted(3)(4)	35,489	236	33,916	203	33,134	260
Commitment to issue guarantees	15,130	9	17,677	11	17,143	10

Footnotes:

(1) Contract balance or their stated amounts at period end before of allowance for credit loss.

(2) Balance of allowance for credit losses at period end.

(3) Including commitments to customers for granting credit within the framework of "an approval in principle and maintaining interest rates" according to Proper Management Directive No. 451 "Procedures for the granting of housing loans".

(4) Including a cancellable liabilities at IDB Bank.

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	March 31, 2024						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	42,156	14	3,619	374	375	–	46,538
Securities	29,888	3,309	19,534	1,357	–	1,973	56,061
Securities borrowed or purchased under agreements to resell	930	–	–	–	–	–	930
Net credit to the public	190,981	29,772	37,208	2,783	1,059	–	261,803
Credit to the Government	716	184	857	1,132	–	–	2,889
Investments in Associates	2	–	–	–	–	485	487
Buildings and equipment	–	–	–	–	–	4,558	4,558
Intangible assets and goodwill	–	–	–	–	–	161	161
Assets for derivative instruments	2,241	432	4,965	278	250	1,864	10,030
Other assets	2,566	82	1,442	135	115	2,300	6,640
Total assets	**269,480**	**33,793**	**67,625**	**6,059**	**1,799**	**11,341**	**390,097**
Liabilities							
Deposits from the public	198,009	5,274	82,911	7,517	1,757	–	295,468
Deposits from banks	9,137	–	2,484	67	9	–	11,697
Deposits from the Government	45	–	31	–	–	–	76
Securities lent or sold under agreements to repurchase	402	–	4,949	–	–	–	5,351
Bonds and Subordinated debt notes	3,781	11,171	2,892	–	–	–	17,844
Liabilities for derivative instruments	2,516	380	3,591	225	208	1,864	8,784
Other liabilities	18,411	680	1,258	26	30	245	20,650
Total liabilities	**232,301**	**17,505**	**98,116**	**7,835**	**2,004**	**2,109**	**359,870**
Difference	37,179	16,288	(30,491)	(1,776)	(205)	9,232	30,227
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(39,084)	2,756	34,432	1,552	344	–	–
Net options in the money (in terms of underlying asset)	(152)	–	133	83	(64)	–	–
Net options out of the money (in terms of underlying asset)	(68)	–	(32)	103	(3)	–	–
Total	**(2,125)**	**19,044**	**4,042**	**(38)**	**72**	**9,232**	**30,227**
Net options in the money (discounted par value)	(26)	–	51	100	(125)	–	–
Net options out of the money (discounted par value)	1	–	(320)	353	(34)	–	–

Footnote:

(1) Includes those linked to foreign currency.

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

	Unaudited						
	March 31, 2023						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	52,307	18	6,722	451	542	–	60,040
Securities	26,989	3,207	18,093	1,087	1	1,838	51,215
Securities borrowed or purchased under agreements to resell	1,251	–	–	–	–	–	1,251
Net credit to the public	185,801	25,514	34,629	2,921	618	–	249,483
Credit to the Government	643	214	1,233	822	–	–	2,912
Investments in Associates	2	–	–	–	–	489	491
Buildings and equipment	–	–	–	–	–	4,031	4,031
Intangible assets and goodwill	–	–	–	–	–	162	162
Assets for derivative instruments	2,367	492	6,983	535	125	1,457	11,959
Other assets	2,473	27	1,357	51	106	1,914	5,928
Total assets	**271,833**	**29,472**	**69,017**	**5,867**	**1,392**	**9,891**	**387,472**
Liabilities							
Deposits from the public	188,982	4,508	87,343	6,995	1,884	–	289,712
Deposits from banks	14,687	–	2,685	117	28	–	17,517
Deposits from the Government	40	1	90	–	–	–	131
Securities lent or sold under agreements to repurchase	–	–	7,787	–	–	–	7,787
Bonds and Subordinated debt notes	4,072	8,114	2,911	–	–	–	15,097
Liabilities for derivative instruments	2,646	542	4,721	540	100	1,456	10,005
Other liabilities	17,885	708	1,597	19	25	239	20,473
Total liabilities	**228,312**	**13,873**	**107,134**	**7,671**	**2,037**	**1,695**	**360,722**
Difference	43,521	15,599	(38,117)	(1,804)	(645)	8,196	26,750
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(42,640)	(886)	41,592	1,198	736	–	–
Net options in the money (in terms of underlying asset)	(460)	–	(252)	751	(39)	–	–
Net options out of the money (in terms of underlying asset)	(174)	–	363	(178)	(11)	–	–
Total	**247**	**14,713**	**3,586**	**(33)**	**41**	**8,196**	**26,750**
Net options in the money (discounted par value)	(469)	–	(333)	851	(49)	–	–
Net options out of the money (discounted par value)	(1,994)	–	2,273	(216)	(63)	–	–

Footnote:

(1) Includes those linked to foreign currency.

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

	Audited						
	December 31, 2023						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	44,162	14	6,059	556	324	–	51,115
Securities	31,660	3,925	19,849	1,831	–	2,003	59,268
Securities borrowed or purchased under agreements to resell	851	–	–	–	–	–	851
Net credit to the public	189,185	29,084	36,447	3,035	976	–	258,727
Credit to the Government	722	195	1,020	1,136	–	–	3,073
Investments in Associates	2	–	–	–	–	469	471
Buildings and equipment	–	–	–	–	–	4,535	4,535
Intangible assets and goodwill	–	–	–	–	–	161	161
Assets for derivative instruments	3,779	428	4,493	382	198	1,826	11,106
Other assets	2,908	94	1,365	107	107	1,836	6,417
Total assets	**273,269**	**33,740**	**69,233**	**7,047**	**1,605**	**10,830**	**395,724**
Liabilities							
Deposits from the public	197,718	5,935	84,815	7,336	1,793	–	297,597
Deposits from banks	9,092	–	2,139	67	30	–	11,328
Deposits from the Government	45	–	31	–	–	–	76
Securities lent or sold under agreements to repurchase	1,206	–	11,436	–	–	–	12,642
Bonds and Subordinated debt notes	2,685	9,864	2,942	–	–	–	15,491
Liabilities for derivative instruments	4,556	405	3,136	401	149	1,822	10,469
Other liabilities	16,108	728	1,770	17	28	232	18,883
Total liabilities	**231,410**	**16,932**	**106,269**	**7,821**	**2,000**	**2,054**	**366,486**
Difference	41,859	16,808	(37,036)	(774)	(395)	8,776	29,238
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(42,887)	1,385	40,593	458	451	–	–
Net options in the money (in terms of underlying asset)	(187)	–	57	125	5	–	–
Net options out of the money (in terms of underlying asset)	(199)	–	71	140	(12)	–	–
Total	**(1,414)**	**18,193**	**3,685**	**(51)**	**49**	**8,776**	**29,238**
Net options in the money (discounted par value)	(247)	–	74	172	1	–	–
Net options out of the money (discounted par value)	(2,283)	–	2,164	137	(18)	–	–

Footnote:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	March 31, 2024				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	46,538	15,198	-	31,161	46,359
Securities[2]	56,061	37,293	15,723	1,692	54,708
Securities borrowed or purchased under agreements to resell	930	-	-	930	930
Net credit to the public	261,803	3,210	-	258,429	261,639
Credit to Governments	2,889	-	-	2,868	2,868
Assets for derivative instruments	10,030	1,889	6,147	1,994	10,030
Other financial assets	2,243	3	1	2,239	2,243
Total financial assets	**[3]380,494**	**57,593**	**21,871**	**299,313**	**378,777**
Financial liabilities					
Deposits from the public	295,468	29,262	193,256	73,158	295,676
Deposits from banks	11,697	1,012	7,422	3,071	11,505
Deposits from the Government	76	-	49	28	77
Securities lent or sold under agreements to repurchase	5,351	-	-	5,446	5,446
Bonds and Subordinated debt notes	17,844	14,012	2,927	338	17,277
Liabilities for derivative instruments	8,784	1,882	6,506	396	8,784
Other financial liabilities [4]	16,701	924	9	15,768	16,701
Total financial liabilities	**[3]355,921**	**47,092**	**210,169**	**98,205**	**355,466**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	166	-	-	166	166

Footnotes:

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

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

(3) Of which: assets and liabilities in the amount of NIS 74,500 million and NIS 144,351 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

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

A. Composition - consolidated (continued)

	Unaudited				
	March 31, 2023				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	60,040	26,785	-	33,062	59,847
Securities[2]	51,215	34,040	14,169	1,739	49,948
Securities borrowed or purchased under agreements to resell	1,251	-	-	1,252	1,252
Net credit to the public	249,483	3,223	-	[5]244,318	247,541
Credit to Governments	2,912	-	-	2,911	2,911
Assets for derivative instruments	11,959	1,483	5,978	4,498	11,959
Other financial assets	1,922	5	2	1,915	1,922
Total financial assets	**[3]378,782**	**65,536**	**20,149**	**289,695**	**375,380**
Financial liabilities					
Deposits from the public	289,712	31,785	175,107	82,401	289,293
Deposits from banks	17,517	662	7,829	8,706	17,197
Deposits from the Government	131	-	42	88	130
Securities lent or sold under agreements to repurchase	7,787	-	-	7,718	7,718
Bonds and Subordinated debt notes	15,097	10,849	[6]2,895	[6]294	14,038
Liabilities for derivative instruments	10,005	1,495	7,949	561	10,005
Other financial liabilities[4]	16,728	1,332	11	15,385	16,728
Total financial liabilities	**[3]356,977**	**46,123**	**193,833**	**115,153**	**355,109**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	164	-	-	164	164

Footnotes:

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

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

(3) Of which: assets and liabilities in the amount of NIS 78,499 million and NIS 155,347 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

(5) Improvement in the calculations at a subsidiary.

(6) Reclassified - Improvement in the calculation of the data.

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

A. Composition - consolidated (continued)

	Audited				
	December 31, 2023				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	51,115	17,053	-	34,043	51,096
Securities[(2)]	59,268	40,275	16,030	1,732	58,037
Securities borrowed or purchased under agreements to resell	851	-	-	851	851
Net credit to the public	258,727	4,157	-	252,183	256,340
Credit to Governments	3,073	-	-	3,047	3,047
Assets for derivative instruments	11,106	1,858	5,796	3,452	11,106
Other financial assets	2,387	3	1	2,383	2,387
Total financial assets	**[(3)]386,527**	**63,346**	**21,827**	**297,691**	**382,864**
Financial liabilities					
Deposits from the public	297,597	30,127	197,432	69,967	297,526
Deposits from banks	11,328	569	6,347	4,492	11,408
Deposits from the Government	76	-	46	30	76
Securities lent or sold under agreements to repurchase	12,642	-	-	12,561	12,561
Bonds and Subordinated debt notes	15,491	11,474	2,978	254	14,706
Liabilities for derivative instruments	10,469	1,858	8,185	426	10,469
Other financial liabilities [(4)]	15,037	836	14	14,187	15,037
Total financial liabilities	**[(3)]362,640**	**44,864**	**215,002**	**101,917**	**361,783**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	168	-	-	168	168

Footnotes:

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

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

(3) Of which: assets and liabilities in the amount of NIS 80,918 million and NIS 144,435 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

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

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Unaudited				
	March 31, 2024				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	17,729	3,976	–	–	21,705
Foreign Governments bonds	4,674	168	–	–	4,842
Israeli financial institutions bonds	70	–	–	–	70
Foreign financial institutions bonds	–	495	–	–	495
Bonds backed by assets (ABS) or by mortgage (MBS)	–	5,688	–	–	5,688
Bonds of others in Israel	186	103	–	–	289
Bonds of others abroad	–	1,754	–	–	1,754
Shares not for trading	182	–	–	–	182
Total available-for-sale bonds and shares not for trading	**22,841**	**12,184**	**-**	**-**	**35,025**
Trading Securities					
Israeli Government bonds	6,914	227	–	–	7,141
Foreign Governments bonds	78	–	–	–	78
Israeli financial institutions bonds	–	–	–	–	–
Foreign financial institutions bonds	–	–	–	–	–
Bonds backed by assets (ABS) or by mortgage (MBS)	–	–	–	–	–
Bonds of others in Israel	2	–	–	–	2
Bonds of others abroad	–	–	–	–	–
Trading Shares	82	17	–	–	99
Total trading securities	**7,076**	**244**	**-**	**-**	**7,320**
Credit to the public for securities loaned	3,210	–	–	–	3,210
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	–	–	433	–	433
Other Interest Rate Contracts	–	4,592	164	–	4,756
Foreign Currency Contracts	24	1,127	1,397	–	2,548
Shares Contracts	1,865	428	–	–	2,293
Commodity and other Contracts	–	–	–	–	–
Total assets for derivative instruments	1,889	6,147	1,994	–	10,030
Other	–	1	–	–	1
Assets for the "Maof" market operations	3	–	–	–	3
Total assets	**35,019**	**18,576**	**1,994**	**-**	**55,589**
Liabilities					
Deposits from the public for securities borrowed	2,001	–	–	–	2,001
Deposits from banks for securities borrowed	3	–	–	–	3
CLN deposits	–	–	–	–	–
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	–	–	305	–	305
Other Interest Rate Contracts	–	3,921	–	–	3,921
Foreign Currency Contracts	17	2,160	91	–	2,268
Shares Contracts	1,865	425	–	–	2,290
Commodity and other Contracts	–	–	–	–	–
Total liabilities for derivative instruments	1,882	6,506	396	–	8,784
Other	–	9	–	–	9
Commitments for the "Maof" market operations	3	–	–	–	3
Short sales of securities	921	–	–	–	921
Total liabilities	**4,810**	**6,515**	**396**	**-**	**11,721**

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

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

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

	Unaudited				
	March 31, 2023				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	13,770	2,481	-	-	16,251
Foreign Governments bonds	4,648	57	-	-	4,705
Israeli financial institutions bonds	83	12	-	-	95
Foreign financial institutions bonds	-	499	-	-	499
Bonds backed by assets (ABS) or by mortgage (MBS)	1	5,836	-	-	5,837
Bonds of others in Israel	193	121	-	-	314
Bonds of others abroad	-	1,725	-	-	1,725
Shares not for trading	128	-	-	-	128
Total available-for-sale bonds and shares not for trading	**18,823**	**10,731**	**-**	**-**	**29,554**
Trading Securities					
Of the Israeli Government	6,148	72	-	-	6,220
Of foreign governments	77	-	-	-	77
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	16	-	-	-	16
Of others abroad	-	-	-	-	-
Shares	2	25	-	-	27
Total trading securities	**6,243**	**97**	**-**	**-**	**6,340**
Credit to the public for securities loaned	3,223	-	-	-	3,223
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	488	-	488
Other Interest Rate Contracts	1	4,371	144	-	4,516
Foreign Currency Contracts	12	1,541	3,866	-	5,419
Shares Contracts	1,456	66	-	-	1,522
Commodity and other Contracts	14	-	-	-	14
Total assets for derivative instruments	1,483	5,978	4,498	-	11,959
Other	-	2	-	-	2
Assets for the "Maof" market operations	5	-	-	-	5
Total assets	**29,777**	**16,808**	**4,498**	**-**	**51,083**
Liabilities					
Deposits from the public for securities borrowed	3,266	-	-	-	3,266
Deposits from banks for securities borrowed	12	-	-	-	12
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	453	-	453
Other Interest Rate Contracts	11	4,313	-	-	4,324
Foreign Currency Contracts	14	3,575	108	-	3,697
Shares Contracts	1,456	61	-	-	1,517
Commodity and other Contracts	14	-	-	-	14
Total liabilities for derivative instruments	1,495	7,949	561	-	10,005
Other	-	11	-	-	11
Commitments for the "Maof" market operations	5	-	-	-	5
Short sales of securities	1,327	-	-	-	1,327
Total liabilities	**6,105**	**7,960**	**561**	**-**	**14,626**

