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Disclosure According to the Third Pillar of Basel and Additional Information Regarding Risks

Accessible report

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

Disclosure according to the third pillar of Basel and additional information on risks - List of tables

The meeting of the Board of Directors held on May 16, 2023, within the framework of approval of the Bank's Report for the first quarter of 2023, decided to approve and publish the report in the matter of "Disclosure according to the third pillar of Basel and additional information on risks". For further relevant information, the "Risks review" chapter in the Board of Directors and Management Report should be viewed in the 2022 Annual Report and the Report for the first quarter of 2023, including in the document "Disclosure according to the third pillar of Basel and additional information on risks", which was published in the framework of the 2022 Annual Report.

Principal regulatory ratios and review of risk management and risk assets

Principal regulatory ratios (KM1)

	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022
			in NIS millions		
Available capital					
Common equity tier 1	26,543	25,353	24,653	23,939	23,473
Common equity tier 1 before applying the effect of the transition	26,247	25,012	24,294	23,557	23,067
Tier 1 capital	26,543	25,353	24,653	23,939	23,473
Tier 1 capital before applying the effect of the transition	26,247	25,012	24,294	23,557	23,067
Total capital	33,546	32,231	31,013	30,214	29,605
Total capital before applying the effect of the transition	33,248	31,890	30,669	29,836	29,203
Weighted average of risk assets					
Total weighted average of risk assets	**259,788**	**247,447**	**242,446**	**235,535**	**222,519**
Ratio of capital adequacy according to instructions of the supervisor of banks (in %)					
Ratio of common equity tier 1	10.22	10.25	10.17	10.16	10.55
Ratio of common equity tier 1 before applying the effect of the transition	10.08	10.07	9.97	9.99	10.35
Tier I capital ratio	10.22	10.25	10.17	10.16	10.55
Tier I capital ratio before applying the effect of the transition	10.08	10.07	9.97	9.99	10.35
Ratio of total capital	12.91	13.03	12.79	12.83	13.30
Ratio of total capital before applying the effect of the transition	12.77	12.84	12.59	12.65	13.10
Ratio of common equity tier 1 required by the Supervisor of Banks	9.19	9.19	9.19	9.18	9.17
Ratio of common equity tier 1 over the required by the Supervisor of Banks	1.03	1.06	0.98	0.98	1.38
Leverage ratio according to Directives of the Supervisor of Banks					
Total exposures (in NIS millions)	**427,263**	**412,180**	**410,083**	**397,698**	**374,412**
Leverage ratio (in %)	6.2	6.2	6.0	6.0	6.3
Leverage ratio before applying the effect of the transition (in %)	6.1	6.1	5.9	5.8	6.2
Liquidity coverage ratio according to Directives of the Supervisor of Banks					
Total High Quality Liquidity Assets	**74,252**	**79,444**	**79,544**	**72,896**	**72,945**
Total cash outflows	**54,085**	**60,884**	**63,464**	**60,104**	**58,435**
Liquidity coverage ratio (in %)	137.3	130.5	125.3	121.3	124.8
Net stable funding ratio according to Directives of the Supervisor of Banks					
Total Available Stable Funding (AFS)	**250,082**	**244,328**	**244,403**	**242,323**	**232,304**
Total required stable funding (RSF)	**200,434**	**195,706**	**201,347**	**194,357**	**182,433**
Net stable funding ratio (NFSR) (in %)	124.8	124.8	121.4	124.7	127.3

General background and general reporting principles

General background. The report presented below ("risk report") has been prepared according to the reporting directives of the Supervisor of Banks on "disclosure requirements detailed in the third Pillar of Basel and additional information on risks".
It is noted that the updated instruction has clearly defined the frequency of the quantitative and qualitative disclosure requirements. Whereas, a significant part of the disclosure requirements has been defined as disclosure required on an annual basis only, this report should be read together with the risk report published as part of the Annual Report for 2022, together with the Annual Report for 2022 and the First Quarter of 2023 Report. For further details, see the Risks Report published as part of the Annual Report for 2022.
General reporting principles. Towards the publication of the first risk report, as part of the annual report for 2015, general reporting principles had been determined, that were validated and updated within the framework of the preparations for the implementation of the updated reporting directive, all subject to the reporting directives.
- The risk report is an integral part of the annual report, and respectively, the processes applying to the annual report shall apply to it (including: controls and procedures regarding internal control over financial reporting (SOX), statements by the President & CEO and the Chief Accounting Officer regarding the disclosure);
- In order to present an appropriate report and avoid repetition of details, it has been determined that the principal disclosure document in the risk management field would be the risk report. With respect to issues requiring disclosure in two of the documents – the extended disclosure shall be presented in the risk report while in the Chapter "Risk review" in the Board of Directors and Management report a very concise summary shall be presented, with reference to the risk report. With respect to issues that require specific disclosure relating to the "Risk review" Chapter – disclosure would generally be presented only in this chapter;
- The risk population to which the Bank relates will be in line with the risks identified and presented in the framework of the assessment of the capital adequacy (ICAAP);
- The disclosure will describe the principal activities of the Group and the significant risks, based on relevant data and information;
- The disclosures will include qualitative information and sufficient quantitative data on procedures of the Group for the identification, measurement and management of risks. The level of details given in the disclosures should be proportional;
- In order to assist users to understand in an optimal manner the Group's risk tolerance/risk appetite, the disclosure shall be flexible in a way that enables to reflect the manner in which senior Management and the Board of Directors assess and manage risk and strategy internally within the organization;
- A mechanism of a controlling nature has been established securing the appropriateness and relevancy of the disclosures included in the report, based on the work processes applied in the framework of assessment of the capital adequacy (ICAAP) and of the preparation of the quarterly risk document;
- Attention should be paid to especially material changes in data and to the study of the need to provide explanations for such changes.

Main developments in the first three months of 2023

Issue of debt instruments within the framework of an international private placement. On January 26, 2023, the Bank completed an international private placement of US dollar bonds, being the first in its history, in a principal amount of US$800 million ("the bonds"), which were issued to institutional investors, within the meaning of the term in the Articles of the Tel Aviv Stock Exchange Ltd. ("the Stock Exchange" and "the issue", respectively).
The bonds were issued at a price of 99.935% of their par value. The gross proceeds of the issue amounted to US$799.48 million. The issue price comprises a margin of 190 basis points over that of US government bonds of an identical average period to maturity.
The bonds have been registered for trading on the "TASE-UP" system of the Stock Exchange.
IDB Bank. For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details" in the First Quarter of 2023 Report.

The banking corporation's approach to risk management

For details see in the Risks Report, which was published as part of the 2022 Annual Report (pp. 6-16).
For details on the Risk profile of the Discount Group and for details on Risk Factors Table, see in the Chapter C to the Directors and Management Report - "Risks review" in the 2022 Annual Report (pp. 63-64, 109-112).

Material leading and developing risks

The Bank considers macro environment risk, business model risks, cyber and data protection risks, model risks and environment and climate risk, as the most significant developing leading risks. For additional details see in the Risks Report, which was published as part of the 2022 Annual Report, and is open for review on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd. (pp. 16-17).

Weighted risk assets review (OV1)

	Weighted risk assets		Minimum Capital requirements
	31.03.2023	31.12.2022	31.03.2023
		in NIS millions	
Credit risk – standardised approach	222,570	213,237	27,821
Counterparty credit risk (standardised approach)	6,083	5,693	760
Credit valuation adjustment (CVA)	2,428	2,077	304
Securitization exposure (standardised approach)	316	289	40
Amounts lower than the deductible minimum (subject to the risk weight of 250%)	5,632	5,834	704
Total credit risk	237,029	227,130	29,629
Market risk (standardised approach)	4,747	3,633	593
Operational risk	18,012	16,685	2,252
Total	**259,788**	**247,448**	**32,474**

Disclosure on the linkage between the balance sheet and the regulatory capital components

For details on the required adjustments between the balance sheet in the published financial statements and the regulatory capital components, see the Risks Report, which was published as part of the 2022 Annual Report (pp. 115-124).

Additional information on risk exposure and its assessment that is not included in the Third Pillar disclosure requirements

For details on the summary of movement and changes in risk-weighted assets and on the linkage between the weighted risk assets and the business transactions and the related risks, according to the Bank's regulatory operating segments, see the Risks Report, which was published as part of the 2022 Annual Report (p. 18).

Capital and leverage

Composition of the capital

Capital components for calculating ratio of capital

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

For details on the connection between the balance sheet and the components of the regulatory capital, see the Risks Report, which was published as part of the 2022 Annual Report (pp. 118-124).

Capital adequacy

For details on "Evaluation of capital adequacy" as well as "Capital planning process", see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review as stated (pp. 22-25).

Leverage ratio

General. The leverage ratio is defined as the capital measurement divided by the exposure measurement. The capital for the purpose of this measurement is the common equity tier 1. The exposure measurement is the sum of the balance-sheet exposures, the exposures to derivatives, the exposures to securities funding transactions and off-balance-sheet items (for details on the factors which may affect the leverage ratio, see Note 25 item 2 to the financial statements as of December 31, 2022, p. 231.

