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

Link to an accessible report

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

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 19, 2024, within the framework of approval of the Bank's Report for the first quarter of 2024, 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 2023 Annual Report and the Report for the first quarter of 2024, 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 2023 Annual Report.

Principal regulatory ratios and review of risk management and risk assets

Principal regulatory ratios (KM1)

	31.03.2024	31.12.2023	30.09.2023	30.06.2023	31.03.2023
	in NIS millions				
Available capital					
Common equity tier 1	29,801	28,890	28,065	27,448	26,542
Common equity tier 1 before applying the effect of the transition	29,637	28,654	27,809	27,175	26,247
Tier 1 capital	29,801	28,890	28,065	27,448	26,542
Tier 1 capital before applying the effect of the transition	29,637	28,654	27,809	27,175	26,247
Total capital	37,322	36,359	35,563	34,882	33,545
Total capital before applying the effect of the transition	37,157	36,124	35,297	34,601	33,248
Weighted average of risk assets					
Total weighted average of risk assets	**273,300**	**269,769**	**270,905**	**265,227**	**259,788**
Ratio of capital adequacy according to instructions of the supervisor of banks (in %)					
Ratio of common equity tier 1	10.90	10.71	10.36	10.35	10.22
Ratio of common equity tier 1 before applying the effect of the transition	10.85	10.62	10.26	10.24	10.08
Tier I capital ratio	10.90	10.71	10.36	10.35	10.22
Tier I capital ratio before applying the effect of the transition	10.85	10.62	10.26	10.24	10.08
Ratio of total capital	13.66	13.48	13.13	13.15	12.91
Ratio of total capital before applying the effect of the transition	13.60	13.38	13.02	13.04	12.77
Ratio of common equity tier 1 required by the Supervisor of Banks	9.20	9.20	9.19	9.19	9.19
Ratio of common equity tier 1 over the required by the Supervisor of Banks	1.70	1.51	1.17	1.16	1.03
Leverage ratio according to Directives of the Supervisor of Banks					
Total exposures (in NIS millions)	**429,219**	**434,193**	**435,632**	**430,278**	**427,263**
Leverage ratio (in %)	6.94	6.65	6.44	6.38	6.21
Leverage ratio before applying the effect of the transition	6.90	6.60	6.38	6.32	6.14
Liquidity coverage ratio according to Directives of the Supervisor of Banks					
Total High Quality Liquidity Assets	**75,393**	**74,626**	**77,636**	**72,531**	**74,252**
Total cash outflows	**53,138**	**57,090**	**57,111**	**53,923**	**54,085**
Liquidity coverage ratio (in %)	141.88	130.72	135.94	134.51	137.29
Net stable funding ratio according to Directives of the Supervisor of Banks					
Total Available Stable Funding (AFS)	**255,044**	**253,360**	**253,482**	**250,037**	**250,082**
Total required stable funding (RSF)	**207,954**	**207,192**	**209,853**	**203,821**	**200,434**
Net stable funding ratio (NFSR) in percentages	122.6	122.3	120.8	122.7	124.8

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 2023, together with the Annual Report for 2023 and the First Quarter of 2024 Report. For further details, see the Risks Report published as part of the Annual Report for 2023.
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 2024

The "Iron Swords" War

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

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

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

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

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

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

Concurrently, immediately following the outbreak of the War, the Bank has made preparations for the support of customers, suppliers, the community and employees (see in the First Quarter of 2024 Report).

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

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

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

Credit risks. For details see "Credit Risks" in "Chapter C" - Risks review" in the First Quarter of 2024 Report. For details on debts, the terms of which have been changed subsequently to the date of the Report, see "Support of customers during the Iron Swords War period" in the First Quarter of 2024 Report.

Interest and foreign currency risks. For details see "Market Risks" and "Inflation and exchange rate risk" in "Chapter C" - Risks review" in the First Quarter of 2024 Report.

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

Expenses for credit losses in the amount of NIS 82 million were recognized in the first quarter of 2024, as compared to expenses of NIS 390 million in the fourth quarter of 2023, and compared to expenses of approx. NIS 596 million in the third quarter of 2023. The reduction reflects the decline in intensity of the fighting in the first quarter and the reorganization of the fighting forces, which led to the beginning of a recovery in the condition of the economy, in comparison to the second half of 2023, and the improvement in the GDP and unemployment forecast. However, a high level of uncertainty still exists in the security and the economic fields.
See "Credit loss expenses" in the section "Developments in income and expenses " in the First Quarter of 2024 Report. Within the framework of this section, see, inter alia, details regarding "work assumptions employed in determining the collective allowance".
Capital adequacy, liquidity and leverage. The financial basis and the capital infrastructure of the Bank continue stability and are being strictly managed. The capital adequacy indices, liquidity ratio and the leverage ratio as of December 31, 2023, are adequate and exceed the minimum level required by directives of the Supervisor of Banks, exceeding also the internal goals set by the Bank's Board of Directors.
Forward looking information. The Bank's estimates regarding the possible implications of the "Iron Swords" War, comprise forward looking information, based upon the information existing in the hands of the Bank at date of preparation of this report. Such estimates may not materialize or may materialize in a different manner than that estimated by the Bank.
For additional details, see "Management's handling of current material issues" in the in the First Quarter of 2024 Report.

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 2024 Report.

Issuances

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

The banking corporation's approach to risk management

For details see in the Risks Report, which was published as part of the 2023 Annual Report (pp. 7-16).
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 2023 Annual Report (pp. 74-75, 118-121).