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

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

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

	Audited				
	December 31, 2023				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	18,377	3,962	-	-	22,339
Foreign Governments bonds	5,217	130	-	-	5,347
Israeli financial institutions bonds	70	29	-	-	99
Foreign financial institutions bonds	-	630	-	-	630
Bonds backed by assets (ABS) or by mortgage (MBS)	-	5,654	-	-	5,654
Bonds of others in Israel	184	100	-	-	284
Bonds of others abroad	-	2,097	-	-	2,097
Shares not for trading	167	-	-	-	167
Total available-for-sale bonds and shares not for trading	**24,015**	**12,602**	**-**	**-**	**36,617**
Trading Securities					
Of the Israeli Government	7,495	62	-	-	7,557
Of foreign governments	76	-	-	-	76
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	3	-	-	-	3
Of others abroad	-	-	-	-	-
Shares	82	22	-	-	104
Total trading securities	**7,656**	**84**	**-**	**-**	**7,740**
Credit to the public for securities loaned	4,157	-	-	-	4,157
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	434	-	434
Other Interest Rate Contracts	-	4,254	161	-	4,415
Foreign Currency Contracts	37	1,288	2,857	-	4,182
Shares Contracts	1,821	254	-	-	2,075
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	1,858	5,796	3,452	-	11,106
Other	-	1	-	-	1
Assets for the "Maof" market operations	3	-	-	-	3
Total assets	**37,689**	**18,483**	**3,452**	**-**	**59,624**
Liabilities					
Deposits from the public for securities borrowed	3,472	-	-	-	3,472
Deposits from banks for securities borrowed	-	-	-	-	-
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	2	340	-	342
Other Interest Rate Contracts	-	3,716	-	-	3,716
Foreign Currency Contracts	37	4,220	86	-	4,343
Shares Contracts	1,821	247	-	-	2,068
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	1,858	8,185	426	-	10,469
Other	-	14	-	-	14
Commitments for the "Maof" market operations	3	-	-	-	3
Short sales of securities	833	-	-	-	833
Total liabilities	**6,166**	**8,199**	**426**	**-**	**14,791**

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

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

2. Items measured according to fair value not on a recurring basis

	Unaudited				
	March 31, 2024				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended March 31, 2024
	In NIS millions				
Problematic credit, the collection of which is collateral dependent	–	–	1,077	1,077	(14)
Not for trading shares[1]	–	–	232	232	(16)

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

	Audited				
	December 31, 2023				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended December 31, 2023
	In NIS millions				
Problematic credit, the collection of which is collateral dependent	–	–	1,195	1,195	(35)
Not for trading shares[1]	–	–	452	452	(38)

Footnote:

(1) In the period ended March 31, 2024 no downward adjustments were made (December 31, 2023 – NIS 2 million; March 31, 2023 - no adjustments). In the period ended March 31, 2024, no upward adjustments were made (December 31, 2023 – NIS 45 million; March 31, 2023 - NIS 2 million). The allowance for impairment amounted to NIS 16 million during the period ended March 31, 2024 (December 31, 2023 – NIS 81 million; March 31, 2023 - NIS 29 million).

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

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

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
	in NIS millions							
	Unaudited							
	For the three months ended March 31, 2024							
Net Assets (Liabilities) for derivative instruments								
Shekel/CPI Interest Rate Contracts	94	(1)8	–	26	–	–	128	(1)(6)
Other Interest Rate Contracts	161	(1)8	–	1	(9)	3	164	(1)8
Foreign Currency Contracts	2,771	(1)514	(107)	(1,840)	4	(36)	1,306	(1)666
Total	**3,026**	**530**	**(107)**	**(1,813)**	**(5)**	**(33)**	**1,598**	**668**
	Unaudited							
	For the three months ended March 31, 2023							
Net Assets (Liabilities) in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	8	(1)7	–	20	–	–	35	(1)7
Other Interest Rate Contracts	153	(1)8	–	(19)	(1)	3	144	(1)3
Foreign Currency Contracts	3,110	(1)2,590	(169)	(1,747)	(9)	(17)	3,758	(1)2,407
Total	**3,271**	**2,605**	**(169)**	**(1,746)**	**(10)**	**(14)**	**3,937**	**2,417**
	Audited							
	For the year ended December 31, 2023							
Net Assets (Liabilities) for derivative instruments								
Shekel/CPI Interest Rate Contracts	8	(1)3	–	83	–	–	94	(1)24
Other Interest Rate Contracts	153	(1)73	–	(66)	–	1	161	(1)63
Foreign Currency Contracts	3,110	(1)4,089	(193)	(4,235)	(10)	10	2,771	(1)2,324
Total	**3,271**	**4,165**	**(193)**	**(4,218)**	**(10)**	**11**	**3,026**	**2,411**

Footnote:

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

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first quarter of 2024, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

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

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

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

	Unaudited							
	Fair value as at March 31, 2024	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	1,077	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	232	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	128	Discounted cash flow	Inflationary expectations	From	2.04%	to	3.17%	(2.62%)
			Counterparty credit risk (CVA)	From	0.00%	to	8.22%	(3.84%)
Other Interest Rate Contracts	164	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	7.53%	(0.14%)
Foreign Currency Contracts	1,306	Discounted cash flow	Inflationary expectations	From	2.04%	to	3.17%	(2.62%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	38.13%	(0.32%)

	Unaudited							
	Fair value as at March 31, 2023	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	448	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	210	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	35	Discounted cash flow	Inflationary expectations	From	2.44%	to	8.58%	(2.22%)
			Counterparty credit risk (CVA)	From	0.00%	to	21.97%	(4.53%)
Other Interest Rate Contracts	144	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	8.25%	(0.08%)
Foreign Currency Contracts	3,758	Discounted cash flow	Inflationary expectations	From	2.44%	to	8.58%	(2.60%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	4.57%	(0.11%)

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

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

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

	Audited							
	Fair value as at December 31, 2023	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	1,195	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	452	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	94	Discounted cash flow	Inflationary expectations	From	1.66%	to	3.91%	(2.22%)
			Counterparty credit risk (CVA)	From	0.00%	to	23.17%	(3.74%)
Other Interest Rate Contracts	161	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	20.63%	(0.22%)
Foreign Currency Contracts	2,771	Discounted cash flow	Inflationary expectations	From	1.66%	to	3.91%	(2.43%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	56.65%	(0.97%)

2. Qualitative information on the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). As much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). As much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. **Existing arrangements between credit card companies and between such companies and the banks.**

The arrangements were described in Note 36 A to the financial statements as of December 31, 2023.

Local clearing exemption terms. On May 15, 2024, the Commissioner of Competition announced his decision to exempt, under certain conditions, the cross-clearing arrangement between the credit card companies. The cross-clearing arrangement between the credit card companies was approved in March 2012 by the Competition Tribunal, as part of an application for approval of a restrictive agreement. The Tribunal adopted the compromise arrangement that was formed at the time between the three credit card companies and the Commissioner.

The present exemption was granted until December 31, 2028, subject to conditions detailed in the decision. The present exemption is in continuation of the previous exemption granted until December 31, 2023, and which was temporarily extended until date of granting the present exemption.

On March 11, 2024, the Competition Authority announced with respect to the clearing agreement of "IsraCard" charge cards, that she withdraws her letter of November 10, 2019, which prevents the application of the various class exemptions to the said agreement. This, considering the number of charge cards of the "IsraCard" brand existing in the market at the present time, out of the total number of charge cards issued in Israel.

B. 1. **The separation of ICC.** Note 36 B 1 to the financial statements as of December 31, 2023, described the Minister of Finance decision, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, to instruct the separation of ICC from Discount Bank and additional details regarding this matter.

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

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

The Bill to Section 10 of the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, passed on April 3, 2024, its first reading by the Plenum of the Knesset. In addition to the version published as part of the Memorandum, the Bill proposes, inter alia, to extend the time schedules for the sale by nine months and to state that beyond the prohibition applying to a medium sized bank to have a controlling interest in a clearing agent with Wide-Ranging Activity, as defined in the Law, shall also not be permitted to engage in a "wide-ranging clearing activity"; on the other hand, prohibition on controlling interest applies only to a clearing agent with Wide-Ranging Activity, namely (as of date of publication of this Report) "ICC"', "IsraCard" and "MAX". The Bill was passed on to the Economic Committee of the Knesset for preparation for its second and third readings.

The above Note also describes the provision that ICC made in the first quarter of 2023 for a "phantom" type option that ICC granted at the time to El Al, within the framework of the agreement between them.

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

It is noted that at this stage it is not possible to assess the duration of the "Iron Swords" War and its force, and accordingly it is not possible to assess its impact on the sale process, if at all.

For details regarding the ICC segment within the framework of managerial operating segments, see Note 13 above.

2. **Arrangements following the Strum Law.** The arrangements were described in Note 36 B to the financial statements as of December 31, 2023.

17. Credit Card Activity (continued)

C. **A joint issuance agreement between ICC and Discount Bank.** The agreements for the joint issue of charge cards between ICC, Diners and Discount Bank and between ICC, Diners and MDB expired on December 31, 2022. At this stage, the joint activity of ICC and Diners with the Bank and with MDB continues according to the provisions of the agreements, which were in effect until December 31, 2022, while the parties have started negotiations for the renewal of the issuing agreements. According to the Regulations enacted under the "Strum Law", fixation applies to the income distribution mechanism between ICC and Discount, and the distribution of income shall be made according to the issue operating agreement that was in effect on January 1, 2022 until the end of three years from date of separation, or until the end of five years from date of publication of the Regulations (January 30, 2023), whichever is later.
On April 17, 2024, the joint issue agreement between ICC and MDB was extended, with certain adjustments, until December 31, 2024. In the absence of a notice by any of the parties regarding the termination of the agreement, the agreement will be automatically renewed for additional periods of twelve months each.

D. **Acquisition of the minority interest in Diners.** A monetary action was filed against ICC on September 24, 2019, with the Tel Aviv-Jaffa District Court, by which the Court was plead to charge the company to pay to the Claimants (Alon Blue Square Israel Ltd. and Dor Alon Finance Ltd.) an amount of approx. NIS 21 million, in respect of the transaction for the sale of "Diners" shares to ICC. ICC presented its evidence on May 9, 2024. A pre-trial hearing following the presentation of evidence has been set for July 7, 2024.

E. **Extension of the clearing license of ICC and Diners.** On April 1, 2024, the provisional clearing permit of ICC and Diners was extended to March 31, 2025, or until a permanent permit is obtained, the earlier of the two.

18. Dividends

Details on the Bank's dividend policy, were presented in Note 24 C to the financial statements to December 31, 2023.

Declaration date	Payment date	Total dividend paid	Rate from the profit	Dividend per share
		In NIS million	In percentage	In agorot (100 agorot = NIS 1)
March 13, 2023	March 30, 2023	187.8	20	15.18
May 16, 2023	June 6, 2023	380.7	30	30.78
August 13, 2023	September 3, 2023	356.1	30	28.79
November 26, 2023	December 17, 2023	122.5	15	9.91
March 11, 2024	April 4, 2024	183.8	20	14.86

On May 19, 2024 the Bank's Board of Directors decided to make a dividend distribution at the rate of 30% of the profits of the first quarter of 2024, in an amount of approx. NIS 315 million, representing approx. 25.46 Agorot per ordinary A share of NIS 0.1 par value.

19. Taxation

A. **Special Payment for the Purpose of Achieving the Budget Objectives (Provisional Instruction) Law, 5784-2024.** On March 17, 2024, the Law was published, within the framework of which, a special payment in order to achieve the goals of the budget during the "Iron Swords" War was imposed on banks in the years 2024 and 2025, the scope of which would be 6% of the profit earned by a bank on its operations in Israel, and not exceeding its proportionate share of the total amount of NIS 1,200 million in 2024 and of a total amount of NIS 1,300 million in 2025. The Law will also apply to MDB. According to the Law, in 2024 the higher rates will apply on a pro rata basis to the portion of the profits in that tax year that relate to the period after the amendment is passed. The special payment, as stated, shall not be deductible in accordance with the Income Tax Ordinance.

In accordance with the Banking Supervision Department's directives, the additional tax was calculated, with effect from January 1, 2024, according to a weighted annual rate of 4.5% and no receivable deferred tax balances were updated due to the change in the tax rate; these continued to be calculated according to the tax rate in effect immediately prior to the change in the law.

The change in the value-added tax rate to 18%, with effect from the beginning of 2026, was defined as an event subsequent to the balance sheet date and, accordingly, the update with respect thereto will be made in the interim financial statements as of June 30, 2024.

The statutory tax rate will amount to 38.03%, 39.32%, 34.75%, in the years 2024, 2025 and 2026, respectively. This compared to 34.19% in 2023.

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

On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage differences. The issues in the aforesaid assessments are the same in principle as those in the assessments issued for the previous taxable periods. On April 8, 2024, the Director of VAT rejected most of the objections relating to the additional assessments.

ICC estimates the amount of exposure, for which no provision has been recorded in its financial statements, at approx. NIS 261 million.

20. Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel to the Discount Campus

As part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus, the following transactions, among others, were performed:

- On March 23, 2022, ICC signed an agreement for the sale of the ICC Building in Givatayim, in consideration for NIS 336 million, with the addition of VAT and betterment levies. In view of the conclusion of the transaction, on March 30, 2023, ICC has recognized a net of tax gain of NIS 231 million (the Bank's share in this amount is approx. NIS 142 million).
- On August 8, 2022, MDB's Board of Directors gave approval for the bank to enter into a transaction for the sale of space in The Jubilee Tower in Tel Aviv, which serves the bank's Management and its central head office units. The closure of the transaction and transfer of possession of the property was expected by June 30, 2023. MDB had an option to defer the date of transferring possession by 180 days, until December 31, 2023 (including in the number of deferrals), MDB had exercised the option in two stages and deferred the date of transfer of possession to December 31, 2023. Transfer of possession to the purchaser was completed on December 31, 2023. In the fourth quarter of 2023 MDB recognized a profit of approx. NIS 97 million, after tax effect.

21. The "Iron Swords" War

The "Iron Swords" War broke out on October 7, 2023, following a surprise attack by the Hamas terror organization and its collaborators on the communities surrounding the Gaza Strip. Following the attack, the State of Israel entered into a national emergency situation and a state of war has been declared. Some 360 thousand reserve service personnel have been called for active service, the largest mobilization of the reserve force in the annals of the State.