Comparison between Balance sheet assets and the measurement of exposure for the purpose of the leverage ratio (LR1)

	March 31,		December 31,
	2023	2022	2022
	NIS millions		
Total assets according to the consolidated financial statements	387,472	340,658	376,754
Adjustment for investments in entities in the banking, finance, insurance and commercial fields, consolidated for accounting purposes, but not included in consolidation for regulatory purposes	-	-	-
Adjustments for trusteeship assets recognized in the balance sheet according to the Reporting to the Public Directives, but not included in the measurement of exposure of the leverage ratio	-	-	-
Adjustments for derivative financial instruments	(733)	(731)	(2,597)
Adjustments for SFTs	-	-	-
Adjustments for off-balance sheet items (conversion of off-balance sheet exposure to credit equivalent amounts)	38,004	32,433	35,607
Other adjustments	2,520	2,052	2,416
Exposure for the purpose of the leverage ratio	**427,263**	**374,412**	**412,180**

Disclosure of the leverage ratio (LR2)

	March 31,		December 31,
	2023	2022	2022
	NIS millions		
Balance sheet exposures			
On-balance sheet items (excluding derivatives and SFTs, but including collateral and group allowance)	373,754	331,999	362,878
Asset amounts deducted in determining Tier 1 capital	(194)	(284)	(195)
Total balance sheet exposures (excluding derivatives and SFTs)	**373,560**	**331,715**	**362,683**
Derivative exposures			
Replacement cost associated with all derivatives transactions	5,616	2,265	4,837
Add-on amounts for PFE associated with all derivatives transactions	5,610	2,737	3,986
Gross-up for derivatives collateral provided which were deducted from the balance sheet assets pursuant to the Reporting to the Public Directives	-	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-	-	-
Exempted CCP leg of client-cleared trade exposures	-	-	-
Adjusted effective notional amount of written credit derivatives	-	-	-
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-	-
Total derivative exposures	**11,226**	**5,002**	**8,823**
Securities financing transaction exposures			
Gross SFT assets (with no recognition of netting), after adjusting for transactions treated as an accounting sale	4,473	5,262	5,067
Netted amounts of cash payables and cash receivables of gross SFT assets	-	-	-
Credit risk exposure of a counterparty for SFT assets	-	-	-
Agent transaction exposures	-	-	-
Total securities financing transaction exposures	**4,473**	**5,262**	**5,067**
Other off-balance sheet exposures			
Off-balance sheet exposure at gross notional amount	146,308	129,861	138,814
Adjustments for conversion to credit equivalent amounts	(108,304)	(97,428)	(103,207)
Total off-balance sheet items	**38,004**	**32,433**	**35,607**
Capital and total exposures			
Tier 1 capital	(1)26,542	(1)23,473	(1)25,353
Total exposures	427,263	374,412	412,180
Leverage ratio			
Leverage ratio according to Proper Conduct of Banking Business Directive No. 218	6.2	6.3	6.2

Footnotes:
(1) The Tier I capital and the total exposure are presented after the relief granted by the Supervisor of Banks for the efficiency plans.
(2) The amounts of exchange costs and the addition in respect of the future potential exposure multiplied by the Alpha coefficient used for the computation of the regulatory exposure at default (EAD), according to the standardised approach to counterparty credit risk (SA-CCR).

Credit Risk

General. Credit risk is the risk of material impairment to the value of the Group and its ability to attain its goals as a result of deterioration in the ability of a borrower or counterparty to honor their obligations towards the Bank, in whole or in part.
For general information on credit risk quality (CRA), see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd. (pp. 28-35) and in the First Quarter of 2023 Report.

Credit risk by economic sectors

Presented below are data on credit risk by economic sectors.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis

	March 31, 2023										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9]	Of which: Credit Performance Rating[10]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Total	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity in Israel											
Agriculture	1,657	1,595	17	45	1,654	1,364	17	9	2	1	31
Mining & Quarrying	473	473	-	-	473	365	-	-	-	-	7
Industry	17,812	17,114	454	244	17,179	9,658	453	118	15	11	236
Construction and Real Estate - Construction	[6]51,922	50,352	1,069	501	[6] 51,899	24,547	1,069	168	61	1	553
Construction and Real Estate - Real Estate Activity	17,439	16,808	441	190	17,348	15,027	409	304	35	20	362
Electricity and Water	7,030	7,004	13	13	6,274	4,313	13	-	(13)	-	90
Commerce	29,529	28,261	579	689	29,285	23,173	577	128	15	13	339
Hotels, Hotel Services and Food	2,154	1,940	155	59	2,087	1,781	155	25	(2)	(1)	42
Transportation and Storage	7,573	7,249	226	98	7,395	5,384	226	73	(2)	17	109
Communication and Computer Services	2,917	2,566	99	252	2,871	1,898	99	70	24	-	75
Financial Services	31,679	31,451	4	224	25,450	15,194	4	1	5	(1)	101
Other Business Services	8,571	7,995	96	480	8,556	6,019	96	26	(10)	(8)	144
Public and Community Services	11,624	11,065	409	150	11,614	10,237	409	84	(7)	-	166
Total Commercial	**190,380**	**183,873**	**3,562**	**2,945**	**182,085**	**118,960**	**3,527**	**1,006**	**123**	**53**	**2,255**
Private Individuals - Housing Loans	74,419	73,465	319	635	74,419	66,492	319	234	14	-	286
Private Individuals - Other	72,648	69,281	562	2,805	72,645	33,284	561	164	61	40	864
Total Public	**337,447**	**326,619**	**4,443**	**6,385**	**329,149**	**218,736**	**4,407**	**1,404**	**198**	**93**	**3,405**
Banks in Israel	4,060	4,060	-	-	2,939	2,933	-	-	1	-	5
Israeli Government	33,482	33,482	-	-	1,044	1,044	-	-	-	-	-
Total Lending Activity in Israel	**374,989**	**364,161**	**4,443**	**6,385**	**333,132**	**222,713**	**4,407**	**1,404**	**199**	**93**	**3,410**

For footnotes see next page.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis (continued)

	March 31, 2023										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9]	Of which: Credit Performance Rating[10]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Total	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity Outside of Israel											
Agriculture	124	14	-	110	124	121	-	-	-	-	1
Mining & Quarrying	199	199	-	-	-	-	-	-	-	-	-
Industry	6,024	5,581	244	199	5,640	3,625	243	30	(2)	-	45
Construction and Real Estate - Construction	216	216	-	-	216	56	-	-	-	-	1
Construction and Real Estate - Real Estate Activity	14,679	12,230	1,268	1,181	14,566	12,167	1,266	24	6	(5)	145
Electricity and Water	738	738	-	-	402	302	-	-	-	-	4
Commerce	11,420	10,627	498	295	11,275	7,285	493	8	1	(2)	85
Hotels, Hotel Services and Food	1,997	1,570	318	109	1,965	1,756	317	46	3	-	12
Transportation and Storage	576	567	-	9	413	386	-	-	-	-	8
Communication and Computer Services	548	509	39	-	451	388	39	3	1	-	11
Financial Services	11,931	11,826	-	105	2,253	1,517	-	-	2	-	23
Of which: Federal agencies in the U.S. [7]	7,855	7,855	-	-	-	-	-	-	-	-	-
Other Business Services	859	715	72	72	676	444	72	-	3	-	15
Public and Community Services[8]	5,179	3,996	625	558	4,712	4,434	621	8	(3)	-	37
Total Commercial	**54,490**	**48,788**	**3,064**	**2,638**	**42,693**	**32,481**	**3,051**	**119**	**11**	**(7)**	**387**
Private Individuals - Housing Loans	441	435	-	6	441	436	-	-	(8)	-	6
Private Individuals - Other	1,967	1,618	299	50	1,965	1,192	299	-	(1)	-	5
Total Public	**56,898**	**50,841**	**3,363**	**2,694**	**45,099**	**34,109**	**3,350**	**119**	**2**	**(7)**	**398**
Banks Outside of Israel	4,961	4,961	-	-	2,970	2,867	-	-	-	-	6
Governments Outside of Israel	8,923	8,923	-	-	2,890	1,890	-	-	3	1	23
Total Lending Activity Outside of Israel	**70,782**	**64,725**	**3,363**	**2,694**	**50,959**	**38,866**	**3,350**	**119**	**5**	**(6)**	**427**
Total	**445,771**	**428,886**	**7,806**	**9,079**	**384,091**	**261,579**	**7,757**	**1,523**	**204**	**87**	**3,837**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 261,579 million, NIS 49,377 million, NIS 1,251 million, NIS 3,075 million, NIS 130,489 million, respectively.

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

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

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

(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 mainly municipal bonds and bonds of states in the U.S.

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

(10) 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.

(11) 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.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis (continued)

	March 31, 2022										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9][12]	Credit Performance Rating[10][12]	Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Total[12]	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity in Israel											
Agriculture	1,548	1,495	14	39	1,547	1,246	14	4	(2)	1	29
Mining & Quarrying	371	338	32	1	362	261	32	32	7	-	15
Industry	15,872	15,161	428	283	15,719	9,084	428	192	(15)	20	254
Construction and Real Estate - Construction	[6] 43,164	42,149	431	584	[6] 43,140	20,541	431	160	(7)	2	364
Construction and Real Estate - Real Estate Activity	14,815	14,335	360	120	14,753	12,472	359	111	(10)	(4)	252
Electricity and Water	5,554	5,515	13	26	4,811	3,048	13	1	-	(1)	73
Commerce	23,355	22,481	490	384	22,998	18,319	490	161	(18)	(5)	353
Hotels, Hotel Services and Food	2,387	2,027	166	194	2,387	2,068	166	17	(8)	-	53
Transportation and Storage	6,956	6,546	315	95	6,758	5,320	315	155	7	-	156
Communication and Computer Services	2,423	2,196	51	176	2,411	1,662	51	42	-	-	38
Financial Services	22,902	22,823	49	30	19,581	12,883	49	-	9	1	127
Other Business Services	8,326	7,723	190	413	8,282	5,864	190	48	(12)	22	170
Public and Community Services	11,022	10,586	323	113	11,015	9,450	323	6	24	(3)	126
Total Commercial	**158,695**	**153,375**	**2,862**	**2,458**	**153,764**	**102,218**	**2,861**	**929**	**(25)**	**33**	**2,010**
Private Individuals - Housing Loans	68,000	67,026	324	[12]650	68,000	56,425	323	247	12	6	222
Private Individuals - Other	68,564	66,358	440	1,766	68,556	30,800	441	153	17	20	765
Total Public	**295,259**	**286,759**	**3,626**	**4,874**	**290,320**	**189,443**	**3,625**	**1,329**	**4**	**59**	**2,997**
Banks in Israel	2,772	2,771	-	1	1,661	1,612	-	-	-	-	1
Israeli Government	26,761	26,761	-	-	1,093	1,093	-	-	-	-	-
Total Lending Activity in Israel	**324,792**	**316,291**	**3,626**	**4,875**	**293,074**	**192,148**	**3,625**	**1,329**	**4**	**59**	**2,998**

For footnotes see next page.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis (continued)