Material leading and developing risks

The Bank considers macro environment risk, business model risks, cyber and data protection risks, fraud risks, model risks and environment and climate risks, as the most significant developing leading risks. For additional details see in the Risks Report, which was published as part of the 2023 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. 17).

Weighted risk assets review (OV1)

	Weighted risk assets		Minimum Capital requirements
	31.03.2024	31.12.2023	31.03.2024
	in NIS millions		
Credit risk – standardised approach	233,357	229,912	29,170
Counterparty credit risk (standardised approach)	5,628	6,755	703
Credit valuation adjustment (CVA)	2,243	2,338	280
Securitization exposure (standardised approach)	349	334	44
Amounts lower than the deductible minimum (subject to the risk weight of 250%)	5,709	5,815	714
Total credit risk	247,286	245,154	30,911
Market risk (standardised approach)	4,998	4,209	625
Operational risk	21,016	20,406	2,627
Total	**273,300**	**269,769**	**34,163**

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 2023 Annual Report (pp. 119-129).

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 2023 Annual Report (pp. 19-20).

Capital and leverage

Composition of the capital

Capital components for calculating ratio of capital

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

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 2023 Annual Report (pp. 119-129).

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 2023 Annual Report, and is open for review as stated (pp. 25-29).

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, 2023 (p. 232).

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

	March 31,		December 31,
	2024	2023	2023
	NIS millions		
Total assets according to the consolidated financial statements	390,097	387,472	395,724
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	69	(733)	(1,658)
Adjustments for SFTs	-	-	-
Adjustments for off-balance sheet items (conversion of off-balance sheet exposure to credit equivalent amounts)	36,303	38,004	37,910
Other adjustments	2,750	2,520	2,217
Exposure for the purpose of the leverage ratio	**429,219**	**427,263**	**434,193**

Disclosure of the leverage ratio (LR2)

	March 31,		December 31,
	2024	2023	2023
	NIS millions		
Balance sheet exposures			
On-balance sheet items (excluding derivatives and SFTs, but including collateral and group allowance)	378,856	373,754	382,006
Asset amounts deducted in determining Tier 1 capital	(179)	(194)	(179)
Total balance sheet exposures (excluding derivatives and SFTs)	**378,677**	**373,560**	**381,827**
Derivative exposures [2]			
Replacement cost associated with all derivatives transactions	5,038	5,616	4,197
Add-on amounts for PFE associated with all derivatives transactions	5,061	5,610	5,251
Gross-up for derivatives collateral provided which where 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	**10,099**	**11,226**	**9,448**
Securities financing transaction exposures			
Gross SFT assets (with no recognition of netting), after adjusting for transactions treated as an accounting sale	4,140	4,473	5,008
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	**4,140**	**4,473**	**5,008**
Other off-balance sheet exposures			
Off-balance sheet exposure at gross notional amount	148,401	146,308	146,530
Adjustments for conversion to credit equivalent amounts	(112,098)	(108,304)	(108,620)
Total off-balance sheet items	**36,303**	**38,004**	**37,910**
Capital and total exposures			
Tier 1 capital	(1)29,801	(1)26,542	(1)28,890
Total exposures	429,219	427,263	434,193
Leverage ratio			
Leverage ratio according to Proper Conduct of Banking Business Directive No. 218	6.9	6.2	6.7

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 2023 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. 31-40) and in the First Quarter of 2024 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, 2024										
	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 (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity in Israel											
Agriculture	1,905	1,847	23	35	1,903	1,580	23	4	(1)	1	40
Mining & Quarrying	921	920	-	1	920	609	-	-	(1)	-	8
Industry	19,233	18,310	682	241	18,893	11,010	682	144	48	34	332
Construction and Real Estate - Construction(6)	51,147	49,180	1,242	725	51,131	27,625	1,242	706	(18)	2	738
Construction and Real Estate - Real Estate Activity	17,149	16,638	366	145	16,993	14,857	366	204	(12)	(1)	394
Electricity and Water	7,547	7,475	39	33	6,883	4,438	39	6	1	-	111
Commerce	30,093	28,470	901	722	29,886	24,777	891	202	30	15	470
Hotels, Hotel Services and Food	2,499	2,292	148	59	2,439	2,122	148	30	2	1	52
Transportation and Storage	8,033	7,656	241	136	7,937	5,849	241	74	22	3	148
Communication and Computer Services	3,117	2,963	69	85	3,088	2,051	69	47	(7)	(2)	84
Financial Services	28,407	28,231	109	67	21,906	16,146	109	104	(25)	(1)	139
Other Business Services	8,941	8,439	74	428	8,866	6,113	74	22	3	7	171
Public and Community Services	12,286	11,834	339	113	12,282	10,941	339	65	(9)	-	161
Total Commercial	**191,278**	**184,255**	**4,233**	**2,790**	**183,127**	**128,118**	**4,223**	**1,608**	**33**	**59**	**2,848**
Private Individuals - Housing Loans	77,902	77,073	365	464	77,902	69,718	365	268	5	(1)	359
Private Individuals - Other	81,609	78,298	660	2,651	81,604	33,783	660	198	79	75	999
Total Public	**350,789**	**339,626**	**5,258**	**5,905**	**342,633**	**231,619**	**5,248**	**2,074**	**117**	**133**	**4,206**
Banks in Israel	2,855	2,855	-	-	2,264	2,256	-	-	(1)	-	1
Israeli Government	38,367	38,367	-	-	1,187	1,187	-	-	-	-	-
Total Lending Activity in Israel	**392,011**	**380,848**	**5,258**	**5,905**	**346,084**	**235,062**	**5,248**	**2,074**	**116**	**133**	**4,207**