In the days following the outbreak of the War, the terror organization Hezbollah and its collaborators initiated different events of aggression on the Northern border, both on the Lebanese and the Syrian borders. Following these events, tens of areas in the South and the North have been evacuated, over 100 thousand evacuated residents.

Concurrently, another front has been opened in the south by the Yemen Houthi Organization, operating in two parallel channels: one, missile and unmanned aerial vehicles (UAV) attacks directed towards Israeli territory, principally towards Eilat; and the other, operations in the maritime space – disruption of the global maritime activity in the Bab-el-Mandab Straits.

The ground entry of the IDF forces into the Gaza Strip started on October 28, 2023, being part of a wide scope ground maneuver. The ground maneuver of the IDF forces in Gaza continues, though with significantly reduced numbers compared to the peak of the maneuver, and at the same time exchange of fire and incidents continue on the northern border.

During the months of the first quarter, the incidents of rocket and missile fire from the Gaza Strip were significantly reduced, and this, concurrently with the continuation of firing and missile incidents on the northern border.

On April 14, 2024, Iran launched against Israel unmanned aerial vehicles (UAV's), ground-to-ground missiles and cruise missiles. The great majority of the UAV's and the missiles were intercepted outside the borders of the State of Israel.

In the first months of the fighting, a material decline was evident in business activity in the economy, including a decline in scope of revenues of many business sectors, among which are, commercial, leisure, entertainment and catering industries. With the continuation of the fighting and the reorganization of the "order of battle" of the army in the military maneuver in the Gaza Strip, the activity in the economy began to recover in a sort of "return to routine under shadow of the War".

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

The structured risk attributed to the credit field has increased. The Bank expressed this increase mostly in the collective allowance model in the second half of 2023. The Group closely follows developments and exposure, including close monitoring of the development of exposures, inter alia, through the use of scenarios at different severity levels.

On April 19, 2024, S&P announced the lowering of the credit rating of the State of Israel from "AA-" to "A+". This decision will have an effect upon the capital ratio computations beginning with the second quarter of 2024 and thereafter. For details regarding the direct effect expected on the Bank's capital adequacy, see Note 9 G above.

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

21. The "Iron Swords" War (continued)

Expenses for credit losses in the amount of NIS 82 million were recognized in the first quarter of 2024, as compared to expenses of NIS 390 million in the fourth quarter of 2023, and compared to expenses of approx. NIS 596 million in the third quarter of 2023. The reduction reflects the decline in intensity of the fighting in the first quarter and the reorganization of the fighting forces, which led to the beginning of a recovery in the condition of the economy, in comparison to the second half of 2023, and the improvement in the GDP and unemployment forecast. However, a high level of uncertainty still exists in the security and the economic fields.

Corporate Governance, Audit and Additional details regarding the business of the banking corporation and management thereof

Corporate Governance and additional details - List of tables

Corporate governance and audit

Board of Directors and Management

Changes in the Board of Directors

Termination of office of Directors. Dr. Yaacov Lifshitz, terminated his office on March 25, 2024, as a Director of the Bank.
The Chairman of the Board, the Board of Directors and the President & CEO thank Dr. Lifshitz for his activity and contribution during his period of office at the Bank.

Changes in Management

On March 27, 2024, the Bank's Board of Directors approved the appointment of Ms. Hadar Brin-Weiss as member of Management with the title of Executive Vice President, Chief Legal Adviser and Head of the Legal Advisory Division. Ms. Brin-Weiss replaces Ms. Nitzan Sandor, who had announced her retirement from the Bank.
The date of beginning of office of Ms. Brin-Weiss will be determined later, subject to receiving approval of the Supervisor of Banks or his non-objection.

Meetings of the Board of Directors and its committees

In the first three months of 2024, the Board of Directors held 8 meetings. In addition, 21 meetings of committees of the Board of Directors were held.

The Internal Audit in the Group

Details on the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2023 Annual Report (pp. 333-336).
Updates. During the first quarter of 2024 the following periodic reports were submitted and discussed:
- The report on the activities of the internal audit in the fourth quarter of 2023 was submitted on February 13, 2024, and discussed in the Audit Committee on March 20, 2024;
- The annual report on the activities of the internal audit in 2023 was submitted on March 10, 2024, discussed by the Audit Committee on March 20, 2024 and in the Board of Directors on May 16, 2024;
- The quarterly report on the activities of the internal audit in the first quarter of 2024 was submitted on April 16, 2024, and is yet to be discussed by the Audit Committee.

Transactions with Interested and Related Parties

On April 1, 2024, the Bank purchased a collective insurance policy for Directors and Officers, officiating and who may officiate from time to time at the Bank, including for their office on behalf of the Bank in any other company in which the Bank has an interest. For additional details, see Note 10 section 5 to the condensed financial statements.

Special and independent committee – proceedings in Australia

Different legal proceedings have been conducted in Australia and in Israel against the Bank and against MDB ("the banks"), relating to accounts held with the banks by certain Australian family members and by companies related to them. The essence of the said proceedings is civil lawsuits (fiscal) filed in Australia by Liquidators of the related companies, claiming damage caused to these companies due to amended tax assessments issued by the Australian Tax Authorities. The claims were based on the argument (refuted) that the said banks had provided banking services to customers, assisting them in evading the payment of taxes in Australia.

On January 31, 2021, the banks signed compromise arrangements in relation to the aforementioned proceedings for the settlement of all claims and actions of the Plaintiffs against the Discount Group, including in relation to the proceedings, the family members and the related companies, with this being without any admission of liability. According to the aforesaid arrangements, the amount of the settlement totals approx. AUD 138 million, equivalent to approx. NIS 343 million.

Concurrently, the Bank has agreed to an arrangement whereby the insurers will pay the banks an amount of approx. US$ 55 million for which an amount of approx. US$ 47.5 million (approx. NIS 151 million) was recorded as income.

For further details, see Note 26 C 11.3 to the financial statements as of December 31, 2020 (pp. 230-231).

The Bank had carried out a lesson learning process in order to avoid repetition of events of that sort, and in this framework, the Bank reassessed processes and procedures.

As required by the Supervisor of Banks, the Boards of the two banks have decided to establish a joint committee of the two Boards of Directors, which will be a special, independent committee that will be headed by her honor, Retired Judge Hila Gerstel. His honor, Retired Judge Jacob Sheinman was appointed on August 15, 2021, as joint Chairperson of the Committee, acting together with her honor, Retired Judge Gerstel. The Committee was appointed to examine the administrative and control processes that allowed the conduct of the Banks that led to the proceedings for which the compromise arrangements were signed, while addressing, inter alia, to corporate governance aspects and the conduct of the Board of Directors and the senior Management including drawing conclusions and making general and personal recommendations with regard to officers and employees, where necessary, including in relation to compensation awards granted to the officers during the relevant period.

Based on all the claims, information, documents, and evidence presented to it, the Committee assessed the probability of possible defendants being held liable, according to the various grounds for the claim, and the significance for the banks of proceedings being conducted. The Committee, in its role as an independent claims committee, submitted separate reports to the banks' boards of directors in relation to Discount Bank and in relation to MDB. The Committee, in its role as an institutional and procedural review committee, will submit another confidential report, as required by the Bank of Israel, in which the administrative and control processes examined by it will be presented to the Bank of Israel.

Within the framework of the reports, the Committee recommended to the banks' boards of directors that no legal proceedings be taken against the directors and other officers for breach of fiduciary duty, since it believes that, in the circumstances of the case, the chances of such cause of action are negligible. The Committee recommended that the banks' boards of directors not take legal action against the directors and other officers for breach of the duty of care, since it believes that, in the circumstances of the case, the chances of such cause of action are very low. Accordingly, the Committee also believes that there is no merit in demanding that the directors and other officers refund the compensation awards they received within the framework of their service with the banks during the relevant period, and there is no merit in taking legal action on this matter.

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

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

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

All as detailed in the Immediate Report from November 27, 2023 (Ref. No. 2023-01-128346), the details contained therein are presented here by way of reference.

On November 30, 2023, the parties informed the Court as to the adoption of the recommendations of the Committee by the banks. On April 10, 2024, the parties filed an application for approval of a compromise agreement between the banks and the relevant factors. In its decision of April 11, 2024, the Court ordered the publication of the application and set a deadline for the submission of objections until May 30, 2024. The date for hearing the objections was set for June 30, 2024.

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

Immediately proximate to the outbreak of the War, the Bank and its employees readied themselves to assist residents of communities surrounding the Gaza Strip and of the South. Jointly with the Human Resources Division and the Strategy Division, a designated team has been formed for dealing with requests for assistance and for initiatives regarding support of different factors, in directing monetary assistance and matching volunteers to the different activities. The Bank allocates funds for different factors to the direct support of casualties, to supporting entities and to fighters of the IDF.

Included in the above are: focused assistance had been provided to residents of communities surrounding the Gaza Strip, who remained with absolutely nothing at all, in getting organized and acquiring basic needs; assistance to local authorities in the South and to residents of the area; assistance to Kibbutz Re'im in purchasing equipment and furnishing of alternative residence, initiated by the representative committee of Discount Bank employees, together with contributions of leave days pay and cash donations by Bank employees; funding of hundreds of hotel rooms in Central Israel for residents of the South who wanted to move to a safer place; funding of psychological treatments and mental help to hundreds of children and youth by means of the resilience centers operating in the towns of communities surrounding the Gaza Strip and in the South; procuring equipment for fighters of the IDF; donations to hospitals treating casualties from the fighting zones for the purchase of life-saving equipment; donations to Magen David Adom and ZAKA associations for the reinforcement of their rescue teams; donations for the support of the IDF and the security forces; Donations to Savyonim Association in support of the operation of ambulances transporting sick and handicapped persons and those with special needs; donations to the Jordan River Village, which opened its doors to families of children with complex disabilities, who were evacuated from their homes in the communities surrounding the Gaza Strip and in the Southern towns; donations for the maintenance of agricultural activity of the Ein Habsor cooperative Israeli community (moshav); donations for operating a pampering food truck for IDF soldiers, in cooperation with Moshik Roth and the KARNAF Group; donations for operations rooms established to support IDF fighters, civilians and more.

A designated team was established as part of the Human Resources Division, which has undergone training by the Israel Trauma and Resilience Center (NATAL), for conducting conversations with employees suffering anxiety on the background of the present situation and for providing primary mental help. Specific cases, such as employees who experienced trauma in the past on national background, were treated by the Bank's social workers. Specific support was granted to employees facing economic or family distress on the background of the War – economic/mental help, assistance regarding hotel accommodation for employees and their families from the Southern Region/relief and flexibility at the office, etc.

Moreover, professional tools and training were made available by the welfare workers to managers (for example, managers whose employees suffer from a previous post-trauma); specific training for special cases; reference to relevant lectures (such as lectures for conducting emphatic conversations with customers affected by the War/their families, intended for managers/staff of the Banking Division, etc.).
In addition, specialized lectures and discussion groups were held in order to help population groups with similar characteristics to deal with the situation: a designated lecture for employees having children with special needs at war time, lecture to families with children serving in the military etc.
Employees returning to work after active reserve service, have been provided with a support package, which inter alia included, flexibility in office hours, gifts, appointments with a social worker, discussion group for those returning from active service, conversations with employees conducted by unit/division managers, centralized communication making available various mental responses, relevant items in the Morning Journal increasing awareness of the important activity of reservists on active service.
Furthermore, many hundreds of Bank employees take part since the beginning of the War in different voluntary activities around the country, such as: packaging of personal effects (clothing, toys, etc.) for servicemen and residents of the Gaza Envelope and of the South in cooperation with the "Pitchon Lev" Association; preparation of sandwiches for soldiers and residents of the communities surrounding the Gaza Strip; packaging of hot meals for the security forces and hospitals; preparation of agricultural products packages at the logistic center of "Leket Israel"; purchasing and packaging of computers and tablets for children and youth in cooperation with the "Lend a Hand to a Special Child" Association; packaging of needed personal equipment for military units adopted by the Bank; making personal telephone calls to the senior population regarding their needs in cooperation with the "Surprise Cake" Association; help to farmers in fruit picking, and more.
In order to encourage and facilitate the expansion of volunteering, the Bank's Management allowed employees to volunteer during work hours with no time limit. At the same time, the Bank's Individual and Community Unit is working to initiate and provide access for employees to a diverse range of volunteer activities.
Many moving initiatives have been established in the shadow of the War, but there is no doubt that the most touching of which are "Keren Or", "Discount Operations Room" and the adoption of members of "Re'im Kibbutz". In each of these significant activities, employees of the Bank take part in voluntary activities.
"Discount Operations Room" - at the rehabilitation ward of the Sheba Hospital "Returning to Life". The Discount Group has established the "Discount Operations Room" with the aim of providing an immediate response to the urgent needs of IDF soldiers injured during the fighting, being treated in the rehabilitation wards of the Sheba Tel Hashomer Hospital. Within the framework of the Operations Room, which is being operated by the "Notnim Tikva" (Providing Hope) Association, response is given to urgent applications that are not found within the care boundaries of the IDF or the Ministry of Defense, starting with the purchase of vital equipment and up to economic assistance. Since date of establishment of the "Operations Room" volunteers of the Bank visit the rehabilitation wards once a week on a regular basis, some of them even more frequently. The volunteers visit the wounded, conduct joint activities, talk to them, inquire as to their needs and buildup personal relations. These frequent visits enable the creation of warm and direct connection with the wounded and their families, and even with released patients who visit the Hospital for treatment. This new initiative has created touching initiatives and cooperations, such as "Bar-Mitzvah" celebration at the Hospital for the brother of a severely injured patient in participation with and assistance of Bank employees, indulging patients with special dishes prepared by employees of the Bank, and more. Wounded soldiers were invited to visit the Discount Campus, they visited a number of important sites and learned closely about the Bank's activity, being accompanied by the President & CEO and Management of the Bank. In view of the needs raised during discussions with the wounded, the Bank introduced a program – "The day following rehabilitation" – a mentoring program by managers at the Bank, who had received specialized training, which is intended to accompany the wounded towards and after leaving rehabilitation.
Adoption of the "Re'im Kibbutz". Employees of the Bank, by way of the Employees Representative Committee have adopted the members of the Re'im Kibbutz. As a first stage for the rehabilitation of the Kibbutz members, Bank employees pitched in to help in equipping the temporary residences of Kibbutz members who had moved to Tel Aviv. In addition, employees of the Bank have contributed their vacation payments in the amount of NIS 2.5 million.

ICC. ICC, together with other organizations, has helped distribute NIS 8 million to families evacuated from their homes by loading prepaid credit cards, at no cost. In addition, ICC has donated medicines, medical equipment, portable chargers and essential equipment to the fighters and volunteers of the rescue organizations. ICC has made financial donations to the residents of the communities surrounding the Gaza Strip, has encouraged its employees to engage in volunteer activities on account of work hours and has donated equipment and food to residents of the communities surrounding the Gaza Strip who have been evacuated from their homes.
The Discount Group's support for the community amounted at a date proximate to the date of the report's publication to approx. NIS 70 million.