	March 31, 2022										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9][12]	Credit Performance Rating[10][12]	Problematic[5]	Non-problematic credit risk, not in credit granting rating	Total[12]	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity Outside of Israel											
Agriculture	155	45	–	110	155	141	–	–	–	–	2
Mining & Quarrying	320	320	–	–	–	–	–	–	–	–	–
Industry	5,557	5,349	145	63	5,288	3,381	145	22	–	–	57
Construction and Real Estate - Construction	105	105	–	–	105	80	–	–	–	–	1
Construction and Real Estate - Real Estate Activity	11,845	10,213	738	894	11,614	9,957	734	69	(11)	(1)	92
Electricity and Water	852	852	–	–	512	339	–	–	–	–	7
Commerce	9,880	9,253	375	252	9,855	6,789	375	–	(5)	(1)	65
Hotels, Hotel Services and Food	1,757	505	646	606	1,745	1,638	643	183	(30)	–	12
Transportation and Storage	976	976	–	–	819	802	–	–	(6)	–	14
Communication and Computer Services	307	304	3	–	236	183	3	3	–	–	2
Financial Services	10,886	10,808	–	78	2,317	1,656	–	–	(2)	–	20
Of which: Federal agencies in the U.S.[7]	7,209	7,209	–	–	–	–	–	–	–	–	–
Other Business Services	911	806	104	1	833	624	104	–	–	–	10
Public and Community Services[8]	4,866	4,209	384	273	4,366	4,030	381	–	(5)	–	40
Total Commercial	**48,417**	**43,745**	**2,395**	**2,277**	**37,845**	**29,620**	**2,385**	**277**	**(59)**	**(2)**	**322**
Private Individuals - Housing Loans	339	331	4	4	339	326	4	4	(1)	–	9
Private Individuals - Other	2,037	1,989	8	40	2,036	1,344	8	–	–	–	5
Total Public	**50,793**	**46,065**	**2,407**	**2,321**	**40,220**	**31,290**	**2,397**	**281**	**(60)**	**(2)**	**336**
Banks Outside of Israel	4,674	4,674	–	–	2,888	2,797	–	–	–	–	3
Governments Outside of Israel	7,577	7,577	–	–	2,014	1,483	–	–	(4)	–	23
Total Lending Activity Outside of Israel	**63,044**	**58,316**	**2,407**	**2,321**	**45,122**	**35,570**	**2,397**	**281**	**(64)**	**(2)**	**362**
Total	**387,836**	**374,607**	**6,033**	**7,196**	**338,196**	**227,718**	**6,022**	**1,610**	**(60)**	**57**	**3,360**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk of assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 227,718 million, NIS 41,166 million, NIS 1,156 million, NIS 5,734 million, NIS 112,062 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 417 million.

(7) Including mortgage backed securities in the amount of NIS 6,981 million, issued by GNMA and in the amount of NIS 228 million, issued by FNMA and FHLMC.

(8) Including mainly municipal bonds and bonds of states in the U.S.

(9) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 7,858 million.

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

(11) The balance of commercial debts includes housing loans in the amount of NIS 266 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(12) Reclassified - following improvement of data.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis (continued)

	December 31, 2022										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9][12]	Credit Performance Rating[10][12]	Problematic[5]	Non-problematic credit risk, not in credit granting rating	Total[12]	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of allowance for credit loss
	in NIS millions										
Lending Activity in Israel											
Agriculture	1,673	1,583	20	70	1,671	1,390	20	8	-	2	29
Mining & Quarrying	393	392	-	1	392	299	-	-	(3)	(2)	7
Industry	17,150	16,350	489	311	16,733	9,566	488	176	31	58	256
Construction and Real Estate - Construction	[6] 49,160	47,713	1,219	228	[6] 49,139	22,853	1,219	278	153	24	493
Construction and Real Estate - Real Estate Activity	16,195	15,681	362	152	16,115	14,049	343	219	61	2	325
Electricity and Water	6,919	6,890	13	16	6,130	3,844	13	-	31	-	104
Commerce	27,091	26,073	490	528	26,867	21,446	487	119	(42)	9	316
Hotels, Hotel Services and Food	2,135	1,964	114	57	2,094	1,785	114	12	(19)	(1)	43
Transportation and Storage	6,856	6,453	271	132	6,679	5,505	271	113	(16)	5	128
Communication and Computer Services	2,689	2,505	99	85	2,652	1,705	99	49	12	-	51
Financial Services	25,399	24,950	5	444	20,936	14,144	5	1	(4)	21	94
Other Business Services	8,572	7,974	142	456	8,550	6,047	142	28	(14)	45	145
Public and Community Services	11,757	11,173	484	100	11,747	10,193	484	130	69	(3)	172
Total Commercial	**175,989**	**169,701**	**3,708**	**2,580**	**169,705**	**112,826**	**3,685**	**1,133**	**259**	**160**	**2,163**
Private Individuals - Housing Loans	73,227	72,267	313	647	73,227	64,891	313	229	61	5	271
Private Individuals - Other	72,936	70,216	481	2,239	72,932	32,866	481	81	163	115	818
Total Public	**322,152**	**312,184**	**4,502**	**5,466**	**315,864**	**210,583**	**4,479**	**1,443**	**483**	**280**	**3,252**
Banks in Israel	2,634	2,634	-	-	1,512	1,482	-	-	-	-	1
Israeli Government	27,275	27,275	-	-	912	912	-	-	-	-	-
Total Lending Activity in Israel	**352,061**	**342,093**	**4,502**	**5,466**	**318,288**	**212,977**	**4,479**	**1,443**	**483**	**280**	**3,253**

For footnotes see next page.

Total Credit Risk Classified by Economic Sectors on a Consolidated Basis (continued)

	December 31, 2022										
	Total Credit Risk[1]				Debts[2] and off-balance sheet Credit Risk (excluding Derivatives)[3]						
									Credit Losses[4]		
	Total[9][12]	Of which: Credit Performance Rating[10][12]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Total	Of which: Debts[2][11]	Problematic[5]	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of allowance for credit loss
	in NIS millions										
Lending Activity Outside of Israel											
Agriculture	122	122	-	-	122	118	-	-	(1)	-	1
Mining & Quarrying	309	309	-	-	-	-	-	-	-	-	-
Industry	5,754	5,394	250	110	5,493	3,421	250	34	6	23	47
Construction and Real Estate - Construction	211	208	-	3	211	69	-	-	-	-	1
Construction and Real Estate - Real Estate Activity	14,312	12,315	999	998	14,191	12,344	997	26	(36)	(60)	133
Electricity and Water	781	781	-	-	417	315	-	-	(3)	-	4
Commerce	10,907	10,285	441	181	10,843	7,523	439	-	9	8	79
Hotels, Hotel Services and Food	1,707	1,140	352	215	1,680	1,612	350	58	(34)	-	8
Transportation and Storage	578	578	-	-	428	407	-	-	(13)	-	8
Communication and Computer Services	532	494	38	-	444	360	38	3	7	-	10
Financial Services	10,569	10,555	-	14	1,966	1,294	-	-	(4)	-	20
Of which: Federal agencies in the U.S.[7]	6,963	6,963	-	-	-	-	-	-	-	-	-
Other Business Services	860	719	72	69	624	422	72	-	1	-	12
Public and Community Services[8]	4,954	3,913	514	527	4,475	4,151	511	8	(9)	-	39
Total Commercial	**51,596**	**46,813**	**2,666**	**2,117**	**40,894**	**32,036**	**2,657**	**129**	**(77)**	**(29)**	**362**
Private Individuals - Housing Loans	447	435	-	12	447	434	-	-	2	-	14
Private Individuals - Other	2,020	1,882	48	90	2,016	1,235	48	-	(1)	-	3
Total Public	**54,063**	**49,130**	**2,714**	**2,219**	**43,357**	**33,705**	**2,705**	**129**	**(76)**	**(29)**	**379**
Banks Outside of Israel	4,502	4,502	-	-	2,745	2,644	-	-	-	-	5
Governments Outside of Israel	8,780	8,780	-	-	2,473	1,710	-	-	-	-	25
Total Lending Activity Outside of Israel	**67,345**	**62,412**	**2,714**	**2,219**	**48,575**	**38,059**	**2,705**	**129**	**(76)**	**(29)**	**409**
TOTAL	**419,406**	**404,505**	**7,216**	**7,685**	**366,863**	**251,036**	**7,184**	**1,572**	**407**	**251**	**3,662**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 251,036 million, NIS 43,001 million, NIS 857 million, NIS 2,363 million, NIS 122,149 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 519 million.

(7) Including mortgage backed securities in the amount of NIS 6,724 million, issued by GNMA and in the amount of NIS 239 million, issued by FNMA and FHLMC.

(8) Including mainly municipal bonds and bonds of states in the U.S.

(9) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 9,407 million.

(10) 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.

(11) The balance of commercial debts includes housing loans in the amount of NIS 218 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(12) Reclassified - following improvement of data.

Credit Exposure to Foreign Financial Institutions

About 98% of the exposure as of March 31, 2023, is to financial institutions rated "A-"rating or higher, compared with about 98% as of December 31, 2022. For additional details, see the Report for the first quarter of 2023.

Drafts and Instructions published during the first quarter of 2023

High risk transactions for the purchase of land. An update of a Q&A file was published on January 23, 2023, for the implementation of Proper Conduct of Banking Business Directive dealing with capital adequacy requirements: following entry into effect of higher capital requirements in respect of high risk transactions for the purchase of land, the need had arisen for clarification relating to the manner of calculating the financing ratio.

Adopting consumer measures in a changing financial environment. On February 26, 2023, the Supervisor of Banks published a letter regarding adoption of consumer measures in a changing financial environment, in which it is stated that banking corporations are expected to adopt different measures for the monitoring of borrowers wishing to prepare for situations of possible difficulty in the monthly repayment of their debt, and invite them to examine different ways of mitigating their cash flow situation, as well as continue to study alternatives relating to the customer's compliance with the monthly repayments, all while providing a suitable, timely and professional response to the customer's approach and needs, while focusing on singular characteristics of the different population groups and on the different channels and languages by which the service is provided.