For footnotes see next page

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

	March 31, 2024										
	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 (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity Outside of Israel											
Agriculture	123	5	–	118	123	123	–	–	–	–	1
Mining & Quarrying	139	139	–	–	–	–	–	–	–	–	–
Industry	6,288	5,708	430	150	5,763	3,196	430	–	(7)	(4)	51
Construction and Real Estate - Construction	199	197	–	2	199	52	–	–	(1)	–	1
Construction and Real Estate - Real Estate Activity	15,768	12,340	1,625	1,803	15,599	13,221	1,619	29	(37)	(6)	221
Electricity and Water	628	628	–	–	334	266	–	–	–	–	4
Commerce	11,369	9,881	1,054	434	11,217	6,490	1,053	169	20	27	89
Hotels, Hotel Services and Food	1,794	1,438	232	124	1,758	1,729	232	44	(1)	–	9
Transportation and Storage	473	473	–	–	308	294	–	–	(1)	–	5
Communication and Computer Services	596	419	106	71	478	409	106	3	(2)	(1)	10
Financial Services	12,319	12,186	119	14	2,768	1,793	119	–	5	–	28
Of which: Federal agencies in the U.S. [7]	7,593	7,593	–	–	–	–	–	–	–	–	–
Other Business Services	849	765	37	47	784	554	37	–	(2)	–	15
Public and Community Services[8]	5,592	4,201	835	556	5,112	4,805	832	35	(5)	–	32
Total Commercial	**56,137**	**48,380**	**4,438**	**3,319**	**44,443**	**32,932**	**4,428**	**280**	**(31)**	**16**	**466**
Private Individuals - Housing Loans	450	450	–	–	450	446	–	–	(1)	–	4
Private Individuals - Other	1,707	1,464	135	108	1,706	993	135	–	–	–	7
Total Public	**58,294**	**50,294**	**4,573**	**3,427**	**46,599**	**34,371**	**4,563**	**280**	**(32)**	**16**	**477**
Banks Outside of Israel	4,308	4,308	–	–	2,785	2,695	–	–	–	–	5
Governments Outside of Israel	7,713	7,713	–	–	1,860	1,733	–	–	(2)	–	30
Total Lending Activity Outside of Israel	**70,315**	**62,315**	**4,573**	**3,427**	**51,244**	**38,799**	**4,563**	**280**	**(34)**	**16**	**512**
TOTAL	**462,326**	**443,163**	**9,831**	**9,332**	**397,328**	**273,861**	**9,811**	**2,354**	**82**	**149**	**4,719**

Footnotes:

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

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

(3) 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 387 million.

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

(8) Including 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 11,285 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 115 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

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 (expenses release)	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	17,813	17,115	454	244	17,179	9,658	453	118	15	11	236
Construction and Real Estate – Construction[6]	[12]48,804	[12]47,234	1,069	501	[12]48,782	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	[13]28,222	[13]27,994	4	224	[13]21,994	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	**183,806**	**177,299**	**3,562**	**2,945**	**175,512**	**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	[13]76,105	[13]72,737	562	2,806	[13]76,102	33,284	561	164	61	40	864
Total Public	**334,330**	**323,501**	**4,443**	**6,386**	**326,033**	**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	**371,872**	**361,043**	**4,443**	**6,386**	**330,016**	**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 (expenses release)	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	**442,654**	**425,768**	**7,806**	**9,080**	**380,975**	**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 127,372 million, respectively.

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

(3) 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 acoording 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.

(12) Unexploited Sales Act guarantee facilities, which in the past were averaged using a conversion coefficient of 50%, are averaged as from the beginning of this reporting period using a conversion coefficient of 30%.

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

	December 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 (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions											
Lending Activity in Israel												
Agriculture	1,824	1,764	26	34		1,820	1,517	26	4	16	3	41
Mining & Quarrying	910	879	1	30		910	581	1	–	3	–	10
Industry	19,100	18,185	705	210		18,726	10,266	705	134	96	13	317
Construction and Real Estate – Construction[6]	[12]52,178	[12]50,295	1,353	530		[12]52,159	27,465	1,353	801	284	22	757
Construction and Real Estate – Real Estate Activity	17,461	16,982	320	159		17,335	15,079	320	221	79	21	404
Electricity and Water	7,043	6,978	44	21		6,341	4,203	44	6	16	11	109
Commerce	28,893	27,452	905	536		28,675	23,766	892	201	183	61	455
Hotels, Hotel Services and Food	2,303	2,100	146	57		2,230	1,917	146	35	7	(2)	52
Transportation and Storage	7,882	7,650	128	104		7,786	5,656	128	73	26	25	128
Communication and Computer Services	2,842	2,670	90	82		2,817	1,922	90	80	42	4	90
Financial Services	[13]27,715	[13]27,585	110	20		[13]22,588	17,772	110	110	62	(6)	163
Other Business Services	8,828	8,279	84	465		8,815	6,127	84	23	49	18	177
Public and Community Services	12,335	11,882	344	109		12,332	10,811	344	63	2	4	170
Total Commercial	**189,314**	**182,701**	**4,256**	**2,357**		**182,534**	**127,082**	**4,243**	**1,751**	**865**	**174**	**2,873**
Private Individuals – Housing Loans	75,549	74,506	362	681	75,549	75,549	69,067	362	259	84	3	352
Private Individuals – Other	[13]79,622	[13]76,098	637	2,887		[13]79,616	32,807	637	218	407	260	996
Total Public	**344,485**	**333,305**	**5,255**	**5,925**		**337,699**	**228,956**	**5,242**	**2,228**	**1,356**	**437**	**4,221**
Banks in Israel	3,691	3,691	–	–		2,912	2,904	–	–	1	1	(2)
Israeli Government	40,709	40,709	–	–		1,298	1,298	–	–	–	–	–
Total Lending Activity in Israel	**388,885**	**377,705**	**5,255**	**5,925**		**341,909**	**233,158**	**5,242**	**2,228**	**1,357**	**438**	**4,219**