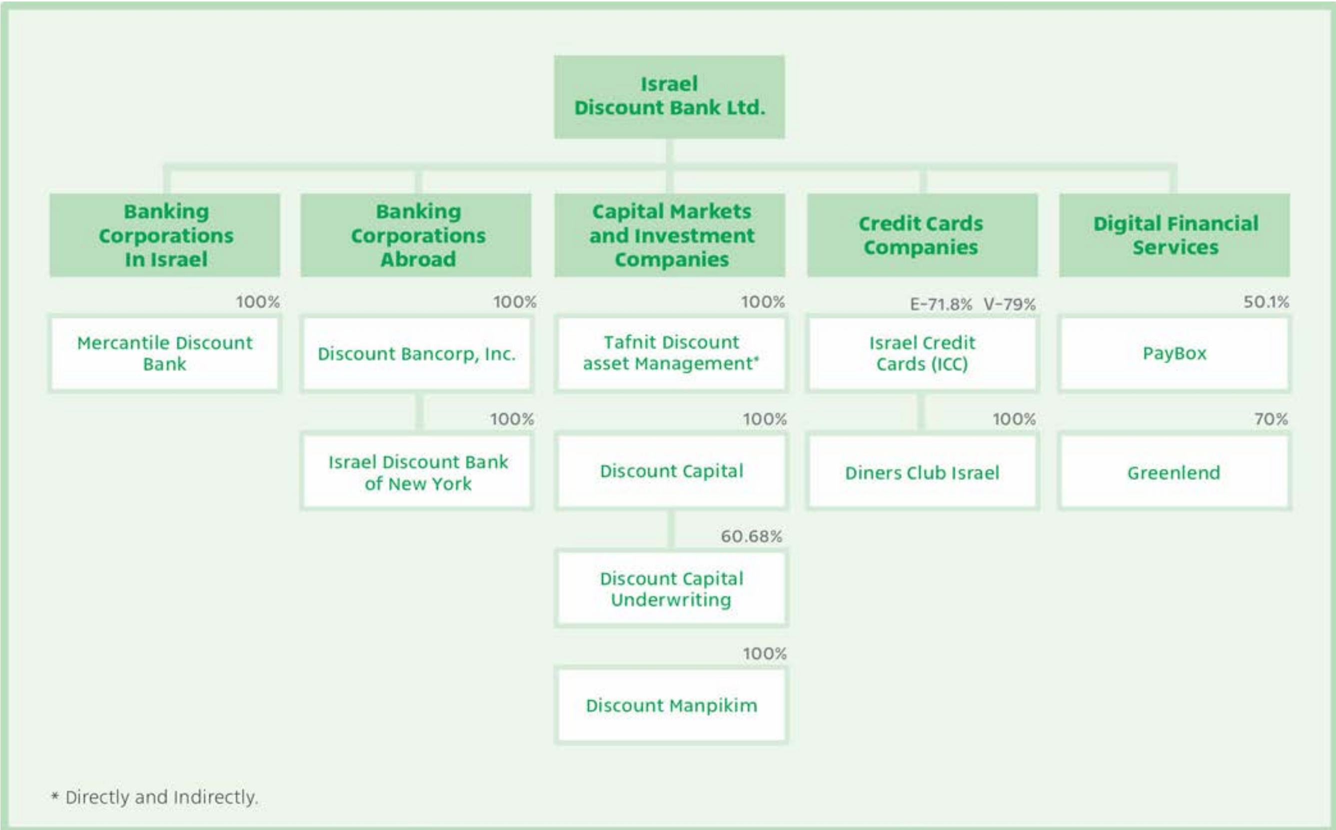
'Keren Or' – Foundation in aid of children and youth harmed during the War

The Discount Group has established the 'Keren Or' Foundation for the designated support of children and young persons harmed in the conflict area during the War. The Foundation, established by Discount Bank and MDB will amount to an initial sum of NIS 50 million, and will engage in providing a holistic long-term solution to the needs of suffering children and youth along the confrontation line in order to restore their personal and communal security and help them regain optimal functioning in their lives and to be leaders of change in the community.
The 'Keren Or' Foundation will operate for at least three years and will accompany children and youth aged 10-18 at seven centers: at the regional councils of Sdot Negev, Sha'ar HaNegev, Hof Ashkelon, and Eshkol, and in the cities of Sderot, Ofakim and Netivot.
The 'Keren Or' Foundation is managed by a professional team that determines the comprehensive action plan formulated with the 'Advisory Committee', which was set up specifically for the benefit of the Foundation, chaired by the Bank's President & CEO and its members are professionals from the fields of psychiatry, education, welfare, local authorities, and finance, and a representative from the communities surrounding the Gaza Strip. 'Keren Or' operates by the "Sprint for the future" Association and provides response to varied needs, with the aim of enabling these children to return to optimal functioning in their life, by varied means: workshops for individual and collective forcefulness, enrichment and relaxation activities, relation to the community and social leadership activities, supporting studies and additional needs encountered during operations. For this purpose, the Foundation operates in cooperation with the regional authorities and councils, alongside different factors in the community. The 'Keren Or' Foundation began operating in November 2023, and has defined four months of activity in each of the two major evacuation zones – the Dead Sea and Eilat. A series of resilience and empowerment workshops have been set which operates within the formal education framework (during school hours) and through afternoon activities in institutions where the children and youth are located, in schools, hotels, etc. The activity includes diverse workshops: phototherapy, empowerment through theater, challenging experiential activities (O.D.T.), a street art and painting workshop, challenging activities and cycling, sports empowerment, simulators and much more.
During the first four months of operation, more than 2,500 workshops took place in which approx. 5,000 children and youth participated through collaborations with various associations and bodies (Hamal Ezrahi, NATAL – Israel Trauma Center for Victims of Terror and War, Etgarim-Challenges, Invisible Album, etc.), local councils (those from which evacuees came and those accepting them) and staff members of the "Sprint for the Future" association.
Within the framework of the change to the activity stage at the communities surrounding the Gaza Strip, an operating model was structured, based on a resilience model that will focus on growth, proactive activity of youth through empowerment, leadership and education with the cooperation of the Directors of Education at the regional authorities and councils. The mapping of needs, definition of activity frameworks and the budget for the whole of 2024, were carried out in each of the seven centers. The structuring of a work plan began, divided into three parts: until the end of the present academic year (5784-2024), a plan for the summer months and a curriculum for the next academic year beginning in September 2024 (5785). The implementation of the plan in the communities surrounding the Gaza Strip started in April. At the same time "Keren Or" continues to operate in favor of the residents of these communities who remained in the Dead Sea area and in Eilat, and accompanies the 12th grade students – a group of the Nofei Habsor Boarding School in Ein Gedi.

The Discount Group allows the general public to contribute to the Foundation and undertakes to double the amount so contributed. Commitments to the fund, from the Discount Group and donors, totaled approx. NIS 53.8 million at a date proximate to the date of the report's publication.

Additional details on the business of the banking corporation and management thereof

Discount Group Structure



The human capital

Principal Activities in the first quarter of 2024

A process of employee evaluation was performed in the first quarter with respect to all Bank employees (99%), including the definition of goals with a forward outlook.

Labor Relations of the Principal Subsidiaries

ICC. On March 28, 2024, ICC and the national representative committee of ICC employees (”the parties”) signed a special collective labor agreement, which would remain in effect until December 31, 2026 (”the agreement”). The agreement is in continuation of agreements that were signed by the parties in prior years, and establishes different aspects relating to the relocation to the ICC Building in Bnei Braq. It was determined, inter alia, that on October 2, 2024, the company will pay to entitled company employees (as defined in the agreement) an award in respect of the relocation to the ICC Building. In the years 2022-2023 ICC recognized a provision in respect of the major part of this award. In addition, the agreement includes arrangements with respect to matters of catering in the ICC Building in Bnei Braq and in other centers, to gifts for the Holidays and additional matters.
Voluntary retirement plan – MDB. See Note 8 C to the condensed financial statements.

Rating of Liabilities of the Bank and some of its Subsidiaries

Credit rating of Discount Bank and banks in Israel

On January 2, 2024, the rating agency Midroog ratified the Bank’s credit rating at a level of ”Aaa.il” with a stable outlook.
On February 13, 2024, as direct continuation of the lowering of the credit rating of the State of Israel (see below), Moody’s lowered the credit rating of the five large banking groups in Israel, among which, the rating of the Discount Group (from ”A2” to ”A3”).
On April 4, 2024, the rating agency Fitch announced that it had removed the rating of the Bank and that of additional Israeli banks being rated by it from the ”rating watch negative” list (RWN) and lowered their rating outlook, following the lowering of the credit outlook of the State of Israel (see below).
On May 2, 2024, the rating agency S&P ratified the Bank’s credit rating at a level of ”BBB+” with a negative outlook. At the same time, the rating agency Maalot ratified the Bank’s credit rating at a level of ” ilAAA” with a negative outlook.
For details on the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2023 Annual Report (p. 366).

Credit rating of the State of Israel – in view of the "Iron Swords" War

On February 9, 2024, Moody’s announced the lowering of the credit rating of the State of Israel from A1 to A2. This decision is a continuation of a previous decision, dated October 19, 2023, which put the State of Israel on a surveillance for the lowering of the credit rating. Furthermore, Moody’s has updated the rating outlook to ”negative”, which expresses the possibility of a further lowering in the future.
On April 2, 2024, the rating agency Fitch announced that it had removed the rating of the State of Israel from the ”Rating watch negative” and lowered the credit outlook to ”negative”. This decision follows an earlier decision of October 17, 2023, which placed the rating of the State of Israel under ”watch negative”, and this, due to the change in the risk perception in view of the War. On April 18, 2024, S&P announced the lowering of the credit rating of the State of Israel from ”AA-” to ”A+”. This decision follows an earlier decision of October 24, 2023, that lowered the credit outlook from ”stable” to ”negative”, against the background of the significant deterioration in the geopolitical and security risks facing Israel as a result of the War.
For details regarding the direct effect on the Bank’s capital adequacy, on the said decision of S&P, see ”Capital and Capital Adequacy” above.

Activity of the Group according to regulatory operating segments - additional details

Household Segment (Domestic operations) - additional details

Developments in the segment

Branches. At the end of the first quarter of 2024, the Discount Group has 173 branches in operation in Israel (100 branches of the Bank and 73 branches of MDB).

For additional details, see the 2023 Annual Report (pp. 367-369).

Mortgage Activity

At the present time, the Bank operates 72 branches and one extension, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	March 31,		
	2024	2023	
	in NIS millions		Change in %
Total housing loans granted by the banks, excluding internal recycling of loans	17,133	18,871	(9.2)
Loans from State funds	85	83	1.8

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

	For the three months ended March 31,			For the year ended December 31,
	2024	2023		2023
	In NIS millions		Change in %	In NIS millions
From bank funds[1]	2,057	3,012	(31.7)	9,697
From Treasury funds[2]	11	13	(15.4)	45
Total of new loans	**2,068**	**3,025**	**(31.6)**	**9,742**
Recycled loans	948	473	100.4	6,755
Total granted[3]	**3,016**	**3,498**	**(13.8)**	**16,497**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 165 million in the first three months of 2024, compared to NIS 122 million as at March 31, 2023 and NIS 534 million in 2023.

(2) Including standing loans in the amount of NIS 6 million in the first three months of 2024, compared to NIS 4 million in the first three months of 2023 and NIS 16 million in 2023.

(3) At the Bank and MDB.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

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

The Bank of Israel circular regarding adjustments to Proper Conduct of Banking Business Directive No. 251 for the confrontation with the "Iron swords" War (Provisional instruction). On March 31, 2024, The Bank of Israel extended the validity of the sections in Proper Conduct of Banking Business Directive No. 251, which states adjustments to different Proper Conduct of Banking Business Directives for the confrontation with the "Iron swords" War (Provisional instruction). The validity of the instruction which provides exemption from the restrictions stated in Proper Conduct of Banking Business Directive No. 329 regarding the financing rate and the repayment ratio has been extended. This relief applies to a loan taken for the purpose of building a residential sheltered area, which is exempt from a building permit under the Planning and Construction Regulations (Works and structures exempt from a permit), (Provisional instruction – "Iron Swords"), 5784-2023, the cost of which does not exceed NIS 200,000. Also, the validity of the relief allowing the granting of a loan for whatever purpose, at a financing rate of up to 70% in an amount not exceeding NIS 200,000, has been extended until June 30, 2024.

For additional details, see the 2023 Annual Report (pp. 369-372).

Large businesses Segment (Domestic operations) - additional details

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of March 31, 2024, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as March 31, 2024, there were no deviations from the limitations on "related persons". According to a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of February 2024[2] to NIS 1,320 billion, an increase of 1.2% compared with the end of December 2022 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

About half of the increase in the total debt is due to a sharp rise in the debt to household (5%). In addition, an increase was recorded in the business sector's debt to the banks (1%), and its share of the business sector's total debt fell slightly, from 55.5% to 55.3%. Moreover, a moderate increase was recorded in the debt to institutional entities (1%), mainly by direct loans. The debt to foreign residents shrank slightly (approx. 1%), but this is against the background of the strengthening of the shekel at a similar rate.

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

During the first quarter the business segment, excluding banks and insurance companies, raised bonds in an amount of approx. NIS 17 billion (on the Tel-Aviv Stock Exchange and by means of non-listed bonds), compared to NIS approx. 11 billion in the corresponding period last year.
The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of March 2024 was 1.02%, compared with 1.41% at the end of 2023 and 1.92% at the end of the corresponding quarter last year.
The margin between corporate bonds (included in the shekel Tel-Bond 60 Index) and government bonds as of the end of March 2024, was 1.35%, as compared to 1.78% at the end of 2023, and 2.22% at the end of the corresponding quarter last year.
The reduction in corporate bond margins in early 2024 was affected by the positive momentum in the equity markets, concurrently with a high net investment by corporate bond mutual funds.

Developments in the Segments' Markets

The "Iron Swords" War has a negative effect on economic activity, including damage to the scope and routes of foreign trade. A considerable increase in defense expenditure, an increase in the level of uncertainty and the fear of an increase in the scope of credit default events were reflected in the increase in the risk premium of the State of Israel, which was also reflected in the reduction of the credit rating by two international rating agencies.

Anticipated Developments in the Segments' Markets

In its last interest decision, the Bank of Israel kept the interest at a level of 4.5%. Changes in the interest rate, if at all, are expected to have a significant effect on the growth characteristics of the economy in the coming year.

For details on the "Large businesses Segment", see the 2023 Annual Report (pp. 379-383).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. The sector is experiencing a shortage in workers and a slowdown in the pace of sales on the background of the "Iron Swords" War and the interest rate environment.
Income producing office premises. There are signs of a slower rental rate than before, mainly in new properties, and erosion in rental prices in some properties.
Income producing commercial real estate. The growth potential is coordinated with the performance of retail trading, and within the larger circle, with the buying power of the Israeli consumer and may be exposed to impairment in a scenario of economic slowdown.

Legislative and regulatory limitations and special constraints applying to the activity

The limitations described above applying to the business segment also apply to construction and real-estate operations. In addition, it should be noted that as part of Proper Conduct of Banking Business Directives No. 315, a limitation applies to sectorial credit concentration, where that part of the credit being the responsibility of the banking corporation (including off-balance sheet credit) granted to a certain sector, as defined in the Directive, exceeds 20% of total credit to the public being the responsibility of the banking corporation. The Bank's sectorial credit concentration in the real estate sector was 17.8% as of March 31, 2024, compared with 17.92% at the end of 2023.