The credit quality of credit exposures (CR1)

Credit quality of credit exposure

	Gross balances		Allowances for credit losses or impairment in value	
	Non-accruing debts or in arrears for 90 days or over	Other		Net balance
	March 31, 2023			
	in NIS millions			
Debts, excluding bonds	1,606	256,598	3,386	254,818
Bonds	-	41,563	-	41,563
Off-balance sheet exposure	48	138,428	444	138,032
Total	**1,654**	**436,589**	**3,830**	**434,413**

	Gross balances		Allowances for credit losses or impairment in value	
	Impaired or in arrears of 90 days or over	Other		Net balance
	in NIS millions			
	March 31, 2022			
Debts, excluding bonds	1,635	221,806	2,888	220,553
Bonds	1	38,459	-	38,460
Off-balance sheet exposure	63	124,618	451	124,230
Total	**1,699**	**384,883**	**3,339**	**383,243**
	December 31, 2022			
Debts, excluding bonds	1,508	245,304	3,216	243,596
Bonds	1	39,333	-	39,334
Off-balance sheet exposure	52	132,440	424	132,068
Total	**1,561**	**417,077**	**3,640**	**414,998**

For details on changes in the balance of non-accruing debts and in the balance of restructured troubled debts (CR2) and for the additional disclosure on the credit quality of credit exposures (CRB), see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd. (p. 36).

Qualitative disclosure requirements on credit risk mitigation techniques (CRC)

For details on credit risk mitigation and mitigating the risk for credit concentration, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd. (pp. 47-48).

Credit risk mitigation techniques – Review (CR3)

Methods for credit risk mitigation - Quantitative disclosure

	Unsecured	Secured							
				Of which: by collateral		Of which: by financial guarantees		Of which: by credit derivatives	
	Total balance sheet balance	Total balance sheet balance	Of which: secured amount	Balance sheet balance	Of which: secured amount	Balance sheet balance	Of which: secured amount	Balance sheet balance	Of which: secured amount
	in NIS millions								
	March 31, 2023								
Debts, excluding bonds	211,193	43,625	18,569	34,644	9,588	8,981	8,981	-	-
Bonds	41,563	-	-	-	-	-	-	-	-
Total	**252,756**	**43,625**	**18,569**	**34,644**	**9,588**	**8,981**	**8,981**	**-**	**-**
Of which: non-accruing debts or in arrears for 90 days or over	1,056	1,212	558	146	29	1,066	529		
	March 31, 2022								
Debts, excluding bonds	179,977	40,576	15,142	34,019	8,585	6,557	6,557	-	-
Bonds	38,460	-	-	-	-	-	-	-	-
Total	**218,437**	**40,576**	**15,142**	**34,019**	**8,585**	**6,557**	**6,557**	**-**	**-**
Of which: Impaired or in arrears of 90 days or over[1]	1,192	529	203	152	28	377	175		
	December 31, 2022								
Debts, excluding bonds	200,019	43,577	18,592	34,814	9,829	8,763	8,763	-	-
Bonds	39,334	-	-	-	-	-	-	-	-
Total	**239,353**	**43,577**	**18,592**	**34,814**	**9,829**	**8,763**	**8,763**	**-**	**-**
Of which: Impaired or in arrears of 90 days or over[1]	1,623	1,104	632	189	27	915	605		

Standardized approach – exposures by asset classes and risk weights (CR5)

Exposures according to classes of assets and risk weights

	0%	20%	35%	50%	60%	75%	100%	150%	Total amount of credit exposure (after CCF and CRM)
	in NIS millions								
	March 31, 2023								
Sovereigns, their central banks and national monetary authority	92,258	39	–	–	–	–	231	114	92,642
Public sector entities (PSE) which are not central governments	1,963	8,615	–	1,443	–	–	49	–	12,070
Banks (including multilateral development banks)	–	11,131	–	81	–	–	27	–	11,239
Securities corporations	–	822	–	–	–	–	–	–	822
Corporations	–	11,107	–	5,928	–	–	116,812	3,017	136,864
Retail exposures for private individuals	–	–	–	–	–	34,622	135	–	34,757
Loans to small businesses	–	–	–	–	–	14,579	18	–	14,597
Secured by residential property	–	–	16,425	21,707	20,589	8,022	1,237	–	67,980
Secured by commercial real estate	–	–	–	–	–	–	5,073	–	5,073
Loans in arrears	–	–	–	–	–	–	484	1,240	1,724
Other assets	2,102	–	–	–	–	–	7,697	1,569	11,368
Of which: for shares	–	–	–	–	–	–	675	1,122	1,797
Total	**96,323**	**31,714**	**16,425**	**29,159**	**20,589**	**57,223**	**131,763**	**5,940**	**389,136**
	March 31, 2022								
Sovereigns, their central banks and national monetary authority	91,831	15	–	–	–	–	166	110	92,122
Public sector entities (PSE) which are not central governments	1,399	8,077	–	1,399	–	–	84	–	10,959
Banks (including multilateral development banks)	–	8,679	–	76	–	–	35	–	8,790
Securities corporations	–	593	–	–	–	–	–	–	593
Corporations	–	10,681	–	952	–	–	103,722	224	115,579
Retail exposures for private individuals	–	–	–	–	–	32,385	125	–	32,510
Loans to small businesses	–	–	–	–	–	14,098	11	–	14,109
Secured by residential property	–	–	14,820	18,533	15,223	8,212	1,011	–	57,799
Secured by commercial real estate	–	–	–	–	–	–	4,379	–	4,379
Loans in arrears	–	–	–	–	–	–	522	1,041	1,563
Other assets	2,334	84	–	–	–	–	6,548	1,442	10,408
Of which: in respect of shares	–	–	–	–	–	–	672	1,083	1,755
Total	**95,564**	**28,129**	**14,820**	**20,960**	**15,223**	**54,695**	**116,603**	**2,817**	**348,811**

Exposures according to classes of assets and risk weights (continued)

	0%	20%	35%	50%	60%	75%	100%	150%	Total amount of credit exposure (after CCF and CRM)
	in NIS millions								
	December 31, 2022								
Sovereigns, their central banks and national monetary authority	97,390	52	-	-	-	-	232	120	97,794
Public sector entities (PSE) which are not central governments	1,756	8,242	-	1,419	-	-	71	-	11,488
Banks (including multilateral development banks)	-	7,925	-	73	-	-	51	-	8,049
Securities corporations	-	626	-	-	-	-	-	-	626
Corporations	-	10,106	-	5,988	-	-	111,996	1,348	129,438
Retail exposures for private individuals	-	-	-	-	-	34,208	142	-	34,350
Loans to small businesses	-	-	-	-	-	14,415	15	-	14,430
Secured by residential property	-	-	16,174	21,297	19,630	8,066	1,234	-	66,401
Secured by commercial real estate	-	-	-	-	-	-	4,721	-	4,721
Loans in arrears	-	-	-	-	-	-	445	1,790	2,235
Other assets	1,864	37	-	-	-	-	7,319	1,590	10,810
Of which: for shares	-	-	-	-	-	-	612	1,142	1,754
Total	**101,010**	**26,988**	**16,174**	**28,777**	**19,630**	**56,689**	**126,227**	**4,848**	**380,343**

Counterparty credit risk

For a qualitative disclosure related to counterparty credit risk (CCRA), see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 52-53).

Analysis of exposure to counterparty credit risk (CCR) according to the regulatory approach (CCR1)

	Replacement cost	Potential future exposure	Alpha coefficient used for the computation of the regulatory exposure at default (EAD)	EAD after CRM	RWA
			March 31, 2023		
			in NIS millions		
Standardised approach to counterparty credit risk - SA-CCR (for derivatives)	2,804	3,876	1.4	9,322	3,964
The comprehensive approach to credit risk mitigation (for securities financing transactions [SFT])	-	-	-	4,597	1,905
Total	**2,804**	**3,876**	**-**	**13,919**	**5,869**

	Replacement cost	Potential future exposure	EAD after CRM	RWA
		March 31, 2022		
		in NIS millions		
Current exposure method	2,117	2,141	3,742	1,739
The comprehensive approach to credit risk mitigation (for securities financing transactions [SFT])	-	-	3,321	2,164
Total	**2,117**	**2,141**	**7,063**	**3,903**

	Replacement cost	Potential future exposure	Alpha coefficient used for the computation of the regulatory exposure at default (EAD)	EAD after CRM	RWA
			December 31, 2022		
			in NIS millions		
Standardised approach to counterparty credit risk - SA-CCR (for derivatives)	2,379	2,700		7,110	2,952
The comprehensive approach to credit risk mitigation (for securities financing transactions [SFT])	-	-		3,906	2,587
Total	**2,379**	**2,700**		**11,016**	**5,539**

Credit valuation adjustment (CVA) capital charge (CCR2)

	EAD after CRM	RWA
	in NIS millions	
	March 31, 2023	
Total portfolios for which CVA is calculated according to the standardised approach	**9,050**	**2,428**
	March 31, 2022	
Total portfolios for which CVA is calculated according to the standardised approach	**3,691**	**1,489**
	December 31, 2022	
Total portfolios for which CVA is calculated according to the standardised approach	**6,890**	**2,077**

The increase in the allocation of capital for the adjustment of revaluation to credit risk stems from an increase in the derivatives activity with customers.

Standardised approach - exposures to counterparty credit risk (CCR) according to regulatory portfolio and risk weights (CCR3)

	0%	20%	50%	75%	100%	Total credit exposure
			in NIS millions			
			March 31, 2023			
Sovereigns	1,297	-	-	-	-	1,297
Public sector entities (PSE) which are not central governments	-	423	-	-	-	423
Banks (including multilateral development banks)	-	5,058	-	-	6	5,064
Securities corporations	-	2,925	-	-	-	2,925
Corporations	-	-	57	-	4,121	4,178
Housing mortgages	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	17	17
Small business	-	-	-	-	15	15
Total	**1,297**	**8,406**	**57**	**-**	**4,159**	**13,919**
			December 31, 2022			
Sovereigns	891	-	-	-	-	891
Public sector entities (PSE) which are not central governments	-	451	-	-	-	451
Banks (including multilateral development banks)	-	3,154	-	-	3	3,157
Securities corporations	-	2,093	-	-	-	2,093
Corporations	-	-	54	-	4,329	4,383
Housing mortgages	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	19	19
Small business	-	-	-	-	22	22
Total	**891**	**5,698**	**54**	**-**	**4,373**	**11,016**

Composition of collateral with respect to counterparty credit risk exposure (CCR) (CCR5)

	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral obtained		Fair value of collateral deposited		Fair value of collateral obtained	Fair value of collateral deposited
	Detached	Undetached	Detached	Undetached		
	in NIS millions					
	March 31, 2023					
Cash – local currency	626	99	2	146	–	–
Cash – other currencies	–	2,542	–	1,146	–	–
Domestic sovereign debt	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Shares	–	–	–	–	–	–
Other collateral	–	–	–	–	1,815	–
Total	**626**	**2,641**	**2**	**1,292**	**1,815**	**-**
	December 31, 2022					
Cash – local currency	742	110	6	139	–	–
Cash – other currencies	–	2,817	–	1,061	–	–
Domestic sovereign debt	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Shares	–	–	–	–	–	–
Other collateral	–	–	–	–	1,918	–
Total	**742**	**2,927**	**6**	**1,200**	**1,918**	**-**

Market Risk

For the general qualitative disclosure on market risks (MRA), see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 57-72).