For footnotes see next page

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

	December 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 (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions										
Lending Activity Outside of Israel											
Agriculture	122	122	–	–	122	122	–	–	1	–	2
Mining & Quarrying	246	246	–	–	–	–	–	–	–	–	–
Industry	5,946	5,445	371	130	5,419	2,970	371	19	5	(3)	54
Construction and Real Estate - Construction	220	204	–	16	220	55	–	–	1	–	3
Construction and Real Estate - Real Estate Activity	15,477	11,720	1,861	1,896	15,293	13,256	1,810	54	108	(9)	250
Electricity and Water	694	694	–	–	367	277	–	–	1	–	4
Commerce	11,561	9,965	1,095	501	11,361	6,699	1,092	31	27	14	95
Hotels, Hotel Services and Food	1,797	1,464	192	141	1,761	1,721	192	45	2	–	10
Transportation and Storage	459	458	–	1	320	304	–	–	(3)	–	6
Communication and Computer Services	625	526	98	1	487	412	98	2	1	–	11
Financial Services	12,057	11,932	21	104	2,408	1,453	21	–	2	–	23
Of which: Federal agencies in the U.S.[7]	7,628	7,628	–	–	–	–	–	–	–	–	–
Other Business Services	942	842	54	46	801	551	54	–	4	–	16
Public and Community Services[8]	5,318	4,160	686	472	4,834	4,520	683	35	(4)	–	36
Total Commercial	**55,464**	**47,778**	**4,378**	**3,308**	**43,393**	**32,340**	**4,321**	**186**	**145**	**2**	**510**
Private Individuals - Housing Loans	465	459	–	6	465	434	–	–	(9)	–	6
Private Individuals - Other	2,293	2,110	81	102	2,291	1,211	81	–	1	–	6
Total Public	**58,222**	**50,347**	**4,459**	**3,416**	**46,149**	**33,985**	**4,402**	**186**	**137**	**2**	**522**
Banks Outside of Israel	6,478	6,478	–	–	4,426	4,318	–	–	–	–	4
Governments Outside of Israel	8,237	8,237	–	–	1,949	1,809	–	–	8	–	37
Total Lending Activity Outside of Israel	**72,937**	**65,062**	**4,459**	**3,416**	**52,524**	**40,112**	**4,402**	**186**	**145**	**2**	**563**
TOTAL	**461,822**	**442,767**	**9,714**	**9,341**	**394,433**	**273,270**	**9,644**	**2,414**	**1,502**	**440**	**4,782**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 273,270 million, NIS 57,265 million, NIS 851 million, NIS 2,065 million, NIS 131,423 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, including for housing loans, for which an allowance is made according to the extent af arrears, and housing loans for which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

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

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

(8) Including 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 11,258 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 97 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(12) Unexploited Sales Act guarantee facilities, which in the past were averaged using a conversion coefficient of 50%, are averaged as from the beginning of this reporting period using a conversion coefficient of 30%.

Credit Exposure to Foreign Financial Institutions

About 96% of the exposure as of March 31, 2024, is to financial institutions rated ”A-”rating or higher, compared to about 98% as of December 31, 2023. For additional details, see the Report for the first quarter of 2024.

Drafts and Instructions published during the first quarter of 2024

Proper Conduct of Banking Business Directive No. 251 – Adjustments to Proper Conduct of Banking Business Directives in Order to Deal with the "Swords of Iron" War. On March 31, 2024, a further extension of the Directive was issued. Among other things, it was prescribed, with regard to Proper Conduct of Banking Business Directive No. 311, that the period in which a report will be considered updated will be extended by three additional months, i.e., up to 18 months from the date of the financial report. Also, in section 27C, the period during which half-yearly data can be furnished has been extended by 3 months, to 12 months.

The credit quality of credit exposures (CR1)

Credit quality of credit exposure

	Gross balances			
	Non-accruing debts or in arrears for 90 days or over	Other	Allowances for credit losses or impairment in value	Net balance
	in NIS millions			
	March 31, 2024			
Debts, excluding bonds	2,416	268,221	4,210	266,427
Bonds	-	45,201	-	45,201
Off-balance sheet exposure	55	141,664	496	141,223
Total	**2,471**	**455,086**	**4,706**	**452,851**
	March 31, 2023			
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**
	December 31, 2023			
Debts, excluding bonds	2,503	266,593	4,237	264,859
Bonds	-	48,036	-	48,036
Off-balance sheet exposure	31	141,584	529	141,086
Total	**2,534**	**456,213**	**4,766**	**453,981**

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 2023 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. 41-43).

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 2023 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. 51-52).