For additional details, see the 2023 Annual Report (pp. 383-386).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

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

With respect to an immaterial investment in a corporation operating in the financial sector, made by a subsidiary of the Bank, the controlling shareholder of that corporation reported in March 2023, the crossing of the monetary upper limit relating to the classification of the controlling shareholder and corporations under its control as significant nonfinancial corporations. In accordance with the provisions of the Banking Law (Licensing), a banking corporation is not allowed to hold over 10% of the equity of more than one significant nonfinancial corporation and over 1% of a certain class of control means in additional significant nonfinancial corporations. Notwithstanding the above, and in view of the recommendations, issued in September 2022, by the team examining Chapter "D" of the Concentration Law, the Bank applied to the Bank of Israel with a request to allow a sufficient stay to complete legislative procedures concerning the adoption of the team's conclusions, if at all adopted, and to the extent required, for the sale of the holdings in that corporation, if required.
As of March 31, 2024, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing).
For further details, see the 2023 Annual Report (pp. 390-391).
With respect to an immaterial investment in a corporation operating in the financial sector, made by a subsidiary of the Bank, the controlling shareholder of that corporation reported in March 2023, the crossing of the monetary upper limit relating to the classification of the controlling shareholder and corporations under its control as significant nonfinancial corporations. In accordance with the provisions of the Banking Law (Licensing), a banking corporation is not allowed to hold over 10% of the equity of more than one significant nonfinancial corporation and over 1% of a certain class of control means in additional significant nonfinancial corporations. On June 1, 2023, the Governor of the Bank of Israel instructed the Bank to sell its surplus holdings in the corporation within a year from the date of it becoming a significant non-financial corporation. Until the aforesaid sale date, the Governor has instructed the Bank not to make use of the voting or other rights conferred on it by virtue of the means of control held at a higher rate than that legally permitted (10%), other than the right to receive dividends. On December 21, 2023, the Governor of the Bank of Israel informed the Bank that, in view of the "Iron Swords" War, the date for the sale of the excess holdings in the corporation would be at the end of two years from the date of it becoming a significant non-financial corporation, and not at the end of one year. The provisions of Amendment No. 8 to the Promotion of Competition and Reduction in Concentration Law are expected to enter into effect on June 6, 2024, according to which, the said corporation would be defined as from that date as a "financial entity" and accordingly, the continued holding by the Bank of an interest therein at the present rate would no longer require a permit.

Non-financial investments portfolio – principal data

Scope of the portfolio. The total value of the non-financial investments portfolio of Discount Capital amounted at March 31, 2024 to NIS 2,326 million. The outstanding investment commitments of Discount Capital amounted on March 31, 2024, to NIS 949 million (US$257.8 million) most of which in Funds the investment period of which has not yet expired.
Income. Discount Capital recorded in the first quarter of 2024 net income from non-financial investments in a total amount of approx. NIS 98 million. This, compared to net income in a total amount of approx. NIS 33 million in the first quarter of 2023.

For additional details, see the 2023 Annual Report (pp. 389-391).

International Operations Segment - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. According to guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel. On March 31, 2024, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 13.42% of total risk assets, as compared with 13.49% on December 31, 2023. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group (restriction of the exposure rate, as stated, was 25% on December 31, 2023). The Bank monitors the development of the risks assets for its operations in overseas extensions.

IDB Bank – Risk Based and Leverage Capital Ratios. Beginning on January 1, 2015, IDB Bank became subject to new Basel III capital rules based on the final rules published by the FRB in July 2013 (the "Basel III Capital Rules"). The new rules establish a new comprehensive capital framework for U.S. banking organizations.

The rules apply to all depository institutions and banks holding companies with total consolidated assets of $500 million or more, Among other things, the new rules establish a new common equity tier 1 ("CET1") minimum capital requirement and a higher minimum tier 1 capital requirement, and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real estate. The rules also limit dividend distributions by certain banking organizations as well as discretionary bonus payments if the banking organization does not hold a "capital conservation buffer", consisting of a specified amount of common equity tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer came into effect in 2016.

The Basel III Capital Rules became effective on January 1, 2015, subject to a phase-in period. The minimum capital ratios required as of January 1, 2016 are as follows:

- 4.5% CET1 to risk assets;
- 6.0% Tier 1 capital to risk assets;
- 8.0% Total capital to risk assets; and
- 4.0% Leverage ratio.

IDB Bank complies with the requirements.

U.S. legislation. The Bank and its U.S. banking subsidiaries and affiliates are subject to extensive regulation and oversight both at the federal and state levels. The Board of Governors of the Federal Reserve System ("FRB") has the authority to supervise the Bank as a "foreign bank" under US law because it conducts operations in the United States through its wholly-owned subsidiary, Discount Bancorp, Inc. New York, New York, ("Bancorp") , which, in turn, fully owns Israel Discount Bank of New York ("IDB Bank"). The Bank and Bancorp are required by the FRB, in accordance to the law applicable to banking holding companies and the FRB's policy, to serve as a source of financial and managerial strength to IDB Bank.

IDBNY is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the New York Department of Financial Services ("NYDFS"), and given its current total asset size exceeding $10 billion, the Consumer Financial Protection Bureau ("CFPB") (the FRB, the FDIC, the NYDFS and CFPB are collectively referred to as the "US Regulators").

The US Regulators have the authority to adopt public and non-public enforcement measures, in different circumstances, including in cases of identifying financial or operating weaknesses, deficiencies in corporate governance or other deficiencies, as well as cases of violation of Regulations. Within the framework of these enforcement measures, US Regulators may order different measures, including measures to correct deficiencies or the discontinuation of certain practices, as well as increasing capital, limiting growth, restricting profit distributions, termination of office of Officers, and assessing civil fines or penalties.

BSA/AML. As required under the USA PATRIOT Act and the Bank Secrecy Act (the "BSA"), IDB Bank has adopted a BSA compliance program, which includes policies, procedures and controls for the prevention of money laundering and terrorist financing. As a result of the identification of certain issues regarding IDB Bank's BSA compliance program as part of a review by the FDIC and NYDFS, IDB Bank signed on May 24, 2023, parallel consent orders with the FDIC and the IDB Bank (collectively, the "Consent Order"). Such Consent Order requires IDB Bank, among other things, to make further enhancements and adjustments in its policies, procedures, controls and in the staffing levels, and a review of prior transactions within timespans specified for this in the agreed order. IDB Bank is in the process of taking the actions and enhancing the processes that it is required under the Consent Order. As a result, there has been an increase in IDB Bank's staffing levels and operational costs.

The Consent Order does not include fines or penalties and does not require additional capital or any other restrictions on IDB Bank's ongoing business activity or on the implementation of its strategic plan. However, the Consent Order may limit IDB Bank's ability to obtain regulatory approvals for new business initiatives that require such approval and could negatively influence reputation. Non-compliance with the Consent Order or with US law requirements could subject IDB Bank, Bancorp, and the Bank to additional enforcement actions. As from the date of signing the agreed order, the agreed order is in effect and be enforceable until it is modified, suspended, terminated or set aside by the US Regulators.

As part of the implementation of the monitoring and oversight by the Bank over IDB Bank as an overseas subsidiary, the Bank continues to monitor and oversee the actions performed by IDB Bank under the Consent Order. The Bank believes that the Consent Order will not have a material financial impact on the Bank's results.

Forward looking information. Part of the above information forms forward looking information constituting an assessment based on existing information at the hands of the Bank at date of publication of these reports. Such information includes, inter alia, reference to future events, the materialization of which is uncertain, based on assessments and data at the hands of Management of the Bank, and is conditional upon the existence of different factors, which existence is uncertain, inter alia, in relation to the possible effects of the agreed order.

For additional details, see the 2023 Annual Report (pp. 391-393).

Additional Segments

For additional details on the Private Banking Segment (Domestic operations), see the 2023 Annual Report (pp. 373-375). For additional details on the Small and minute businesses segment (Domestic operations), see the 2023 Annual Report (pp. 376-378). For additional details on the Medium businesses segment (Domestic operations), see the 2023 Annual Report (pp. 378-379). For additional details on the Institutional bodies segment (Domestic operations), see the 2023 Annual Report (pp. 386-387).

Credit Card Operations

For details, see the 2023 Annual Report (pp. 394-402).

Technological improvements and innovation

General. Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and increasing customer experience.

Open banking. The open banking field has been defined by the Bank as a strategic field and accordingly, the Bank continues to develop the partners avenue for private and business customers, as well as adding business partners that have added value services for our customers, and would also expand the services provided within the framework of the platform.

Strategic cooperation for the establishment of a new fintech company granting digital credit - Greenlend.
See the 2023 Annual Report (p. 30).
For additional details see the 2023 Annual Report (pp. 402-403).

Direct channels

The following innovations and updates took place during the current activity in the first quarter of 2024:

Digital for business

Foreign trade in English. The foreign trade website in English has been completed with all the information and operations.
Guarantees. Customers who wish to apply for guarantees, or wish to increase the amount of an existing guarantee or extend its validity, may now apply digitally.
Authorizations and signature compositions on the business website. Authorizations and designated signature compositions have been added for non-monetary operations, so that customers joining the service may define authorized signatories in a company.

Customer experience

New procedure for placing funds in a deposit account. Following recent interest hikes and the increasing interest in deposit and savings accounts, the procedures and experience have been upgraded in a way that meets the needs of the customer. The new procedure allows comparison between interest rates, provides recommendation as to deposit accounts and differentiates between a one-time deposit and a standing order deposit. A slider was built allowing the customer to choose the deposit that best suits his needs – within the range between a high interest deposit and a high liquidity deposit.
Reference to a credit database in the process of opening an account. Incorporating reference to a credit database in the process of opening an account provides an indication as to whether the customer would be entitled to an approved additional credit already at the point of opening the account, allowing the immediate activity in the world of credit, and obtaining a loan or ordering a credit card.
Submitting an application for the updating of the credit facility in the account. Customers may digitally submit an application to their branch for the setting up or enlargement of a credit facility in their account.
Blocking a duplicate request for the transfer of cash to the same contact person. In order to avoid fraud, it was decided not to allow a second request for the transfer of cash to the same contact person, so long as that contact person does not confirm the first request.

Credit cards

Ordering a digital credit card. The possibility was added of ordering a digital credit card, and immediately upon completion the order, to receive the details of the new credit card and begin using it by means of the mobile phone or for online purchases.

Main developments in the Israeli economy and around the world in the first three months of 2024

Developments in the Global economy

General. The global economy continues to grow and activity pace are higher than expected with high variation between the countries. At the same time, the labor markets have remained tight, unemployment rates are at low levels and wages continue to rise, though the annual rate is moderated. Nevertheless, the US data for the first quarter of 2024 indicated a growth lower by 1.6% than anticipated, while the Eurozone recorded growth of 1.2%. At the same time, inflation data in the US surprised upwards, when the rate of inflation in March rose to an annual rate of 3.5%, and the core inflation remained stable at a level of 3.8%. In the Eurozone, inflation amounted in March to 2.4% and the core inflation amounted to 2.9%.

Financial markets. Share indices around the world were traded at rising quotations, in view of expectations by investors for a "soft landing" in the American economy. In addition, the increases were supported by estimates that had been embodied in the market, according to which the interest rate cut would be rapid, estimates that were updated upwards during the quarter.

The changes in selected share indices recorded in the first three months of the years 2023 and 2024

Index	2024	2023
500 S&P	10.2%	7.0%
DAX	10.4%	12.2%
MSCI Emerging Markets	1.6%	3.5%

The government bond market was mostly affected by the rise in the interest rate embodied in the market, against the background of strong data, the upward surprise regarding inflation and the messages from the FED that caution is required in reducing the interest rate. As a result, US government bonds for ten years were traded at the end of the quarter at a yield of 4.20%, an increase of 32 basis points since the beginning of the year. In Germany, yield for ten years increased by 95 basis points and was traded at a level of 2.97%.

The returns on government bonds

10Y Government Bond Yields	March 31, 2024	December 31, 2023
U.S.A.	4.2%	3.9%
Germany	2.97%	2.02%

During the first quarter, the dollar basket ("the dollar Index") strengthened by approx. 3%, against the background of the continued expansion of the American economy and expectations for a soft landing, and at the same time, mitigation in expectations for cuts in interest rate.

Changes in the U.S. dollar against selected currencies in the first three months of the years 2023 and 2024

Exchange rate	2024	2023
EUR	(2.2%)	1.3%
JPY	(6.9%)	(1.3%)
GBP	(0.7%)	2.0%

The prices of oil and commodities increased during the first quarter against the background of the geopolitical tension and expectations for excess demand against the background of cuts in production by the OPEC countries. Concurrently, the price of gold increased affected by the rise in the geopolitical tension.

Changes in selected commodities indexes in the first three months of the years 2023 and 2024

	2024	2023
The commodities index - GSCI	8.7%	(6.4%)
The oil price (BRENT)	13.6%	(7.1%)
The oil price (WTI)	16.1%	(5.7%)
Gold	8.3%	8.0%

Main Developments in the Israeli Economy

General

In Israel, in the first quarter of the year, the economy grew at an annualized rate of 14%, following a sharp regression in the last quarter of 2023 (-22%), with a leap in private consumption and in investments, a moderate decrease in public consumption, regression in exports and an increase in imports. Private consumption, which contracted significantly with the outbreak of the War (-27%), expanded at an annualized rate of 26%, being only approx. 2% lower as compared with the third quarter of 2023, prior to the War. At the same time, an impressive growth was reported in the investments field, with a sharp increase in investment in residential construction, even though its scope is still lower by 35% as compared to its level prior to the War.
The labor market continued to demonstrate strength, with the broad unemployment rate (unemployed and absentees for economic reasons) showing consistent improvement since the beginning of the year, and in March amounted to 4.1% as compared to 6.1% in December. Concurrently, the growth in the rate and scope of available positions continues in most sectors, and especially in the construction sector, in view of the shortage of workers in this sector, influenced by the security situation, and with a certain decrease in the hi-tech industry.

Developments in economic sectors

Revenue Indices in the economic sectors (for January-February 2024) indicate a rapid recovery, following a sharp downturn in the final quarter of last year. Thus, a 9% increase was recorded in the first two months of the year, compared to the last quarter of 2023, although total revenue is still 2% lower compared to the third quarter of 2023 (on the eve of the war). The growth trend is evident in a large number of sectors, including: commerce, transportation, hotel services and food, education, art, and entertainment and leisure. The high-tech services sector also saw rapid expansion in early 2024, following a downturn in the last quarter of 2023. However, there are a number of sectors in which the situation has not yet reverted, especially in the construction sector.

Developments in the activity of the Israeli economy with overseas markets

Decline was recorded in the months of January-February 2024, in direct investments in Israel (through banks) by foreign residents, as compared to the first quarter of the previous year. In addition, foreign residents realized marketable securities in particularly high volumes, compared to a limited net investment in the first quarter of 2023. Most of the sales at the beginning of 2024 were recorded in Israeli government bonds abroad and in Israel and in short-term loans (MAKAM). In addition, foreign residents realized small volumes of equities, compared to a net investment last year. At the same time, during the aforesaid period, Israel residents increased their financial investments at a moderate rate.

Changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-February 2024	January-March 2023
	US$ billion	
Total direct investments through banking system	1,394	3,570
Total financial investments	(9,139)	239
Of which: Government bonds and MAKAM	(8,443)	(1,609)
Shares	(388)	752

Investments abroad by Israeli residents	January-February 2024	January-March 2023
	US$ billion	
Total direct investments through banking system	564	8
Total financial investments	882	751

Developments in inflation and foreign exchange rates

Unlike the global trend, inflation in Israel moderated in the first quarter of the year, as compared to the end of 2023 (3%), amounting to 2.8%, with the core inflation amounting to 2.1% compared to 2.7% at the end of the year.
However, during the first quarter an increase was recorded in the expectations regarding inflation for the next year, from 2.35% to approx. 2.65% at the end of the quarter, largely due to expected VAT increase at the beginning of 2025.
The shekel weakened in the first quarter against the dollar by approx. 1.4%, a relatively moderate rate compared to the strengthening of the dollar in the world, against the background of increases in the stock markets around the world and despite the geopolitical tensions.

Fiscal and monetary policy

Fiscal policy. A deficit of NIS 26 billion was recorded since the beginning of the year, with a cumulative deficit of approx. NIS 117 billion for the past twelve months, comprising 6.2% of the DGP. Total expenditure grew by 38% in the first quarter, compared to the corresponding period last year, mainly as a result of expenses of the War, even though a sharp increase was recorded also in expenses that are not related to the War. In the months of January-March, tax revenues in real-terms decreased by 1.7%, compared to the corresponding period last year.
Monetary policy. The Bank of Israel lowered the interest rate at the beginning of the year by 0.25% to 4.5%, thereafter leaving it unchanged. The Bank of Israel repeats and emphasizes the uncertainty existing on the background of the War and the need for geopolitical stability, with the settling of inflation within the targeted range. In addition, the Bank of Israel sees in the fiscal policy a significant consideration in determining the monetary policy. Accordingly, the Bank of Israel chooses to advance cautiously with regards to the process of lowering the interest rate. In consequence thereof, the interest rate embodied in contracts as of the end of the quarter stood at 3.9% at the end of 2024, compared to 3.3% that was embodied in the market at the end of December 2023.
Change in the monetary base. In view of the War, the Bank of Israel stopped the monetary contraction process, and as stated, cut the interest rate by 0.25%. As a result, during the first quarter of 2024 stability was recorded in the M1 money supply (cash held by the public and shekel current account deposits), following a sharp rise in the last quarter of 2023. On the other hand, a decrease of 11% was recorded in this supply in the first quarter of last year.
An increase of approx. NIS 3.8 billion in the monetary base was recorded in the first quarter of 2024, deriving from the marginal absorption by the Government alongside the supply of cash by the Bank of Israel by means of the net negative raising of funds on the short-term loan (MAKAM) market, which was partly offset by expanding the tenders for shekel deposits of the Bank of Israel.

Sources for the change in the monetary base

	January-March 2024	January-March 2023
	In NIS billion	
Operations on the Capital Market	51.1	(60.4)
The Shekel deposits tender	(50)	102
Foreign currency conversion	(0.7)	-
Government activity	(0.9)	(39.2)

Capital market

Similar to the global trend, the local capital market recorded price increases, with the real estate sector recording a moderate increase only, due to the effect of the security situation on this sector, and the Tel Aviv Banks Index rose by approx. 5%. In total for the first quarter, the TA 125 Index rose by approx. 8%.

The changes recorded in selected share indices in the first three months of 2023 and 2024

Index	2024	2023
TA 35	7.8%	(2.4%)
TA 125	8.3%	(4.2%)
TA banks	4.7%	(3.6%)
TA Global-Blutech	14.2%	(1.0%)
Real-estate 15	2.6%	(13.3%)

Trading in government bonds in Israel was marked by a rise in yields, similar to the global trend, resulting from the moderation of expectations regarding the pace of cutting down the interest rate. In total for the quarter, a 33 basis points rise was recorded in yields for ten years, and the gap between the Israeli bonds and the US bonds remained unchanged at a level of 30 basis points.

The changes recorded in selected bond indices in the first three months of 2023 and 2024

	First quarter	
Index	2024	2023
General bonds	0.6%	-
General Government bonds	(0.5%)	0.1%
Shekel Government bonds	(0.5%)	(0.4%)
Linked Government bonds	(0.5%)	0.7%
General Corporate bonds	1.8%	0.1%
Linked Corporate bonds	1.9%	0.3%
Shekel Tel-Bond	1.1%	(0.6%)

During the first quarter of 2024, the corporate bond market recorded an increase of approx. 1% in the shekel Tel-Bond, on the background of a decline in margins.
In the first quarter, the business sector, excluding banks and insurance companies, raised funds by way of bond issues, to the tune of approx. NIS 17 billion (through the Tel Aviv Stock Exchange and by way of nonmarketable bonds), as against approx. NIS 11 billion in the corresponding period last year.

Principal economic developments in April and May 2024[3]

The US economy continues to expand, but there are signs of a moderation in activity rates and a strengthening of expectations for a soft landing. The labor market data for April were weaker than expected, with a significant slowdown in the addition of positions in relation to earlier months, an increase in the unemployment rate to 3.9%, and a slowdown in the rate of wage increases to 3.9%.
The Fed has kept interest at 5%-5.25% and has signaled that interest will remain high for a considerable time. The ECB has kept interest rates unchanged at 4% and expects interest rates to start falling later this year. In Israel, the Bank of Israel has left the interest rate at 4.5%.
Inflation in the United States has moderated to an annual rate of 3.4%, while in the euro zone it has fallen to 2.4%. Core inflation – 3.6% and 2.9%, respectively. In Israel, the CPI for April rose steeply by 0.8%, with the annual inflation rate rose to 2.8%. The core inflation (excluding energy, fruit and vegetables, and Government intervention) remained unchanged at a level of 2.1%. The inflationary expectations continued to rise, to a level of 2.91% for the year.
The budgetary deficit continues to rise to a level of 7.0% of the GDP in April, compared to 6.2% in March (on a cumulative basis for the past twelve months). In the months from January to April 2024, real-term tax revenues decreased by 1.3% compared to the corresponding period last year. At the same time, expenditure recorded an increase of approx. 36%, approx. 13% after elimination of the War expenditure.
For details regarding "Credit rating of the State of Israel – in view of the "Iron Swords" War", see "Rating of Liabilities of the Bank and some of its Subsidiaries".
Yields on ten year US government bonds rose to a level of 4.36%, and yields on Israeli government bonds rose since the beginning of the quarter by 20 basis points to 4.66%, with the gap between then remaining at a level of 30 basis points. At the same time, there was an increase in the contract market in interest expectations for the end of the year, to a level of approx. 4.2%.
In the same period, moderate price increases were recorded in the share market, with the TA-125 Index rising by approx. 0.5%, while the S&P500 Index rising by approx. 1%.
Since the beginning of the second quarter, the strong volatility in the foreign exchange market continued, however at the end of the period the shekel maintained stability against the dollar and was devalued by 0.5% against the euro.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.

Legislation and Regulation arising from the "Iron Swords" War

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

3 All data relate to the period from April 1, 2024 and until May 15, 2024.

Legislation for increasing competition in banking and financial services

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

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

1.1 Prohibiting of a bank, the value of its balance sheet assets on a consolidated basis exceeds 20% of the total balance sheet assets of the banking industry ("a bank with Wide-Ranging Activity"), from engaging in operating the issue of debit cards, from clearing of transactions made by debit cards and from controlling or holding means of control in a corporation engaged in the said operations. This instruction does not derogate from the possibility of a bank having a Wide-Ranging Activity to engage with another entity for the purpose of operating the issue of debit cards or to engage with a clearing agent as a supplier. The prohibition takes effect at the end of three years from the beginning date, and with respect to a large banking corporation, which had sold at least 60% of the shares held by it in a credit card company and on condition that at least 25% of its shares had been offered to the public – at the end of four years from the beginning date. At the time of publishing the Strum Law, the Bank was not defined as a "Bank with wide-ranging activity", as this term was defined in the law.

1.2 In the period that began on February 1, 2021 and ending on January 31, 2023, the Minister of Finance is authorized to determine, with the consent of the Governor of the Bank of Israel and with the approval of the Finance Committee of the Knesset, that, restrictions shall apply also to a banking corporation which holds less than 20%, though not under 10%, and this taking into consideration, inter alia, the state of competition existing in the credit market.
In accordance with this, the Banking Licensing (Bank with Wide-Ranging Activity) Regulations, 5783-2023 were published in the Official Gazette on January 31, 2023 ("the Bank with Wide-Ranging Activity Regulations" or "the Regulations"), which reduced the assets value percentage in the definition of a "Bank with wide-ranging activity" to a rate in excess of 10% of the value. Therefore, the Bank is subject to an obligation to sell the means of control that it holds in ICC, with this to be done by the end of three years from the publication date of the Regulations or by the end of four years in certain circumstances, should an outline for a public offering be decided upon. For additional details, see above "The separation of ICC" in the section "Management's handling of current material issues".

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

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

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

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

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

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

1.3.5 Starting with the end of two years from the beginning date, where a customer approached a banking corporation requesting entry into an agreement for the issue of a credit card, or where the banking corporation has approached a customer offering to engage in a credit card agreement, the banking corporation shall be required to distribute also credit cards of issuers engaged with the banking corporation in a distribution agreement.

1.3.6 A banking corporation shall not unreasonably refuse to engage with an issuer in a distribution agreement. Stating unreasonable terms would be considered an unreasonable refusal.

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

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

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

These instructions do not apply to a pledge registered prior to the termination of two months from the beginning date.

1.4 It was established that during a transitional period beginning on the beginning date and ending at the end of five years from the said date, and with respect to a bank having a Wide-Ranging Activity – until the end of three years from date of separation or until the end of five years from the beginning date, whichever is later ("the transitional period"), restrictions shall apply to a bank issuing debit cards and which immediately prior to date of publication of the Law had controlled or held means of control in a debit card company. Under the Bank with Wide-Ranging Activity Regulations, an additional transition period is prescribed that will commence on the publication date of the Regulations and will terminate at the end of five years from the aforesaid date and, with regard to a bank with wide-ranging activity – by the end of three years from the separation date or by the end of five years from the date of the Regulations taking effect, whichever is the later ("the Additional Transition Period"). With regard to the transition periods, the following restrictions have been prescribed:

1.4.1 A bank shall conduct the issuance operation of charge cards issued by it by means of an operating company, and shall allow the operating company to become a part to the charge card agreement.

1.4.2 As from the termination of a period of two years from date of publication of the Law and until the end of the transitional period and also from the end of one year from the publication date of the Regulations through to the end of the additional transition period, the bank shall not conduct, by means of one operating company, the issuance operation of more than 52% of the total new credit cards issued by the bank to its customers. The Minister of Finance is authorized to change the said rate at any time during the transitional period under the terms prescribed in the Law. The engagement of a bank with an operating company, for the purpose of conducting the issue operation of new credit cards issued by the bank to its customers shall be made only after conducting a process which allows every operating company the proper and fair opportunity to offer its services.

1.5 During the transitional period and the additional transition period, the following instructions will apply to a bank having a Wide-Ranging Activity which issues charge cards, additional instructions, inter alia, with respect to the division of income derived from issue operations of charge cards and from the activity of customers using charge cards, between a bank, as stated, and the charge card company; to the date of approach to the customer regarding the renewal of the Credit card; to restrictions regarding the total of credit facilities in charge cards of its customers (see below).

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

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

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

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

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

1.10 Within the framework of the Law, amendments were made to the Supervision over Financial Services Law (Regularized Financial Services) Law, 5776-2016, and a chapter was added thereto in the matter of service for comparing financial costs. The Bank of Israel informed on August 6, 2018 that it had started the project of regularizing the API Standard for open banking in Israel, which allows third parties, with the consent of the customer, to receive from the banks financial information regarding the customer (for additional details, see the Proper Conduct of Banking Business Directive no. 368 in the 2023 Annual Report, p. 433).

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

1.12 By January 31, 2018, the Ministry of Finance is to implement one of these: to publish, in consultation with the Bank of Israel, a tender for establishing a technological infrastructure to provide and operate computerization services to financial bodies; to prescribe criteria for conferring grants, loans or guarantees that will enable the provision and operation of computerization services to financial bodies (see the 2022 Annual Report, p. 405).

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

For further details, see the 2023 Annual Report (pp. 419-421).

Economic Competition

Hearing procedure in the matter of declaration of a "concentration group" in the banking field. On March 26, 2024, the Bank received a letter from the Competition Authority in which the Authority informs of its intention to declare the five banking groups operating in Israel as a "concentration group" under the Competition Law and invites the Bank to present its arguments regarding this intention in a hearing procedure to be held in writing, no later than May 27, 2024. The date was extended later to June 30, 2024. The letter states that according to the standpoint of the Authority, conditions exist for the declaration of a concentration group with respect to the five "large" banking groups in the sector of providing a basket of banking services to retail customers. In addition, the letter detailed a number of instructions which the Authority is considering to impose, dealing mainly with the matter of deposits. As announced by the Competition Authority, the instructions being considered include: (1) instructions intended to create detachable monetary deposits independent from the current account or from other banking transactions made by customers, as well as making monetary funds accessible to retail customers as a similar non-banking product; (2) instructions requiring banks to "push" comparative information between the prevalent deposits on offer and comparable monetary funds to customers, which, in the opinion of the Authority, is relevant prior to the opening of a deposit account; (3) imposing on banks the duty to accept deposits from off-banking entities wishing to operate as "monetary centers"; (4) reducing obstructions regarding the transfer of deposits between entities (mobility), separately from the remaining banking basket. The Authority announced that the decision of the Commissioner is subject to the hearing of the banks' arguments in the matter, and that she is holding consultations with the financial regulators before taking a final decision.

Announcement by the Commissioner of Competition regarding the structure of ownership of Bank Clearing Center Ltd. (BCC). The Commissioner of Competition informed the Bank on March 31, 2024, that, unless the Commissioner is otherwise convinced, the Commissioner is of the opinion that following the expiry on June 18, 2025, of the present decision regarding exemption from approval of a restrictive agreement regarding BCC, the restrictive agreement relating to the structure of ownership of BCC is not expected to comply with the provisions of the Competition Law regarding the granting of an additional exemption from the duty to apply to the Court. To the extent that the position of the Commissioner regarding ratification of the exemption decision would not change until date of expiration of the exemption, the significance is that the parties to the agreement (including the Bank) will have to apply to the Court in order to obtain approval for the existing agreement, in contradiction to the position of the Commissioner, and alternatively, to reduce the rates of their holdings in BCC to a rate acceptable by the Commissioner until the date of expiration of the exemption on June 18, 2025, or a later date to be decided by the Commissioner. It is noted, that a similar agreement reached in the matter of ABS, the different banks were permitted to hold an interest in ABS at a rate of up to 10%. The Bank has a 25% interest in BCC (see above "Increase in Competition and Reduction in Concentration in the Banking Market in Israel Law", section 1.9).