Quantitative disclosure

(1) Limitations set by the Board of Directors

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 60).

(2) Interest Risk Exposure

General

The risk of loss, stemming from parallel and non-parallel movements in the return graph, and the impact of the optionality embedded in different financial instruments.

Relation between balance sheet items and the positions included in the disclosure of Market risk

The Group differentiates between two classes of portfolios: the trading portfolio and the banking book. These portfolios differ in the nature of exposure to market risks, reflected also in the management tools used in managing their market risks.

- The trading portfolio comprises of positions in financial instruments held for trading or with the aim of earning gains in the short-term. These positions are marketable and may be hedged in full. As a general rule, the trading portfolio is held by the dealing room and in trading bonds portfolios held by the "Nostro" unit.
- The banking book – all balance sheet assets and liabilities and the off-balance sheet items of the Group that are not included in the trading portfolio.

The risk indices used for the overall interest risk management, are presented in detail in the item "Additional information on exposure to market risk" below.

The models used for the management of interest risk in the banking portfolio only, are presented in detail in the Chapter "Interest risk" (IRRBB) in the banking portfolio below.

Relation between balance sheet items and the positions included in the disclosure of market risk

Assets	Effect of 100BP as of March 31, 2023	Effect of 100BP as of December 31, 2022	Liabilities	Effect of 100BP as of March 31, 2023	Effect of 100BP as of December 31, 2022
			in NIS millions		
Credit	3,151	3,106	Deposits	1,201	1,274
Available-for-sale securities portfolio	788	732	Debt notes	395	418
Trading securities portfolio	38	36	Off balance-sheet (derivatives)	221	221
Held-to-maturity securities portfolio	580	576	Current account spreading	1,820	1,845
Off balance-sheet (derivatives)	-	-	Employee rights	232	258
Other	21	18	Other	119	3
Total	**4,578**	**4,467**	**Total**	**3,988**	**4,020**

(3) Additional information – models and risk indices

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 62).

Principal indices for management

Index for the sensitivity of economic value to changes in interest rates. For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 63).

Details of the Group exposure and limitations - in the index of economic value sensitivity to parallel changes in interest graphs by 100 base points (the EVE Model)

	For the period ending			
	March 31, 2023		December 31, 2022	
	End of first quarter of 2023	Maximum exposure during the quarter	End of reported year 2022	Maximum exposure during 2022
	in NIS millions			
Actual exposure	(590)	(590)	(447)	(845)
Limitation set by the Board of Directors	(1,775)		(1,676)	
The scenario in which the exposure was measured	UP 100	UP 100	UP 100	UP 100

The sensitivity of the accounting value index to changes in interest rates in intermediate scenarios. For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 63).

Details of the Group exposure and limitations - reduction in accounting value in intermediary scenarios

	For the period ending			
	March 31, 2023		December 31, 2022	
	End of first quarter of 2023	Maximum exposure during the quarter	End of reported year 2022	Maximum exposure during 2022
	in NIS millions			
Actual exposure	(468)	(494)	(149)	(609)
Limitation set by the Board of Directors	(1,775)		(1,676)	

The increase in the results of the scenario in the first quarter stems from the updating of the parameters of the scenario and not as a result of a change in exposure. The results of the scenario based on the old or the new parameters would have led to similar results in both periods.

Indices and additional models

The Value at Risk (VaR)

The VaR of trading operations. The VaR for the trading activity is calculated at daily intervals using the historical (hybrid) method, using a confidence level of 99% and a time horizon of one day.
The Board of Directors has set specific limits for the VaR on trading activity. No exceptions to the limits were recorded in the first quarter of 2023.
This estimate serves as one of the main tools in the management of the trading activity.

Details of the exposure in terms of - VaR in trading activity

	First quarter 2023		End of year 2022	
	End of quarter	Maximum exposure during the quarter	End of year	Maximum exposure during the year
	in NIS millions			
Actual exposure	20.2	23.1	9.5	23.5
Limitation set by the Board of Directors	50		50	

Footnote:
The VaR calculated for 1 business day and profitability of 99%.

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 64).
For details on loss analysis in extreme scenarios (Stress Tests) and analysis of the anticipated interest income the NII (Net Interest Income) and the EaR (Earning at Risk) model, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 65).

(4) Inflation and exchange rate exposure

The Bank's Exposures to inflation and foreign currency exchange rates is performed from an economic perspective, taking into account the exposure's implications on accounting fluctuations where the accounting and the economic perspectives do not align. The measurement of the risk is performed through calculating the surplus/shortfall of assets to liabilities after including economic revisions.
The actual management of the exposures is conducted on a daily frequency on the basis of economic positions in the various linkage and currencies segments, which differ from the accounting positions which may be seen in Note 32 to the financial statements as of December 31, 2022. The principal change stems from the transfer of linkage segments of pension liabilities for payroll and additional employee rights (from the shekel accounting-measurement segment to the economic-measurement linked segment).
Other changes are: the non-inclusion of losses or gains resulting from changes in the market value of foreign currency or index-linked bonds; the addition of foreign currency fixed assets as financial assets; the transfer of non-performing impaired foreign currency debts to the shekel-linked segment; and the addition of exposure to foreign currency in the severance pay fund for Bank employees (BLD) (only the difference between the severance pay provision and the value of the deposits with the fund is recorded in the accounting positions). The hedge relating to the structural position in foreign currency stemming from the investment in IDB Bank has been removed in order to reduce the sensitivity of the capital ratio to changes in exchange rates.
The mix of investments in the various linkage segments is determined on current basis within the framework of the limitations presented below and on the basis of forecasts regarding the relevant market variables.
The exposure is measured separately for each material currency.

Actual distribution of investment of the equity in relation to the set limitations (the data is stated in relation to the equity)

		First Quarter of 2023				The year 2022		
			Position range					
Segment	Limitation	Year end	From	To	Average	Year end	From	To
CPI linked	50%-(50%)	46.1%	43.7%	46.1%	45.0%	40.7%	33.9%	40.7%
Foreign currency	15% - 30%	17.7%	17.7%	18.5%	18.2%	17.6%	16.8%	17.6%

Footnote:
* Timing of economic position computation: the managed position is computed on the basis of the capital data as of the end of the previous quarter together with changes occurring during the last quarter until date of the computation. These changes are based on data that is not final as it is known at date of computation. On the other hand, the position in the linkage balance sheet is computed on the basis of audited data used in the framework of the financial statements.

The Group's underlying exposures presented in the above Table is based upon a monthly average. Notwithstanding, exposure management in each material subsidiary is conducted in an effective manner and at least once a week.
In the Bank's opinion, the exposure to the various linkage bases at the end of the period characterizes the exposure during the period.

(5) Management of positions in the trading portfolio

Trading portfolios. The Group distinguishes between exposure created in the course of managing the Bank's assets and liabilities and exposure to trading. Generally, trading exposures exist only at the parent company and they are concentrated mostly in the dealing room as part of the activity of the Bank as a "market maker" in government bonds in foreign currency and in derivatives. Occasional trading exposures occur at the subsidiaries in immaterial volume. The trading activity is intended at creating income while creating exposure within the approved risk limits for this activity, and maintaining daily and sub-daily monitoring and control.
As stated, trading activity is mainly focused on the dealing room, which both conducts trading with customers and transactions hedging the risks, and operations to generate profit as part of the management of market risks. In addition, a non-significant trading portfolio exist at the investments unit.
The Board of Directors has determined additional sets of limits pertaining to trading activities and to asset and liability management activities. Limitations on various trading activities were determined in terms of scope of activity, and in terms of sensitivity to risk factors including the VaR and the theoretical loss involved in stress tests. The limitations are monitored on a daily and intra-day basis by the control units of the Financial Markets Division. The Head of the Division has set a series of internal limits, within the framework of the limits set by the Board of Directors, aimed at providing advance warning when the Board of Directors' limits are approached and thereby preventing such limits being exceeded.
Activity in derivative financial instruments. The Bank is active in a wide range of derivative financial instruments both in shekels and in foreign currency and acts also as a "market maker" for some of which. A substantial part of the transactions is made "over the counter" (OTC) according to customer needs and those of the Bank. The price determination for these transactions is based on returns and prices of base assets using accepted pricing models and taking into account market competition.
The market exposures, which are created as a result of activity in derivative financial instruments, both for inflation and foreign currency exchange rates and also for interest, are included within the framework of the Board of Directors' various limits. The counterparty exposures are managed under agreements for the transfer and set-off of collateral and vis-à-vis central clearing houses.
In addition, the Board of Directors has determined the variety of financial instruments available for the transaction of business by the Bank and the mode of the Bank's operation in each of them (whether on behalf of its customers of or its own account). In addition, limits of the Head of the Financial Markets Division were set for the scope of activity according to the types of instruments intended to delimit the operational risk involved in its activity. The volume of activity for a certain instrument does not necessarily represent the level of financial risk inherent therein.
The total exposure and compliance with the Board of Directors limits are being measured and controlled on an ongoing basis by control functions of the first line of defense.
No deviations from limitations set by the Board of Directors were recorded in the first quarter of 2023.
The Bank's transactions in derivative financial instruments are made partly with banking institutions or with Tel-Aviv Stock Exchange members, who are subject to capital adequacy requirements or compliance with the level of security required by the Tel-Aviv Stock Exchange, and partly with other Bank's customers, who provide security according to the Bank's procedures.
Activity in the Ma'of market. The Bank operates in the Ma'of share index market only on behalf of customers, while maintaining the security level required by the Tel-Aviv Stock Exchange. The Bank operates in options on the dollar exchange rates in the Ma'of market both on customers' behalf and on behalf of the Bank itself.