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, 2024								
Debts, excluding bonds	223,467	42,960	16,663	34,008	7,711	8,952	8,952	-	-
Bonds	45,201	-	-	-	-	-	-	-	-
Total	**268,668**	**42,960**	**16,663**	**34,008**	**7,711**	**8,952**	**8,952**	**-**	**-**
Of which: non-accruing debts or in arrears for 90 days or over	1,516	1,224	564	126	23	1,098	541		
	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		
	December 31, 2023								
Debts, excluding bonds	221,305	43,554	17,539	34,813	8,798	8,741	8,741	-	-
Bonds	48,036	-	-	-	-	-	-	-	-
Total	**269,341**	**43,554**	**17,539**	**34,813**	**8,798**	**8,741**	**8,741**	**-**	**-**
Of which: non-accruing debts or in arrears for 90 days or over	1,474	1,224	607	147	17	1,077	590		

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, 2024								
Sovereigns, their central banks and national monetary authority	83,863	36	–	–	–	–	151	28	84,078
Public sector entities (PSE) which are not central governments	1,547	9,011	–	1,242	–	–	9	–	11,809
Banks (including multilateral development banks)	–	11,702	–	82	–	–	14	–	11,798
Securities corporations	–	325	–	–	–	–	–	–	325
Corporations	–	10,441	–	5,685	–	–	87,886	360	104,372
Retail exposures for private individuals	–	–	–	–	–	35,254	287	–	35,541
Loans to small businesses	–	–	–	–	–	15,164	15	–	15,179
Secured by residential property	–	–	16,669	22,546	22,772	7,386	1,362	–	70,735
Secured by commercial real estate	–	–	–	–	–	–	43,813	705	44,518
Loans in arrears	–	–	–	–	–	–	651	1,588	2,239
Other assets	2,410	–	–	–	–	–	8,734	1,653	12,797
Of which: for shares	–	–	–	–	–	–	691	1,165	1,856
Total	**87,820**	**31,515**	**16,669**	**29,555**	**22,772**	**57,804**	**142,922**	**4,334**	**393,391**
	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	–	–	(1)78,620	3,017	98,672
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	–	–	–	–	–	–	(1)43,265	–	43,265
Loans in arrears	–	–	–	–	–	–	484	1,240	1,724
Other assets	2,102	–	–	–	–	–	7,697	1,569	11,368
Of which: in respect of 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**
	December 31, 2023								
Sovereigns, their central banks and national monetary authority	88,580	36	–	–	–	–	190	6	88,812
Public sector entities (PSE) which are not central governments	1,593	8,963	–	1,253	–	–	10	–	11,819
Banks (including multilateral development banks)	–	13,430	–	101	–	–	48	–	13,579
Securities corporations	–	250	–	–	–	–	–	–	250
Corporations	–	11,152	–	5,749	–	–	85,370	373	102,645
Retail exposures for private individuals	–	–	–	–	–	34,041	123	–	34,164
Loans to small businesses	–	–	–	–	–	14,571	10	–	14,581
Secured by residential property	–	–	16,670	22,403	22,316	7,388	1,348	–	70,125
Secured by commercial real estate	–	–	–	–	–	–	44,342	925	45,267
Loans in arrears	–	–	–	–	–	–	594	1,656	2,250
Other assets	2,183	200	–	–	–	–	8,203	1,634	12,220
Of which: for shares	–	–	–	–	–	–	715	1,171	1,886
Total	**92,356**	**34,031**	**16,670**	**29,506**	**22,316**	**56,000**	**140,239**	**4,594**	**395,712**

Footnote:
(1) Following examination of the definition of the commercial real estate segment, starting with the interim financial statements as of June 30, 2023, amounts have been classified from the corporations segment to the commercial real estate segment. The comparative data has been reclassified accordingly.

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 2023 Annual Report, and is open for review, as stated (pp. 56-57).

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
			in NIS millions		
			March 31, 2024		
Standardized approach to counterparty credit risk (SA-CCR)	1,515	3,405	1.4	6,886	3,680
The comprehensive approach to credit risk mitigation (for securities financing transactions [SFT])	-	-		3,471	1,706
Total	**1,515**	**3,405**		**10,357**	**5,386**
			March 31, 2023		
Standardized approach to counterparty credit risk (SA-CCR)	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**
			December 31, 2023		
Standardized approach to counterparty credit risk (SA-CCR)	1,691	3,510	1.4	7,279	3,788
The comprehensive approach to credit risk mitigation (for securities financing transactions [SFT])	-	-		6,479	2,725
Total	**1,691**	**3,510**		**13,758**	**6,513**

Credit valuation adjustment (CVA) capital charge (CCR2)

	EAD after CRM	RWA
	in NIS millions	
	March 31, 2024	
Total portfolios for which CVA is calculated according to the standardised approach	**6,512**	**2,243**
	March 31, 2023	
Total portfolios for which CVA is calculated according to the standardised approach	**9,050**	**2,428**
	December 31, 2023	
Total portfolios for which CVA is calculated according to the standardised approach	**6,917**	**2,338**

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, 2024			
Sovereigns	955	–	–	–	–	955
Public sector entities (PSE) which are not central governments	–	320	–	–	–	320
Banks (including multilateral development banks)	–	2,859	–	–	11	2,870
Securities corporations	–	1,812	–	–	–	1,812
Corporations	–	–	41	–	4,066	4,107
Housing mortgages						
Regulatory retail portfolios	–	–	–	–	21	21
Commercial real estate	–	–	–	–	223	223
Small business	–	–	–	3	46	49
Total	**955**	**4,991**	**41**	**3**	**4,367**	**10,357**
			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	–	(1)3,986	4,043
Housing mortgages	–	–	–	–	–	–
Regulatory retail portfolios	–	–	–	–	17	17
Commercial real estate	–	–	–	–	(1)135	135
Small business	–	–	–	–	15	15
Total	**1,297**	**8,406**	**57**	**-**	**4,159**	**13,919**
			December 31, 2023			
Sovereigns	906	–	–	–	–	906
Public sector entities (PSE) which are not central governments	–	370	–	–	–	370
Banks (including multilateral development banks)	–	6,063	–	–	17	6,080
Securities corporations	–	1,471	–	–	–	1,471
Housing mortgages	–	–	22	–	4,600	4,622
Regulatory retail portfolios	–	–	–	–	–	–
Small business	–	–	–	10	15	25
Commercial real estate	–	–	–	–	235	235
Corporations	–	–	–	3	46	49
Total	**906**	**7,904**	**22**	**13**	**4,913**	**13,758**