Corporate Governance

Draft of policy and general conditions for the applicant for a holding permit in banking corporations, clearing agents (providers of payment services important for stability) and their holding corporations. On March 21, 2024, the Banking Supervision Department published the draft, detailing principles for granting such holding permits. Among other things, the draft determines that: the holding permit will be limited and will amount to no more than 10% of any class of the means of control in a corporation the holding of which requires a permit; the holder of the permit will not direct the activity of the corporation the holding of which requires a permit; and, the holder of the permit will not have the ability to prevent the making of the corporation's business decisions. It is also proposed to determine that, in exceptional cases such as in the case of past rights, there may be a deviation from this policy in accordance with the Governor's discretion. In addition, on February 18, 2024, the Banking Supervision Department published a draft update to the policy and general conditions for granting a holding permit in banking corporations, providers of payment services important for stability and their holding corporation, for entities managing customer funds. The main changes deal with the allocation of the period of the permits through December 31, 2029, and the addition of a condition that a deviation from the permit conditions or from the reporting requirements that apply to the entities will constitute cause for the permit's revocation.

Companies Law (Amendment No. 37) Bill (Corporate governance at public companies having no controlling interest), 5783-2023. On April 1, 2024, the Plenum of the Knesset passed the said Bill in first reading. The purpose of the Amendment is to provide a better response to the problem of the representative, which characterizes companies having no core controlling interest, and this by way of amendments that deal with the definition of control, the composition of boards of directors, and including replacement of the duty to appoint external directors by the duty to maintain an independent majority of the board of directors, as well as improvement the process of appointment of directors and the manner in which transactions with dominant shareholders are approved.

Capital Market

Setting-up a team to examine the reduction of regulatory arbitrage in short- and medium-term investment and savings instruments - a call from the Ministry of Finance for comments and positions from the public. The Minister of Finance has decided to set-up a team at the Ministry of Finance, headed by the Ministry's Director General, with participation from the Capital Market, Insurance and Savings Authority, the Israel Securities Authority, the Israel Tax Authority, the Chief Economist Division, the Accountant General Division, and the Budgets Department, the goals of which will be to examine the existing regulation over short- and medium-term managed investment and savings instruments- savings policies, investment provident funds and mutual funds, including the mapping of regulatory and taxation gaps; and to formulate recommendations for an appropriate regulation outline that will promote competition between instruments and that will be in the best interests of the savers and investors. The team has made a call for comments from the public.

Joint Investment Trust Bill (Money-Market Funds and Set Date Funds), 5784-2024. The Knesset passed the first reading of the Bill on April 1, 2024. As part of the Bill, it is proposed to amend the Joint Investment Trust Law and to amend, through an indirect amendment, the Regulation of Engagement in Investment Advising, Investment Marketing and Investment Portfolio Management Law. 5755-1995, by implementing the following three main measures: prescribing rules that will be in line with the characteristics of the money-market funds, in such a way as to enable the development of new money-market funds with characteristics more similar to the characteristics of the monetary deposits (a low-risk fund with an advanced estimated expected return and set dates); expanding the money-market fund's opportunities for brokerage to the public, in the case of any money-market fund whose set maturity date is up to one year, not only through investment advisor or investment marketer; adjusting the compensation model for brokers of mutual funds in general and of money-market funds in particular, so as to make these funds accessible to the general public and improve competition in the field. The implementation of the three measures is expected to promote the branding of the money-market funds and to increase the public's access to these funds, while ensuring protection of the best interests of the client and prohibiting bias on the part of all parties involved in the brokering and operation chain.

Various Legislation Matters

Prevention of Economic Harm to the Consumer (Legislative Amendments) Bill, 5784-2024. On March 27, 2024, the Protection of the Consumer from Merchants Committing Violations in Aggravated Circumstances (Legislative Amendments) Bill, 5784-2024 passed its first reading. Within the framework of the Bill, it is proposed that the Commissioner of the Consumer Protection and Fair Trade Authority be authorized to determine that a merchant is committing a violation in aggravated circumstances, and to require a provider of payment services to suspend the transfer of the clearing that is performed for its benefit until the Commissioner reaches a decision on the matter; and to return the funds that were frozen as stated to the payer if it is decided that the merchant committed a violation in aggravated circumstances. In addition, on April 2, 2024, a draft of the Communications Regulations (Amendment No. 6) was published regarding the prevention of malicious calls, in which it is proposed to determine that the service provider will block calls to its subscribers in which the identifying phone number belongs to one of its subscribers, whether it be a landline or a mobile number, so as to deny the possibility of impersonating a number that is already in use in a call from Israel.

Law Memorandum on Class Actions (Amendment No. 16), 5784-2024. The Memorandum was published on April 21, 2024 following recommendations formulated by an interministerial team to correct deficiencies in the law. The Memorandum includes: extending the possibility of filing a class action for infringement of privacy; requiring an early application (on certain grounds and for certain remedies) to the party against whom the filing of a class action is being sought, and providing 60 days to correct the breach, as a condition for filing a class action; denying the possibility of filing a third party notice against an administrative authority in circumstances in which the authority cannot be sued in a class action; limiting the possibility of granting “coupons” within the framework of a settlement, rather than a monetary remedy; providing protection to other entities such as administrative authorities or quasi-administrative authorities; prescribing clear rules for the court in determining compensation and legal fees in accordance with the actual benefit realized through the proceedings; dealing with the problem of the actions in excessive amounts; publishing the compensation amount to members of the class; expanding the possibility of filing class actions by organizations.

Additional Directives of the Supervisor of Banks

An amended draft of the Commission Rules Amendment. The Supervisor of Banks issued on April 10, 2024, an amended draft of the Commission Rules Amendment. Within the framework of the Amendment, it was proposed to update the charging mechanism relating to the commission on a “bank guarantee guaranteed by a specific monetary deposit” from a percentage mechanism to a fixed shekel amount; and in addition, determining another service called “bank guarantee guaranteed by a specific deposit for the purpose of a housing rental agreement”, a service whose cost will be lower, in part, from a desire to make things easier for renters of apartments. Other amendments deal with the change in the definition of ”small business”, inter alia, in a way that excludes from this definition venture capital funds and businesses in which a venture capital fund has a significant investment; update the mechanism for joining the track service; amend the item regarding the charging of a commission to the drawer of ”a check dishonored for technical reasons”; a change in the commission charged for ”locating documents at the request of a customer”; additional updates regarding commissions charged for ”handling credit and collateral”, ”handling application for a residential loan”, and ”premature repayment” commission. Also proposed is the addition of a new service – ”automatic cover of a debit balance in a foreign currency account”.

For further details on ”Legislation and Supervision”, see the 2023 Annual Report (pp. 413-436) and the “Disclosure according to the third pillar of Basel and additional information on risks” document, which is available for perusal on the Bank’s website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2023 Annual Report (pp. 238-242) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

1. **Approach according to Section 198A of the Companies Law.** On December 14, 2016, the Bank received an approach headed "approach according to Section 198A of the Companies Law, 5759-1999 – request for clarifications and documents regarding the conduct of the Bank and of MDB regarding Australian customers, prior to the filing of a derivative action" (see Note 26 C to the financial statements as of December 31, 2020, section 11.3). The proceedings were stayed by mutual consent.
   For details regarding the recommendations of the Committee, including its recommendation regarding reaching a settlement subject to the approval of the Court in this proceeding, and regarding the decision of the Bank's Board of Directors to adopt its recommendations, see above "Special and independent committee – proceedings in Australia". On April 10, 2024, the parties filed an application for approval of a compromise agreement between the Appellant, the banks and the insurance company. In its decision of April 11, 2024, the Court ordered the publication of the application and set the deadline for submitting objections until May 30, 2024. The date for hearing the objections was set for June 30, 2024.
2. On March 26, 2017, a claim was filed with the Central-Lod District Court, together with an application for its approval as a class action, against the Bank. In the application, it is alleged that the Bank charges customers with a correspondent fee, but it does not credit customers with benefits should any be received from the correspondent; It is stated that the total damages for all members of the group amount to more than NIS 2.5 million. Similar applications have been filed against MDB and additional banks. On February 16, 2023, a decision was given approving the claims against all the banks to be conducted as class-actions. At the request of the banks, the District Court ordered on March 20, 2023, a stay of execution. In the hearing of the application for leave to appeal filed by the Bank and the appeal filed by the petitioner, which took place on January 8, 2024, and in accordance with the recommendation of the Court, the Petitioner withdrew from his Appeal, which has been dismissed. The Supreme Court also ordered the Attorney General to consider submitting a position on its behalf with respect to certain questions, by March 15, 2024 - a date extended by mutual consent until May 30, 2024 - and that the parties would be entitled to relate to this position within 14 days of its submission.
3. **An application for disclosure of documents for the purpose of considering the filing of a derivative suit in the matter of violation of the exemption provisions regarding cross-clearing.** On September 13, 2022, an application was submitted to the Economic Department of the Haifa District Court, under Section 198A of the Companies Law, 5759-1999, against ICC, against the Bank and against Diners. The application alleges that on September 12, 2022, it was published on the website of the Competition Authority that ICC had signed on an agreed Order, in which it was obliged to pay an amount of NIS 10 million. See below "Proceedings regarding authorities" (Section 4). The appellant claims that the readiness of ICC to pay the amount of the agreed Order stems from violation of the exemption provisions regarding cross-clearing. On December 25, 2023, the Bank and ICC submitted their response to the application. The date for the hearing was set for March 20, 2024, and the date for the evidentiary hearing, was set for April 21, 2024. In its decision at the end of the hearing held on March 20, 2024, the Court ruled that the application would be decided without the hearing of evidence. On April 18, 2024 the parties submitted complementary arguments to the Court.
4. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of compensation to senior officers of the Bank.** An Application against the Bank, under Section 198A of the Companies Law, 5759-1999, was submitted on March 28, 2023, to the Economic Department of the Tel Aviv District Court. It is, inter alia, argued in the application that the Bank had adopted a widened interpretation of the provisions of the Compensation of Officers of Financial Corporations Law (Special approval and disallowance for tax purposes of exceptional compensation), 5776-2016, thus violating the relevant directives of Proper Conduct of Banking Business, and that the required approvals for engagement with officers had not been obtained. Similar applications had also been submitted against two other banks. The Bank filed its response to the application on August 13, 2023. At the hearing on December 27, 2023, the parties announced that they intend to examine ways to make continuation of the proceeding unnecessary. The parties have to inform the Court of their position until June 13, 2024.
5. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of an agreed Order regarding IDB Bank.** An application against the Bank was filed on July 16, 2023, with the Economic Department of the Tel Aviv District Court, under Section 198A of the Companies Law, 5759-1999. It is, inter alia, claimed in the application that on May 24, 2023, IDB Bank signed an agreed Order by the US authorities, according to which, the Bank undertakes to take action for the rectification of deficiencies and weaknesses regarding certain

aspects in its compliance program, and harm, such as higher operating expenses, was caused as a result of this. See above ”Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations” in section ”International Operations Segment - Additional Details”. On February 12, 2024, the Petitioner submitted an agreed application for his withdrawal from the application. In a verdict issued on March 17, 2024, the Court admitted the application for the dismissal of the action.

For additional details, see the 2023 Annual Report (pp. 438-440).

Material Legal Proceedings settled in the first quarter of 2024

For details regarding an application for the disclosure of documents under Section 198A of the Companies Law with regard to a consent decree in the case of IDB Bank in which, in a judgment given on March 17, 2024 the court accepted the application for the dismissal of the application, see above “Additional Legal Proceedings” (section 5).

Proceedings regarding Authorities

1. **Hearing procedure to the five banking groups in Israel in the matter of declaration of a ”concentration group” in the banking field.** For details regarding the announcement by the Competition Authority and the summons of the Bank to present its arguments at a hearing on the subject, see above ”Legislation and Supervision”. The letter follows a number of requests for data from the Competition Authority received by the Bank starting from 2022.
2. **Data demand from the Competition Authority.** During the quarter, the Bank received a demand requesting data regarding the mutual recognition agreement (see Annual Report 2023, p. 426). As stated in the demand, it appears that it was sent following the Authority having examined whether payment requirements that the banking corporations sent to entities seeking to join the mutual recognition agreement in the past year meet the conditions of the exemption from a restrictive agreement granted to the agreement.
3. **Notices of intention to impose sanctions under the Banking Ordinance and Prohibition of Money Laundering Law.** On June 8, 2023, the Bank received two notices by the Supervisor of Banks of his intention to impose sanctions upon the Bank. One notice relates to the intention to impose a sanction in the amount of NIS 1 million, under the Banking Ordinance, in respect of violation of two instructions stated in Proper Conduct of Banking Business Directive No. 411, on management of risks relating to prohibition of money laundering and the finance of terror. The second notice relates to the intention to impose a sanction (with no amount stated) under the Prohibition of Money Laundering Law, in respect of violation of instructions stated in the Prohibition of Money Laundering Order. The alleged violations stated in the notices relate to the updating by the Bank of the ”declared persons” lists, updating of the ”know your customer” procedures regarding accounts in respect of which seizure orders had been received, and the examination of the address field vis-à-vis the lists of ”declared persons” upon transfer of funds. Following the arguments presented by the Bank within the framework of a hearing that had been held, the Supervisor of Banks informed of the decision not to impose upon the Bank a sanction by power of the Banking Ordinance. As to the second sanction notice, by power of the Money Laundering Prohibition Law, an oral hearing had been held with the Bank submitting written supplemental arguments to the Sanction Committee.
4. For details regarding proceedings concerning certain matters relating to IDB Bank’s compliance plan, see above ”Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations” in section ”International Operations Segment - Additional Details”.

For additional details, see the 2023 Annual Report (pp. 441-442).

Appendices to the Quarterly Report

Appendices - List of tables

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

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

	For the three months ended March 31					
	2024			2023		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[3]						
In Israel	222,361	3,552	6.39	207,775	3,280	6.31
Abroad	29,527	578	7.83	29,303	504	6.88
Total credit to the public	**251,888**	***4,130**	**6.56**	**237,078**	***3,784**	**6.38**
Credit to the Government:						
In Israel	3,256	41	5.04	2,692	35	5.20
Total credit to the Government	**3,256**	**41**	**5.04**	**2,692**	**35**	**5.20**
Deposits with banks:						
In Israel	6,374	54	3.39	5,861	49	3.34
Abroad	242	2	3.31	197	1	2.03
Total deposits with banks	**6,616**	**56**	**3.39**	**6,058**	**50**	**3.30**
Deposits with central banks:						
In Israel	35,865	400	4.46	47,527	459	3.86
Abroad	1,348	11	3.26	1,622	13	3.21
Total deposits with central banks	**37,213**	**411**	**4.42**	**49,149**	**472**	**3.84**
Securities borrowed or purchased under agreements to resell:						
In Israel	883	9	4.08	1,097	11	4.01
Total securities borrowed or purchased under agreements to resell	**883**	**9**	**4.08**	**1,097**	**11**	**4.01**
Bonds held for redemption and available for sale:[4][5]						
In Israel	40,848	369	3.61	34,066	220	2.58
Abroad	9,950	86	3.46	9,747	65	2.67
Total bonds held for redemption and available for sale	**50,798**	**455**	**3.58**	**43,813**	**285**	**2.60**
Trading bonds:[5]						
In Israel	7,228	55	3.04	4,274	49	4.59
Abroad	76	1	5.26	77	1	5.19
Total trading bonds	**7,304**	**56**	**3.07**	**4,351**	**50**	**4.60**
Other assets:						
Abroad	899	6	2.67	877	6	2.74
Total other assets	**899**	**6**	**2.67**	**877**	**6**	**2.74**
Total interest bearing assets	**358,857**	**5,164**	**5.76**	**345,115**	**4,693**	**5.44**
Debtors of credit card operations	7,914			7,656		
Other non-interest bearing assets[6]	29,338			30,309		
Total assets	**396,109**			**383,080**		
Of which: Total interest bearing assets attributable to operations abroad	42,042	684	6.51	41,823	590	5.64
* Fees and commissions included in interest income from credit to the public		75			84	

For footnotes see page 225.