Accounting data as to the volume of operation in derivative financial instruments of the Bank and its consolidated subsidiaries

	March 31, 2023	December 31, 2022
	in NIS millions	
Not for trading derivatives	100,684	77,571
Of which: hedging derivatives	14,125	9,811
Trading derivatives	417,103	370,618
Total	**517,787**	**448,189**

Accounting aspects. The accounting policy with regard to the measurement of the value of derivative financial instruments and the results thereof, type of derivative financial transactions and instruments according to the directives of the Supervisor of Banks, is stated in Notes 1 D 6 and 28 to the financial statements as of December 31, 2022 (pp. 154-155, 246-252).

According to the said directives of the Supervisor of Banks, most of the transactions in derivative financial instruments made by the Bank for managing market risks resulting from its financial base assets (ALM) are classified as "ALM transactions" and not as "hedging transactions". In terms of the said directives more stringent criteria have to be complied with so that transactions in derivative financial instruments could be considered as "hedging transactions".

The majority of base assets, the exposure of which to market risk, as stated, was managed by derivative financial instruments, are not marketable. Income and expenses generated by such assets are recognized on the accrual basis to the statements of profit and loss while the results of the transactions in derivative financial instruments defined as "ALM transactions" are computed, according to "fair value". Accordingly, no correlation exists between the recording of the base assets and the results they produce according to generally accepted accounting principles and the transactions in derivative financial instruments for those base assets, which are classified as "ALM transactions".

Details of financing income from derivative financial instruments are presented in Note 3 to the financial statements as of December 31, 2022 (p. 163).

Option risks. Option risks relate to the loss that might be incurred as a result of changes in base assets and the volatility thereof, which affect the value of such options, including standard deviations. The Bank is active in a variety of types of options– vanilla options and "exotic" options of certain types as well as on a variety of base assets (foreign currency and interest rates).

The Bank's Board of Directors has set out guidelines regarding the permitted activity in options both as regards overall volume and in terms of the maximum impairment in value under stress tests and in cases of moderate scenarios. The scenarios relate to simultaneous changes in exchange rates, indices and in the volatility of base assets. In addition, the document by the Head of the Financial Markets Division includes limitations on maximum changes in the value of the option portfolio in terms of sensitivity indices ("GREEKS").

No deviations from limitations set by the Board of Directors were recorded in the first quarter of 2023.

Market risk according to the standardized approach (MR1)

The Bank computes the capital allocation required for the exposure to market risks according to the standardized approach, as prescribed by Proper Conduct of Banking Business Directive No. 208. The allotment to market risks includes:

- Interest and shares risks resulting from instruments in the trading portfolio. The interest risk is computed by the "periods to maturity" method;
- Foreign exchange risk of the banking corporation as a whole (eliminating a structural position for IDB Bank according to the approval of the Supervisor of Banks).

In addition, for each of the above mentioned risks, an optional component shall be added, according to the "delta plus" method of the instruments included.

Details of capital allocation to market risks according to the standard approach

	Capital allocation as of	
	March 31, 2023	December 31, 2022
	In NIS millions	
Interest rate risk*	533	419
Foreign exchange rate risk	52	24
Share risk	-	-
Option risk	8	10
Total for the Banking Group	**593**	**454**
Allocation in risk asset terms	**4,747**	**3,633**

* Including the specific risk in the amount of NIS 2.1 million and NIS 1.8 million in March 2023 and December 2022, respectively.

The allocation to market risks in risk asset terms comprises approx. 1.83% of the total risk assets as of March 31, 2023, compared with approx. 1.46% as of December 31, 2022.

Interest rate risk in the banking book (IRRBB)

For details on behavioral economic models integrated in risk management and on behavioral assumptions applied in the assessment of interest risks, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 68-69).
For quantitative information on interest risk in the banking book and the trading book, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 70-71).

Shares Risk

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 71-72).

Liquidity risk

Liquidity risk is the 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 thereof the Group would be compelled to raise funds and/or realize assets in a way that would result in a material loss. The Bank has determined a maximum exposure limitation to the liquidity risk.

The liquidity coverage ratio – principal disclosures table (LIQ1)

	For the period of three months ended			
	March 31, 2023		December 31, 2022	
	In NIS millions			
	Total non-weighted value (average)	Total weighted value (average)	Total non-weighted value (average)	Total weighted value (average)
Total high quality liquid assets				
Total high quality liquid assets (HQLA)		74,252		79,444
Cash outflows				
Retail deposits from individuals and small businesses, of which:	158,669	9,932	156,533	10,324
Stable deposits	49,674	2,454	51,421	2,540
Less stable deposits	58,121	5,952	63,856	6,546
Deposits for periods exceeding 30 days (Section 84 of Proper Conduct of Banking Business Directive No. 221)	50,874	1,526	41,257	1,238
Unsecured wholesale financing, of which:	100,565	60,243	108,357	66,164
Deposits for operational purposes (all counterparties) and deposits with chains of cooperative banking corporations	-	-	-	-
Deposits not for operational purposes (all counterparties)	99,084	60,178	107,063	66,088
Unsecured debts	1,480	66	1,294	76
Secured wholesale financing	-	64	-	202
Additional liquidity requirements, of which:	82,259	23,144	91,045	23,309
Cash outflows in respect of exposure to derivatives and other collateral requirements	16,563	16,041	16,914	16,360
Cash outflows in respect of loss of financing of debt products	-	-	-	-
Credit and liquidity facilities	65,697	7,104	74,131	6,949
Other contractual financing commitments	38,744	1,024	38,158	982
Other conditional financing commitments	2,772	98	2,927	98
Total cash outflows	**-**	**94,505**	**-**	**101,077**
Cash inflows				
Secured loans (e.g., Reverse repo transactions)	477	477	658	658
Cash inflows from regularly performing exposure	27,746	22,492	27,566	22,752
Other cash inflows	21,049	17,452	19,839	16,783
Total cash inflows	**49,272**	**40,421**	**48,065**	**40,193**

	Total adjusted value	Total adjusted value
Total High Quality Liquidity Asset (HQLA)	**74,252**	**79,444**
Total net cash outflows	**54,085**	**60,884**
Liquidity Coverage Ratio (%)	137.3%	130.5%

Liquidity risk – qualitative disclosure and additional disclosures in respect to the liquidity coverage ratio (LIQA)

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 74-80).

Liquidity coverage ratio - Proper Conduct of Banking Business Directive No. 221 in the matter of "liquidity coverage ratio"

For details on the Proper Conduct of Banking Business Directive No. 221 in the matter of ”liquidity coverage ratio”, see the document regarding ”Disclosure according to the third pillar of Basel and additional information on risk”, which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 77-78).

The liquidity coverage ratio of the Discount Group

As of March 31, 2023, the ratio amounted to 139.2%, compared to 131.1% on December 31, 2022. The average liquidity ratio in the first quarter of 2023 amounted to 137.3% as compared with an average ratio of 130.5% in the fourth quarter of 2022.

The liquidity ratio has risen despite the growth in the credit portfolio as a result of the raising of a US dollar debt effected at the beginning of the year, and the pledging of the mortgage portfolio at the end of the current quarter.

The liquidity coverage ratio is based on a high and quality liquidity buffer. The liquidity buffer is based in shekels on the short-term loan (MAKAM), on Israel government bonds and on current account balances and deposits with the Bank of Israel. In foreign currency, the buffer is based on U.S. government bonds (in IDB Bank on the MBS portfolio, most of which issued by government and semi government agencies) and on current account balances and deposits with the Bank of Israel and the FED.

Details of the composition of the liquidity buffer

		For the quarter ended	
	Assets included	March 31, 2023	December 31, 2022
		in NIS millions	
Buffer 1	Cash	50,423	56,890
	Israel Bonds/Short-term loans (MAKAM)	11,163	9,054
	Foreign bonds	11,575	12,110
Buffer 2	Sovereigns bonds	38	224
	Mortgage bonds issued by public corporations	124	322
	Corporation Bonds AA	719	609
Buffer 2 b	Corporation Bonds A	211	228
Total		**74,252**	**79,437**

The computation of the Group liquidity coverage ratio is based on an independent calculation of each of the Group companies. The Bank’s Management has defined for each Company in the Group a minimum target for the liquidity coverage ratio. The transfer of liquidity from IDB Bank to its parent company (the Bank) is limited by local regulation, and therefore, the recognition of surplus liquidity of IDBNY in the group model, is limited accordingly. The surplus of Mercantile Discount Bank, operating under a regulatory framework identical to that of the Bank, is included in the Group model.

Most of the liquidity surplus of the Group originates in the liquidity surplus of the Bank.

Distribution of the liquidity coverage ratio (average for the quarter) according to the legal entities within the Group

	For the period ended	
	March 31, 2023	December 31, 2022
	In %	
Discount Group	137.29%	130.47%
The Bank	158.87%	145.42%
IDB New York	122.00%	112.17%
Mercantile Discount Bank	138.19%	134.18%
Total	**137.3%**	**130.5%**

Concentrating the liquidity surplus at the Bank allows for much flexibility in the management of the Group's liquidity. Alongside the expectation for the independent management of the liquidity risk by the subsidiaries, the Management of the Group is able to shift liquidity between the companies in the Group.

The liquidity coverage ratio in the principal currencies

The Bank measures also the liquidity coverage ratios in the principal currencies. As of March 31, 2023, the coverage ratio in shekels was 138.4% compared with 115.6% at December 31, 2022. The increase in the ratio stemmed mostly from the pledging of the mortgage portfolio and from the effect of shekel/dollar swap transactions.

The liquidity coverage ratio as of March 31, 2023, respecting the total of foreign currencies, amounted to 142.1% compared to 234.8% on December 31, 2022. The decrease in the ratio stemmed from the effect of shekel/dollar swap operations.