Footnote:

(1) Following examination of the definition of the commercial real estate segment, starting with the interim financial statements as of June 30, 2023, amounts have been classified from the corporations segment to the commercial real estate segment. The comparative data has been reclassified accordingly.

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, 2024					
Cash – local currency	691	105	–	153	–	–
Cash – other currencies	–	2,079	–	747	–	174
Domestic sovereign debt	–	18	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	3	–	–	–	–
Shares	–	1,533	–	–	–	–
Other collateral	–	242	–	–	1,977	–
Total	**691**	**3,980**	**-**	**900**	**1,977**	**174**
	March 31, 2023					
Cash – local currency	626	(1)118	2	146	–	–
Cash – other currencies	–	(1)2,548	–	1,146	–	(1)264
Domestic sovereign debt	–	(1)12	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	(1)1	–	–	–	–
Shares	–	(1)1,049	–	–	–	–
Other collateral	–	(1)209	–	–	1,815	–
Total	**626**	**3,937**	**2**	**1,292**	**1,815**	**264**
	December 31, 2023					
Cash – local currency	541	499	–	8	–	–
Cash – other currencies	–	2,191	–	1,655	–	277
Domestic sovereign debt	–	39	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	4	–	–	–	–
Shares	–	1,457	–	–	–	–
Other collateral	–	223	–	–	2,461	–
Total	**541**	**4,413**	**-**	**1,663**	**2,461**	**277**

Footnote:
(1) Improvement of data.

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 2023 Annual Report, and is open for review, as stated (pp. 60-76).

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 2023 Annual Report, and is open for review, as stated (p. 64).

(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.
For explanations regarding material differences between the Bank's exposures reflected in the detailed disclosure by periods included in the Risk Report, and the Bank's disclosure in the Board of Directors and Management Report, see "Exposure to Interest Risk", in Chapter 'C' of the Board of Directors and Management Report.

Distribution by exposure to changes in interest rates - consolidated

	March 31, 2024											
	On demand or within 1 month	Over 1 month and up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 20 years	Over 20 years	No fixed maturity date	Total fair value	Internal rate of return	Effective average duration
	In NIS millions										In %	In years
Financial assets[1]	235,396	19,250	21,924	39,259	18,438	21,348	9,713	1,158	283	366,769	5.85%	[3]1.35
Other amounts receivable[2]	131,806	119,633	92,588	43,298	23,926	18,617	1,590	860	-	432,318		[3]0.97
Financial liabilities [1] [4]	135,137	47,977	71,176	30,031	24,559	29,095	876	5	-	338,856	3.49%	[3]1.25
Other amounts payable[2]	123,738	117,522	98,161	43,830	24,141	22,434	2,612	1,240	(384)	433,294		[3]1.10
Exposure to changes in interest rates	**108,327**	**(26,616)**	**(54,825)**	**8,696**	**(6,336)**	**(11,564)**	**7,815**	**773**	**667**	**26,937**		
Additional details on exposure to changes in interest rate												
A. According to the substance of operation:												
Exposure in the banking book	110,309	(29,408)	(50,742)	1,989	(5,732)	(12,020)	7,797	820	667	23,680		[3]0.05
Exposure in the trading book	(1,982)	2,792	(4,083)	6,707	(604)	456	18	(47)	-	3,257		[3]0.02
B. According to linkage bases:												
Non linked Israeli currency	84,247	(32,139)	(51,528)	4,046	(4,605)	(5,575)	4,709	437	545	137		[3]0.01
CPI linked Israeli currency	(133)	947	4,928	6,374	3,894	2,559	2,365	363	17	21,314		[3]1.95
Foreign currency (including Israeli currency linked to foreign currency)	24,213	4,576	(8,225)	(1,724)	(5,625)	(8,548)	741	(27)	105	5,486		[3]0.25
C. Effects on the exposure to changes in interest rate:												
Effect of liabilities for employee rights	142	4	(227)	(234)	(185)	(924)	(739)	(226)	384	(2,005)	1.87%	[3]8.15
Effect of allocation to periods of on-call deposits	69,723	(3,110)	(3,091)	(14,241)	(15,815)	(25,283)	(360)	-	-	7,823	3.90%	[3]4.59
Effect of early repayments of housing loans	133	255	993	1,213	(487)	(45)	(1,318)	(709)	-	35	0.04%	[3]0.15

For footnotes see next page.