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

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

	For the three months ended March 31					
	2024			2023		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	34,276	223	2.60	[10]36,709	196	2.14
In Israel - Time deposits	164,935	1,691	4.10	144,846	1,215	3.36
Total deposits from the public in Israel	**199,211**	**1,914**	**3.84**	**181,555**	**1,411**	**3.11**
Abroad - On call	21,898	268	4.90	20,807	194	3.73
Abroad - Time deposits	8,406	104	4.95	8,115	72	3.55
Total deposits from the public outside Israel	**30,304**	**372**	**4.91**	**28,922**	**266**	**3.68**
Total deposits from the public	**229,515**	**2,286**	**3.98**	**210,477**	**1,677**	**3.19**
Deposits from the Government:						
In Israel	58	1	6.90	48	[11]-	-
Abroad	18	[11]-	-	76	1	5.26
Total deposits from the Government	**76**	**1**	**5.26**	**124**	**1**	**3.23**
Deposits from central banks:						
In Israel	4,540	3	0.26	9,732	2	0.08
Total deposits from central banks	**4,540**	**3**	**0.26**	**9,732**	**2**	**0.08**
Deposits from banks:						
In Israel	5,722	68	4.75	5,305	45	3.39
Abroad	980	4	1.63	1,107	9	3.25
Total deposits from banks	**6,702**	**72**	**4.30**	**6,412**	**54**	**3.37**
Securities lent or sold under agreements to repurchase:						
In Israel	10,659	130	4.88	4,751	78	6.57
Total securities lent or sold under agreements to repurchase	**10,659**	**130**	**4.88**	**4,751**	**78**	**6.57**
Bonds and subordinated debt notes:						
In Israel	17,003	135	3.18	14,370	141	3.92
Total bonds and subordinated debt notes	**17,003**	**135**	**3.18**	**14,370**	**141**	**3.92**
Other liabilities:						
In Israel	67	[11]-	-	71	[11]-	-
Abroad	10	[11]-	-	[11]-	[11]-	-
Total other liabilities	**77**	**-**	**-**	**71**	**-**	**-**
Total interest bearing liabilities	**268,572**	**2,627**	**3.91**	**245,937**	**1,953**	**3.18**
Non-interest bearing deposits from the public	68,366			[10]80,119		
Creditors for credit card operations	12,447			12,155		
Other non-interest bearing liabilities[7]	15,914			17,485		
Total liabilities	**365,299**			**355,696**		
Total capital resources	**30,810**			**27,384**		
Total liabilities and capital resources	**396,109**			**383,080**		
Interest spread		**2,537**	**1.85**		**2,740**	**2.26**
Net return on interest bearing assets:[8]						
In Israel	316,815	2,229	2.81	303,292	2,426	3.20
Abroad	42,042	308	2.93	41,823	314	3.00
Total net return on interest bearing assets	**358,857**	**2,537**	**2.83**	**345,115**	**2,740**	**3.18**
Of which: Total interest bearing liabilities attributable to operations abroad	31,312	376	4.80	30,105	276	3.67

For footnotes see page 225.

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

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

	For the three months ended March 31					
	2024			2023		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	253,928	3,757	5.92	250,043	3,349	5.36
Total interest bearing liabilities	(160,987)	(1,365)	(3.39)	[10](153,449)	(910)	(2.37)
Interest spread		**2,392**	**2.53**		**2,439**	**2.99**
CPI-linked shekels:						
Total interest bearing assets	33,592	306	3.64	28,065	459	6.54
Total interest bearing liabilities	(16,795)	(94)	(2.24)	(12,523)	(153)	(4.89)
Interest spread		**212**	**1.40**		**306**	**1.65**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	29,295	417	5.69	25,184	295	4.69
Total interest bearing liabilities	(59,478)	(792)	(5.33)	(49,860)	(614)	(4.93)
Interest spread		**(375)**	**0.36**		**(319)**	**(0.24)**
Total operations in Israel:						
Total interest bearing assets	316,815	4,480	5.66	303,292	4,103	5.41
Total interest bearing liabilities	(237,260)	(2,251)	(3.79)	(215,832)	(1,677)	(3.11)
Interest spread		**2,229**	**1.87**		**2,426**	**2.30**

For footnotes see next page.

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

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

	For the three months ended March 31		
	2024 Compared to 2023		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	233	39	272
Abroad	4	70	74
Total credit to the public	**237**	**109**	**346**
Other interest bearing assets:			
In Israel	(10)	115	105
Abroad	[11]–	20	20
Total other interest bearing assets	**(10)**	**135**	**125**
Total interest income	**227**	**244**	**471**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	170	333	503
Abroad	17	89	106
Total deposits from the public	**187**	**422**	**609**
Other interest bearing liabilities:			
In Israel	33	38	71
Abroad	(1)	(5)	(6)
Total other interest bearing liabilities	**32**	**33**	**65**
Total interest expenses	**219**	**455**	**674**
Net interest income	**8**	**(211)**	**(203)**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment for which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of bonds held to maturity was added the average balance of profits (losses) included in equity as part of accumulated other comprehensive income in the item "Adjustments regarding the presentation of available-for-sale securities at fair value" for bonds transferred from the available-for-sale portfolio, in the amount of NIS 330 million; 2023 - NIS 395 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) on available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS 14 million and NIS (1,291) million, respectively; 2023 – NIS (13) million and NIS (1,490) million respectively.

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

(7) Including derivative instruments.

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

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

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

(11) An amount lower than NIS 1 million.

Appendix no. 2 - Additional details - securities portfolio

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

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

	March 31, 2024			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,064	2,043	24	45
Financial services[1]	6,759	6,253	26	532
Total non government bonds	**8,823**	**8,296**	**50**	**577**
Government bonds				
U.S. government	4,813	4,768	6	51
Israel Government	22,468	21,705	43	806
Other Governments	74	74	-	-
Total government bonds	**27,355**	**26,547**	**49**	**857**
Total bond in the available-for-sale portfolio	**36,178**	**34,843**	**99**	**1,434**

* Including the investment of IDB Bank in the U.S.A. municipal bonds. Of which, the three largest investments are in the amount of NIS 87-157 million, each, in municipal bonds of Washington state, in bonds of Texas state and in bonds of the New York state .

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

	March 31, 2024			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	410	417	8	1
Ginnie Mae	4,408	3,893	7	522
Freddie Mac	31	26	-	5
Fannie Mae	26	24	-	2
Other	1,884	1,893	11	2
Total financial services	**6,759**	**6,253**	**26**	**532**

Appendix no. 2 - Additional details - securities portfolio

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

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

	March 31, 2024			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Western Europe[3]	143	146	3	–
Israel	61	60	–	1
Australia	206	211	5	–
Total banks and banking holding companies	**410**	**417**	**8**	**1**

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

France	126	128	2	–
Netherlands	17	18	1	–
Total	**143**	**146**	**3**	**-**

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

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

	March 31, 2024			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Public and community services	63	59	–	4
Financial services*	3,649	3,191	3	461
Total non government bonds	**3,712**	**3,250**	**3**	**465**
Total Government bonds	**8,312**	**7,421**	**-**	**891**
Total bonds in the held-to-maturity portfolio	**12,024**	**10,671**	**3**	**1,356**
***Following are details of Held-to-maturity bonds in the financial services sector:**				
Ginnie Mae	3,525	3,078	3	450
Freddie Mac	54	48	–	6
Fannie Mae	70	65	–	5
Total financial services	**3,649**	**3,191**	**3**	**461**

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

3. Trading Bonds - data according to economic sectors

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

	March 31, 2024			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Various sectors	2	2	-	-
Total non government bonds	**2**	**2**	**-**	**-**
Total government bonds	**7,225**	**7,219**	**2**	**8**
Total bonds in the trading portfolio	**7,227**	**7,221**	**2**	**8**

Appendix no. 3 - Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative financial instruments involves special risk factors including credit risks.
The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure on exposure related to credit risk of a counterparty" under "Credit risk management".
Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details on data presented in part B of the aforementioned Note.

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of March 31	As of December 31
	2024	2023
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	56	207
With an A+ rating	107	171
With an A rating	65	40
With an A- rating	-	53
With a BBB+ rating	5	5
With a B+ rating	1	1
Not rated	-	9
Total against foreign banks	**234**	**486**
Total against Israeli banks	**48**	**50**
Total Balance-sheet balances of assets deriving from derivative instruments	**282**	**536**

Appendix no. 3 - Additional details (continued)

1. Activity in derivative financial instruments (continued)

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

	As of March 31	As of December 31
	2024	2023
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	193	355
With an A+ rating	931	1,071
With an A rating	203	107
With an A- rating	2	93
With an BBB+ rating	12	10
With an B+ rating	3	2
Not rated	12	13
Total against foreign banks	**1,356**	**1,651**
Total against Israeli banks	**72**	**187**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**1,428**	**1,838**

Appendix no. 3 - Additional details (continued)

1. Activity in derivative financial instruments (continued)

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of March 31, 2024	As of March 31, 2023	As of December 31, 2023
		in NIS million	
Agriculture	2	3	3
Industry:			
Machines, electrical and electronic equipment	200	425	230
Mining, chemical industry and oil products	156	249	133
Other	37	54	43
Total industry	393	729	406
Construction and real estate:			
Acquisition of real estate for construction	191	135	202
Real estate holdings	131	66	104
Other	16	6	19
Total Construction and real estate	338	207	325
Electricity and water	454	545	495
Commerce	234	276	247
Hotels, hotel services and food	97	98	109
Transportation and storage	65	93	42
Communications and computer services	48	47	28
Financial services:			
Financial institution (excluding banks)	194	595	249
Private customers active on the capital market	2,546	2,790	2,414
Financial holding institutions	583	574	415
Insurance and provident fund services	-	-	-
Total financial services	3,323	3,959	3,078
Business and other services	75	15	13
Public and community services	44	38	44
Private individuals - housing loans	-	-	-
Private individuals - other	6	6	7
Total credit risk in respect of derivative instruments	**5,079**	**6,012**	**4,797**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	-	-	-
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**5,079**	**6,012**	**4,797**

Appendix no. 3 - Additional details (continued)

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details on investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	March 31, 2024		December 31, 2023	
	Book value	Fair value(1)	Book value	Fair value(1)
	In NIS millions			
Of the Israeli Government	37,158	36,267	39,369	38,546
U.S. government	4,846	4,846	5,195	5,195
Other governments	74	74	228	228
Total	**42,078**	**41,187**	**44,792**	**43,969**

Footnote:

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

Appendix no. 4 - Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (according to the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: a. Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). b. Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses requiring Management's special attention, which – if not dealt with – might result in deterioration of the chances of the credit being repaid or in the Bank's status as a creditor.
Problematic debt	A debt that is classified as "non-accruing", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and for which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Non-accruing debt	A debt for which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	A non-accruing debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Liquidity Coverage Ratio (LCR)	The ratio between the high-quality liquid assets and the net cash outflows for the next 30 days in a stress scenario. The ratio serves as a measure of the Bank's ability to meet its liquidity needs for a future 30-day period.
Net Stable Funding Ratio (NSFR)	The ratio between all the stable funding sources, which are expected with a high likelihood, that are available to the Bank in the coming year, and all the applications that the Bank expects to continue to fund in the coming year.
Leverage Ratio	The ratio (as a percentage) between the "capital measure" and the "exposure measure".
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net fees and commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.

Appendix no. 4 – Glossary (continued)

Forward looking information	Some of the information detailed in the directors' report, which does not relate to historical facts, comprises forward-looking information, as defined in the Securities Law, 5728-1968. The Bank's actual results might differ materially from those indicated in the forward-looking information, due to a large number of factors, including, among other things, macro-economic changes, changes in the geo-political situation, regulatory changes and other changes not under the Bank's control, and which may result in the non-realization of the estimates and/or in changes in the Bank's business plans. Forward-looking information is typified by terms and words like: "believe", "anticipate", "estimate", "intends", "prepares to...", "might" and similar expressions, in addition to nouns such as: "desire", "anticipation", "intention", "expectation", "assessment", "forecast", etc. Such forward-looking expressions involve risks and uncertainties as they are based on evaluations by management as to future events, which include, among other things, evaluations as to the state of the economy, public preferences, domestic and foreign interest rates, inflation rates, etc. as well as regarding the effects of new legislative and regulatory provisions relating to the banking industry and the capital market and to other fields that have an impact on the Bank's activity and on the environment in which it operates, and that by the nature of things, their realization is uncertain. The information presented below relies, among other things, on information in the Bank's hands, inter-alia, publications by other entities such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Housing and other entities that publish data and assessments as to the Israeli and global financial and capital markets. The above reflects the Bank's and its subsidiaries point of view at the time of preparation of the financial statements as to future events, based on evaluations that are uncertain. The evaluations and business plans of the Bank and its subsidiaries are derived from such data and assessments. As stated above, actual results might differ materially and impact the realization of the business plans or bring about changes in these plans.
Financial instrument	Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions: a. The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. b. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.
Over-the-counter (OTC) derivative	Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.
Counterparty credit risk - CVA (Credit Valuation Adjustment)	The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.
Active market	A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.
Financing rate - LTV (Loan To Value Ratio)	The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".
ICAAP (Internal Capital Adequacy Assessment Process)	The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.

Appendix no. 5 – Index

Main Office

Discount Campus. Rishon Le Zion, 1 Discount Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking
Mercantile Discount Bank

Capital Market And Investments
Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards
Israel Credit Cards
Diners Club

Digital Financial Services
PayBox
Greenlend

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA
website: www.idbbank.com
Head Office: 1114 6th Avenue, New York
Staten Island, NY Branch:
201 Edward Curry Avenue, Suite 204
Brooklyn, NY Branch:
705 Avenue U
Short Hills, NJ Branch:
150 JFK Parkway
Beverly Hills, CA Branch:
9401 Wilshire Boulevard, Suite 600
Downtown Los Angeles, CA Branch:
888 South Figueroa Street, Suite 550
Aventura, FL Branch:
Harbour Centre, 18851 NE 29th Avenue, Suite 600

Representative Offices
Israel / Chile / Uruguay / Local representative office in Long Island