The liquidity coverage ratio with respect to US dollars as of March 31, 2023 was 130.0% as compared with 212.2% on December 31, 2022. The decrease in the ratio stemmed from the decline in inflow of cash due to dollar/shekel swap operations.

In Euros, the liquidity coverage ratio at March 31, 2023, was 126.1% compared with 160.7% at December 31, 2022. The decrease in the ratio stemmed from the effect of dollar/Euro swap operations.

The Discount Group has a surplus of resources in foreign currency over applications, principally in U.S. dollars and in Euro. Accordingly, the Bank, invests its surplus liquidity in securities, bank deposits and in the interbank foreign currency/shekel SWAP transactions market. This activity allows the Bank to regulate the use of this surplus between liquidity considerations and yield considerations.

Net Stable Funding Ratio (LIQ2)

	31.03.2023				
	Non weighted value according to periods of repayment				Weighted value
	With no repayment date	Up to six months	From six months up to one year	One year or over	
	In NIS millions				
Available stable funding items (AFS)					
Capital:	28,057	-	-	-	28,057
Regulatory capital	26,532	-	-	-	26,532
Other capital instruments	1,525	-	-	-	1,525
Retail deposits by individuals and small businesses:	-	135,647	22,538	2,303	147,829
Stable deposits	-	56,619	6,572	1,151	61,182
Less stable deposits	-	79,028	15,966	1,152	86,647
Wholesale funding:	-	129,735	18,772	7,731	58,241
Deposits held for operational requirements	-	-	-	-	-
Other wholesale funding	-	129,735	18,772	7,731	58,241
Liabilities with interdependent matching assets	-	-	-	-	-
Other liabilities:	-	14,913	1,225	15,342	15,955
Liabilities regarding derivative instruments for the purpose of a net stable funding ratio	-	2,363	-	-	-
All other liabilities and capital not included in the above categories	-	14,913	1,225	15,342	15,955
Total Available Stable Funding (AFS)	**-**	**-**	**-**	**-**	**250,082**
Total high quality liquid assets according to net stable funding ratio (HQLA)	**-**	**-**	**-**	**-**	**5,781**
Deposits held with other financial institutions for operational requirements	-	-	-	-	-
Performing loans and securities:	-	121,681	32,088	151,559	175,664
Performing loans to financial institutions, secured by high quality liquid assets of level 1	-	-	-	-	-
Performing loans to financial institutions, secured by high quality liquid assets not of level 1 and unsecured performing loans to financial institutions	-	18,607	728	3,924	6,746
Performing loans to nonfinancial wholesale customers, loans to retail customers and small businesses, loans to sovereigns, to central banks and to public sector entities, of which:	-	100,367	28,804	93,215	118,636
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	53,486	522	3,795	5,221
Performing housing loans secured by a mortgage, of which:	-	2,463	2,461	52,390	48,387
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	685	685	14,555	11,021
Securities not in default but not qualified to be considered as high quality liquid assets, including marketable securities	-	244	95	2,030	1,895
Assets with interdependent matching liabilities	-	-	-	-	-
Other assets:	100	3,707	872	11,398	13,997
Commodities physically traded, including gold	100	-	-	-	100
Assets deposited as first collateral for derivative contracts and assets provided for the benefit of a default fund regarding central counterparties (CCPs)	-	-	-	-	-
Assets in respect of derivative instruments for the purpose of net stable funding ratio	-	-	-	2	2
Liabilities in respect of derivative instruments for the purpose of net stable funding ratio, before deduction of deposited variable collateral	-	-	-	175	175
All other classes of assets not included in the above categories	-	3,707	872	11,398	13,720
Off-balance sheet items	-	93,699	3,023	3,116	4,992
Total required stable funding (RSF)	**-**	**-**	**-**	**-**	**200,434**
Net stable funding ratio (NFSR) in percentages	**-**	**-**	**-**	**-**	**124.77**

Net Stable Funding Ratio (LIQ2) (continued)

	31.03.2022				
	Non weighted value according to periods of repayment				Weighted value
	With no repayment date	Up to six months	From six months up to one year	One year or over	
	In NIS millions				
Available stable funding items (AFS)					
Capital:	26,824	-	-	-	26,824
Regulatory capital	23,498	-	-	-	23,498
Other capital instruments	3,326	-	-	-	3,326
Retail deposits by individuals and small businesses:	-	143,343	6,897	2,664	140,993
Stable deposits	-	59,477	2,799	1,187	60,349
Less stable deposits	-	83,866	4,098	1,477	80,644
Wholesale funding:	-	112,377	7,449	10,691	50,973
Deposits held for operational requirements	-	-	-	-	-
Other wholesale funding	-	112,377	7,449	10,691	50,973
Liabilities with interdependent matching assets	-	-	-	-	-
Other liabilities:	-	12,334	2,271	12,379	13,514
Liabilities regarding derivative instruments for the purpose of a net stable funding ratio	-	1,429	-	-	-
All other liabilities and capital not included in the above categories	-	12,334	2,271	12,379	13,514
Total Available Stable Funding (AFS)	**-**	**-**	**-**	**-**	**232,304**
Total high quality liquid assets according to net stable funding ratio (HQLA)	**-**	**-**	**-**	**-**	**12,842**
Deposits held with other financial institutions for operational requirements	-	-	-	-	-
Performing loans and securities:	-	114,853	24,337	141,466	157,044
Performing loans to financial institutions, secured by high quality liquid assets of level 1	-	-	-	-	-
Performing loans to financial institutions, secured by high quality liquid assets not of level 1 and unsecured performing loans to financial institutions	-	15,876	523	4,683	7,022
Performing loans to nonfinancial wholesale customers, loans to retail customers and small businesses, loans to sovereigns, to central banks and to public sector entities, of which:	-	96,996	21,833	89,668	107,755
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	55,484	467	3,530	4,759
Performing housing loans secured by a mortgage, of which:	-	1,899	1,949	45,336	40,686
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	563	584	13,660	9,453
Securities not in default but not qualified to be considered as high quality liquid assets, including marketable securities	-	82	32	1,779	1,581
Assets with interdependent matching liabilities	-	-	-	-	-
Other assets:	92	3,461	396	5,537	7,171
Commodities physically traded, including gold	92	-	-	-	92
Assets deposited as first collateral for derivative contracts and assets provided for the benefit of a default fund regarding central counterparties (CCPs)	-	-	-	-	-
Assets in respect of derivative instruments for the purpose of net stable funding ratio	-	-	-	3	3
Liabilities in respect of derivative instruments for the purpose of net stable funding ratio, before deduction of deposited variable collateral	-	-	-	101	101
All other classes of assets not included in the above categories	-	3,461	396	5,537	6,975
Off-balance sheet items	-	102,688	2,135	2,697	5,376
Total required stable funding (RSF)	**-**	**-**	**-**	**-**	**182,433**
Net stable funding ratio (NFSR) in percentages	**-**	**-**	**-**	**-**	**127.34**

Net Stable Funding Ratio (LIQ2) (continued)

	31.12.2022				
	Non weighted value according to periods of repayment				Weighted value
	With no repayment date	Up to six months	From six months up to one year	One year or over	
	In NIS millions				
Available stable funding items (AFS)					
Capital:	26,888	-	-	-	26,888
Regulatory capital	25,363	-	-	-	25,363
Other capital instruments	1,525	-	-	-	1,525
Retail deposits by individuals and small businesses:	-	134,314	20,525	2,663	145,140
Stable deposits	-	56,506	5,965	1,140	60,487
Less stable deposits	-	77,808	14,560	1,523	84,653
Wholesale funding:	-	129,636	18,295	8,097	58,948
Deposits held for operational requirements	-	-	-	-	-
Other wholesale funding	-	129,636	18,295	8,097	58,948
Liabilities with interdependent matching assets	-	-	-	-	-
Other liabilities:	-	14,720	1,262	12,721	13,352
Liabilities regarding derivative instruments for the purpose of a net stable funding ratio	-	1,073	-	-	-
All other liabilities and capital not included in the above categories	-	14,720	1,262	12,721	13,352
Total Available Stable Funding (AFS)	**-**	**-**	**-**	**-**	**244,328**
Total high quality liquid assets according to net stable funding ratio (HQLA)	**-**	**-**	**-**	**-**	**9,099**
Deposits held with other financial institutions for operational requirements	-	-	-	-	-
Performing loans and securities:	-	129,490	29,129	152,608	172,623
Performing loans to financial institutions, secured by high quality liquid assets of level 1	-	-	-	-	-
Performing loans to financial institutions, secured by high quality liquid assets not of level 1 and unsecured performing loans to financial institutions	-	16,470	621	3,469	5,912
Performing loans to nonfinancial wholesale customers, loans to retail customers and small businesses, loans to sovereigns, to central banks and to public sector entities, of which:	-	110,121	26,093	95,700	118,205
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	61,588	445	3,841	5,091
Performing housing loans secured by a mortgage, of which:	-	2,350	2,340	51,423	46,480
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	-	658	663	14,421	10,034
Securities not in default but not qualified to be considered as high quality liquid assets, including marketable securities	-	549	75	2,016	2,026
Assets with interdependent matching liabilities	-	-	-	-	-
Other assets:	93	2,997	429	7,348	9,034
Commodities physically traded, including gold	93	-	-	-	93
Assets deposited as first collateral for derivative contracts and assets provided for the benefit of a default fund regarding central counterparties (CCPs)	-	-	-	-	-
Assets in respect of derivative instruments for the purpose of net stable funding ratio	-	-	-	27	27
Liabilities in respect of derivative instruments for the purpose of net stable funding ratio, before deduction of deposited variable collateral	-	-	-	92	92
All other classes of assets not included in the above categories	-	2,997	429	7,348	8,822
Off-balance sheet items	-	93,005	2,910	3,084	4,950
Total required stable funding (RSF)	**-**	**-**	**-**	**-**	**195,706**
Net stable funding ratio (NFSR) in percentages	**-**	**-**	**-**	**-**	**124.84**

Financing risk - available and unrestricted assets

The Bank pledges assets belonging to the liquidity buffer for several purposes, with an emphasis for use as collateral for financial transactions with entities as the Stock Exchange, the Bank of Israel, etc. As a general rule, all pledged liquid assets are excluded from the liquidity buffer for the purpose of the daily measurement, except for assets pledged to secure the ability to realize liquidity, which in fact has not been utilized. These are being excluded only upon utilization. Collaterals pledged in favor of the Bank, are not recognized in the liquidity buffer.