Distribution by exposure to changes in interest rates – consolidated (continued)

	March 31, 2024					
	Total fair value	Internal rate of return	Effective average duration	Total fair value	Internal rate of return	Effective average duration
					In %	In years
	In NIS millions					
Financial assets(1)	(5)361,304	5.18%	1.30	369,759	5.78%	(3)1.26
Other amounts receivable(2)	448,429		0.84	432,290		(3)0.92
Financial liabilities (1)(4)	339,634	3.99%	1.33	344,651	3.58%	(3)1.24
Other amounts payable(2)	448,586		0.93	434,015		(3)1.01
Exposure to changes in interest rates	**21,513**			**23,383**		
Additional details on exposure to changes in interest rate						
A. According to the substance of operation:						
Exposure in the banking book	(5)19,444		(3)0.10	21,799		(3)0.05
Exposure in the trading book	2,069		(3)0.02	1,584		(3)0.03
B. According to linkage bases:						
Non linked Israeli currency	(5)972		(3)0.02	(1,392)		(3)0.03
CPI linked Israeli currency	15,776		(3)2.17	19,236		(3)2.01
Foreign currency (including Israeli currency linked to foreign currency)	4,765		(3)0.29	5,539		(3)0.25
C. Effects on the exposure to changes in interest rate:						
Effect of liabilities for employee rights	(2,131)	1.69%	(3)8.64	(2,084)	1.84%	(3)8.36
Effect of allocation to periods of on-call deposits	5,465	3.11%	(3)4.57	6,660	3.61%	(3)4.59
Effect of early repayments of housing loans	229	0.01%	(3)0.18	212	0.02%	(3)0.14

Notes:

(1) Not including balances of derivative financial instruments and fair value of off-balance sheet financial instruments. Net of the effect of allocation to periods of on-call deposits.

(2) Amounts receivable/payable of derivative financial instruments off-balance sheet financial instruments net of the effect of liabilities for employee rights. Complex financial instruments are classified to periods based on the effective average period to maturity of each instrument, since it is not possible to reflect their interest exposure by classification to cash flow repayment periods or to the next interest rate renewal date.

(3) Weighted average by fair value of average effective duration.

(4) Not including liabilities for leasing.

(5) Improvement in the calculations at a subsidiary.

General notes:

(a) In this Table, the data by periods reflect the present value of future cash flows of each financial instrument (excluding nonfinancial items) and of other amounts receivable/payable, net of the effect of liabilities for employee rights and allocation to periods of on-call deposits, as explained in Note "C" below, capitalized using the interest rate discounting them to the fair value stated for the financial instrument in Note 16 to the condensed financial statements as of March 31, 2024, consistently with the assumptions applied in the computation of the fair value of the financial instrument. For additional details on the assumptions used in computing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2023.

(b) The present value of cash flows stemming from on-call deposits is computed according to assumptions regarding periods to maturity used by the Bank in the management of interest rate risk.

(c) The internal rate of return is the interest rate used to discount the expected cash flows from a financial instrument to its fair value, as included in Note 16 to the condensed financial statements.

(d) The average effective duration of a group of financial instruments is an approximation of the change, in percentage, in fair value of said group of financial instruments resulting from a small change (0.1% increase) in the internal rate of return of each of the financial instruments.

(e) Additional details on exposure to changes in interest rate in each segment of financial assets and financial liabilities, according to the different balance sheet items, are available upon request.

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	Affect of 100BP as of March 31, 2023	Affect of 100BP as of December 31, 2023	Liabilities	Affect of 100BP as of March 31, 2023	Affect of 100BP as of December 31, 2023
	31.3.2024	31.12.2023		31.3.2024	31.12.2023
			In NIS millions		
Credit	3,273	3,264	Deposits	956	992
Available-for-sale securities portfolio	1,002	873	Debt notes	551	502
Trading securities portfolio	24	21	Off balance-sheet (derivatives)	385	322
Held-to-maturity securities portfolio	466	497	Current account spreading	1,739	1,789
Off balance-sheet (derivatives)		-	Employee rights	214	215
Other	42	40	Other	5	21
Total	4,808	4,695	Total	3,850	3,841

(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 2023 Annual Report, and is open for review, as stated (pp. 66-67).

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 2023 Annual Report, and is open for review, as stated (p. 67).

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 ended			
	March 31, 2024		December 31, 2023	
	End of reported quarter	Maximum exposure during the quarter	End of reported year	Maximum exposure during the year
	in NIS millions			
Actual exposure	(957)	(957)	(855)	(855)
Limitation set by the Board of Directors	(2,022)		(1,965)	
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 2023 Annual Report, and is open for review, as stated (p. 67).

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

	For the period ended			
	March 31, 2024		December 31, 2023	
	End of reported quarter	Maximum exposure during the quarter	End of reported year	Maximum exposure during the year
	in NIS millions			
Actual exposure	(557)	(557)	(445)	(507)
Limitation set by the Board of Directors	(1,300)		(1,263)	

The increase in the results of the scenario stems from the purchase of bonds, both in the shekel sector and in the dollar sector, as well as from the execution of off-balance sheet transactions.

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 2024.
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

	2024		2023	
	End of reported quarter	Maximum exposure during the quarter	End of reported year	Maximum exposure during the year
	in NIS millions			
Actual exposure	14.4	15.3	6.2	31.5
Limitation set by the Board of Directors	40		40	

Footnote:
The VaR was 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 2023 Annual Report, and is open for review, as stated (p. 68).
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 2023 Annual Report, and is open for review, as stated (pp. 68-69).