Available and unrestricted assets

As of	31.03.2023	31.12.2022
	In NIS millions	
Total assets as of	118,846	119,002
Liquidity requirement	9,460	10,233
Of which pledged	23,408	21,660
Of which provided as collateral	1,256	894
Total available assets	**84,722**	**86,215**

Additional risks

Operational risk

Operational risk is the risk of loss caused by impropriety or by the failure of internal procedures, individuals and systems or as a result of external events. The operational risk is inherent in all business lines, products, systems and the work processes performed at the Bank. Accordingly, awareness and management of the operational risk at all levels of duty are of importance.

For additional details on operational risks, including risk of fraud and embezzlement, business continuity and outsourcing and supplier risk, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review on the Bank's Internet website, on the MAGNA website of the Israel Securities Authority and the MAYA website of the Tel Aviv Stock Exchange Ltd., as stated (pp. 83-89).

Other risks

Information technology risk management

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 89-90).

Data and cyber protection risks

Threats in the cyberspace

In the first quarter of 2023, there were no one or more cybernetic incidents that materially affected the products or services offered by the Bank or by the Group, their relation with customers or the competitive conditions.
A number of outstanding trends were noted in the first three months of 2023:

- The Iranian Government acted through subcontractors, with the aim of impairing the Israeli economy. This by way of preventing the provision of services, shutting down banking services and ransomware having a double target: financial component – the payment of ransom to the attacking agent, and a national component – embarrassment of the victim on the social networks and on the different media channels (thus embarrassing the State of Israel);
- Growing attacks on the chain of supply – attacking suppliers providing services to the Banks, or who in the ordinary course of their business maintain information at their premises;
- Increased attempts to steal identifications by way of setting up websites pretending to be the website of the Bank;
- Attacking providers of services.

For additional details on data and cyber protection risks, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 90-93).

Environmental and climate risks

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 93-95).

Legal risks

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 95-97).

Compliance risks

Discount Group's activities with banks acting in the Palestinian Authority. In 2018, the Bank received immunity letter and indemnity letter signed by the State of Israel. Following extension, the indemnity letter and immunity letter are in effect until May 31, 2021.
On the background of the delay in the start of operation of the Correspondence Government Company, that had been established but has not yet begun operations for providing services for banks operating in areas of the Palestinian Authority, the validity of the letters of indemnity and immunity has been extended twice more, until March 31, 2023.
At the request of the Bank and MDB, an amended letter of indemnity was received on February 9, 2023, by which, inter alia, the State is committed to indemnify the Bank and MDB in an amount of up to NIS 2 billion, for each indemnifiable event. The commitment of the State to indemnify is subject to limits and terms that the banks have to abide with, similarly to the limits and terms stated in the original letter of indemnity. The power of the letter of indemnity and the letter of immunity was extended until March 31, 2024.
In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.

For additional details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 97-102).

Conduct risk

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 102).

Exposure to cross-border risks

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 102-104).

Strategic risk

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 105).

Reputation risk

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 105-106).

Model risk

For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 106).

Compensation to senior officers

For details on compensation to senior officers, according to the provisions of Regulations 21 and 22 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see under "Corporate governance, audit and additional details of the banking corporation's business and the management thereof" in the 2022 Annual Report (pp. 333-337).
For details, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 107-114).

Addendums

For details on linkages between the financial statements and regulatory amounts, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (pp. 115-124). For details on Securitization, see the document regarding "Disclosure according to the third pillar of Basel and additional information on risk", which was published as part of the 2022 Annual Report, and is open for review, as stated (p. 125).

May 16, 2023	Shaul Kobrinsky Chairman of the Board of Directors	Uri Levin President & Chief Executive Officer	Orit Caspi Executive Vice President Chief Risk Officer

Glossary

Management quality	Assessment of the appropriateness and effectiveness of risk management (effectiveness of the controls).
Key Risk Indicator	Means/pointer showing the risk exposure situation in relation to the risk.
Failure event	An event where risk is realized, whether or not causing damage to the Bank.
Gross credit	Balance sheet or off-balance sheet credit, before credit risk mitigation (CRM), before conversion to credit (CCF) and before allowances for credit losses.
Off-balance sheet credit	Includes: unutilized binding facilities, guarantees, documentary credit and derivatives. Binding facilities– any presentation by the corporation to its customer for the granting of credit (balance sheet and/or off-balance sheet) whether in writing or orally or in another manner of conduct where it can be expected that a reasonable customer would rely on such presentation as one which binds the Bank.
Balance sheet credit	Credit (to the public, governments) and bonds.
Collateral	Different assets (marketable and nonmarketable) designated to secure the repayment of customer debts, when the customer defaults on the current repayments agreed between him and the Bank.
Credit Risk Mitigation (CRM)	Items offsetting risk permitted according to the rules of Basel II (mainly: liquid collateral pledged as required). According to these rules, the Bank, when computing the capital requirements, may reduce its credit exposure to the counterparty, thus taking into consideration the effect of the collateral.
Allowances for credit losses	A provision created by the Bank to cover possible losses on its customer indebtedness. The Bank of Israel guidelines require that specific and group provisions should be created. Allowance for credit losses on a specific basis – an allowance required to cover expected credit losses for debts examined on a specific basis and found to be impaired. Allowance for credit losses on a group basis – an allowance for large groups of debts (performing and nonperforming) including allowances for credit losses for housing loans measured by the "extent of the arrears period" method.
Debt under special mention	A debt having potential weaknesses that require special attention by the Management. If such weaknesses remain unattended, the result might be deterioration in the prospects of repayment of the credit, or in the Bank's status as a creditor.
Substandard debt	A debt insufficiently secured by the present value based on the collateral and the repayment ability of the debtor, creating a clear possibility that the Bank will sustain a certain loss if the deficiencies are not rectified. It is required that the weakness endangering the repayment of the debt should be well defined.
Impaired debt	A debt the Bank estimates it will not be able to collect the amounts due to it and in the due dates per the debt agreement.
Liquidity coverage ratio (LCR)	The ratio of total high quality liquid assets to total net cash outflows during the next thirty calendar days.
Business goal	A defined business target in quantitative or qualitative terms, subject to restrictions of the risk appetite.
Recorded amount	The balance of a debt, including recognized accrued interest, unamortized premium or discount, differed commissions or deferred costs charged to the debt and not yet amortized, after deduction of any amount written off accounting wise. Non-recognized interest, or interest which had been recognized in the past and reversed at a later date, should not be included in the recorded amount.
Uniform macro-economic stress test	A stress test published by the Supervisor of Banks, based on a uniform scenario for all the banking industry and on macro-economic parameters formed by the Regulator
Sensitivity tests	A method which assesses the effect of a change in a single risk factor, or in a number of risk factors, on the financial condition of the banking corporation (for example: in market risk – steep decline in interest rate; in credit risk – steep decline in housing prices).
Restriction (internal)	A statement determined by the Bank, setting out a limit to activity within the framework of the risk appetite.
Capital outline	A detailed plan of the capital ratios forecast for the coming years, which includes the assumptions used for the forecast, a description of the expected implications in the capital layers and capital ratios, sensitivity analysis of the principal risks, and conformity by the Bank with the capital targets. The capital outline serves as a basis for the determination of a recommendation to the Management and to the Board of Directors on the capital targets of the work plan, including the capital buffer, the risk asset budget, capital issuance and dividend distribution.

Glossary (continued)

Over the counter (OTC) derivatives	Transactions in derivatives not traded on a formal stock exchange, to which the Bank is a party.
Monitoring of capital ratios	Monitoring changes in risk assets and in the capital base of the Group, and an assessment of attaining the capital targets as determined by the Board of Directors.
Alert levels	Intended to indicate exposure to risk when it reaches a certain level below the stated restriction.
Risk profile	Assessment of the combined risk inherent in the exposures and in the activity of the Bank
Risk appetite	Reflects the level of risk a corporation is ready to accept, consistently with its business strategy, capital planning, liquidity planning and financing resources of the corporation. The risk appetite includes quantitative restrictions and qualitative goals, which outline the determination of the group business policy in the various risk fields, and comprises a central tool of the Board of Directors for the supervision and control of the risk profile of the corporation.
Available-for-sale portfolio	Securities not classified as bonds held to maturity or as trading securities.
Trading portfolio	Composed of positions in financial instruments held with the intension of trading, for the purpose of resale within a short period of time, and/or with the intent of earning gains from actual or expected changes in prices in the short-term or of realizing arbitrage gains. In order for a financial instrument to be considered part of the trading portfolio, it has to be free of any encumbrance on its marketability, or that it may be hedged in full.
Held-to-maturity portfolio	Securities for which the Bank has the intention and ability to hold them for a long period of time/to maturity. The portfolio is stated at the rate of return to maturity inherent therein since purchase date.
Stress tests	A risk management method used to assess the potential effects of a specific event and/or a change in a set of financial variables on the financial condition of a banking corporation. Traditionally, the focus of stress tests is on exceptional events though reasonable.
Credit conversion factors (CCF)	Conversion of off-balance sheet items to credit equivalents – according to the standard approach of Basel II, off-balance sheet items are converted to equivalent credit exposure by means of credit conversion coefficients
Credit support annex (CSA)	An Annex to the ISDA which regularizes the matter of collateral for derivative transactions against the counterparty. This Annex determines a threshold amount reflecting the maximum exposure which each of the counterparties is ready to accept without collateral.
International Swaps and Derivatives Association (ISDA)	An international agreement which allows the setting off of liabilities and mutual requirements stemming from over the counter derivative transactions, in the case of insolvency of a counterparty.
Foreign Account Tax Compliance Act (FATCA)	In order to reduce tax evasion by American taxpayers, the Foreign Account Tax Compliance Act (FATCA) was enacted in 2010 in the United States. Under the FATCA provisions, financial bodies outside the US are required to identify and report to the U.S. Tax Authorities, any U.S. citizen or any U.S. resident having a financial account with them. This Regulation entered to effect on July 1, 2014. The Regulation is being implemented in many countries, including Israel, within the framework of an inter-state treaty signed by Israel and the United States.