(4) Inflation and exchange rate exposure

Risk of loss as a result of the effect of changes in inflation or exchange rates, including the effect of derivatives and future transactions on the gap between assets and liabilities.
The Bank's management of exposures to inflation and exchange rates is carried out from an economic perspective, while taking into account the consequences of exposure to accounting volatility in cases where there is a discrepancy between the accounting and economic perspectives. The risk is measured by calculating the surplus/deficit of assets over liabilities after including economic corrections.
In practice, the management of the exposures is carried out weekly on the basis of the economic positions in the linkage sectors and in the various currencies, which are different from the accounting positions which can be viewed in Note 32 to the financial statements as of December 31, 2023 (pp. 290-293). The main change is due to the change made in the linkage segments with respect to the additional pension liabilities for employee salaries and benefits (moved from the shekel segment in the accounting measurement to the linked segment in the economic measurement).
Other changes are: the exclusion of losses or profits as a result of changes in the market value of foreign-currency or CPI-linked bonds; the inclusion of foreign-currency fixed assets in financial assets; the transfer of foreign-currency, non-accruing impaired debts to the shekel linkage segment; and the addition of the exposures to the severance pay fund to the Bank's employees – BLD. (in the accounting positions, only the gap between the liability and the amount funded is recorded).
The mix of investment in the various linkage segments is determined regularly taking into account the limits presented below and based on 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 2024				Year 2023		
			Position range					
Segment	Limitation	Period end	From	To	Average	Year end	From	To
CPI linked	80%-(80%)	57.2%	53.0%	57.2%	54.9%	56.6%	43.7%	56.6%
Foreign currency	15% - 30%	17.6%	17.3%	17.7%	17.5%	16.5%	16.4%	19.8%

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 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-å-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 2024.

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, 2024	December 31, 2023
	in NIS millions	
Not for trading derivatives	79,782	88,748
Of which: hedging derivatives	14,921	13,973
Trading derivatives	431,053	410,396
Total	**510,835**	**499,144**

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, 2023 (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, 2023 (p. 167).

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 2024.

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, 2024	December 31, 2023
	In NIS millions	
Interest rate risk*	534	464
Foreign exchange rate risk	64	27
Share risk	21	20
Option risk	6	14
Total for the Banking Group	**625**	**526**
Allocation in risk asset terms	4,998	4,209

* Including the specific risk in the amount of NIS 0.3 million and NIS 0.4 million in March 2024 and December 2023 respectively.

The allocation to market risks in risk asset terms comprises approx. 1.83% of the total risk assets as of March 31, 2024, compared with approx. 1.56% as of December 31, 2023.

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 2023 Annual Report, and is open for review, as stated (pp. 72-73).

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 2023 Annual Report, and is open for review, as stated (pp. 74-75).

Quantitative information regarding interest risk in the banking book and the trading book

Adjusted fair value of financial instruments - consolidated

	Israeli currency		Foreign currency[3]			
	Non-linked	CPI Linked	In US$	In Euro	Other	Total
			in NIS millions			
			March 31, 2024			
Financial assets[2]	263,164	34,741	61,831	5,617	1,416	366,769
Other amounts receivable in respect of derivative, hybrid and off-balance sheet financial instruments	185,760	10,036	207,282	20,237	9,003	432,318
Financial liabilities[2]	226,563	16,048	95,164	7,151	1,753	346,679
Other amounts payable in respect of derivative, hybrid and off-balance sheet financial instruments.	225,298	7,415	171,898	18,140	8,538	431,289
Net fair value of financial instruments	**(2,937)**	**21,314**	**2,051**	**563**	**128**	**21,119**
Effect of liabilities for employee rights	(1,979)	-	(26)	-	-	(2,005)
Effect of allocation to periods of on-call deposits	5,053	-	2,416	354	-	7,823
Net adjusted fair value[1]	**137**	**21,314**	**4,441**	**917**	**128**	**26,937**
Of which: the banking book	(2,124)	19,074	5,659	816	255	23,680
Of which: Effect of early repayments of housing loans	87	(51)	-	-	-	36
Of which: effect of early repayments of deposits from the public	(286)	-	-	-	-	(286)
			March 31, 2023			
Financial assets[2]	[4]265,126	29,000	60,811	5,142	1,225	361,304
Other amounts receivable in respect of derivative, hybrid and off-balance sheet financial instruments	178,116	9,093	226,221	26,991	8,008	448,429
Financial liabilities[2]	221,998	11,967	101,922	6,755	2,457	345,099
Other amounts payable in respect of derivative, hybrid and off-balance sheet financial instruments.	221,693	10,350	182,249	25,496	6,667	446,455
Net fair value of financial instruments	**(449)**	**15,776**	**2,861**	**(118)**	**109**	**18,179**
Effect of liabilities for employee rights	(2,103)	-	(28)	-	-	(2,131)
Effect of allocation to periods of on-call deposits	3,524	-	1,666	275	-	5,465
Net adjusted fair value[1]	**972**	**15,776**	**4,499**	**157**	**109**	**21,513**
Of which: the banking book	[4]519	14,963	3,437	119	406	19,444
Of which: effect of early repayments of housing loans	256	(27)	-	-	-	229
Of which: effect of early repayments of deposits from the public	(310)	-	-	-	-	(310)
			December 31, 2023			
Financial assets[2]	263,807	33,290	64,913	6,486	1,263	369,759
Other amounts receivable in respect of derivative, hybrid and off-balance sheet financial instruments	178,817	9,153	214,252	20,922	9,146	432,290
Financial liabilities[2]	223,132	15,213	104,192	6,973	1,801	351,311
Other amounts payable in respect of derivative, hybrid and off-balance sheet financial instruments	222,938	7,994	172,517	20,120	8,362	431,931
Net fair value of financial instruments	**(3,446)**	**19,236**	**2,456**	**315**	**246**	**18,807**
Effect of liabilities for employee rights	(2,058)	-	(26)	-	-	(2,084)
Effect of allocation to periods of on-call deposits	4,112	-	2,216	332	-	6,660
Net adjusted fair value[1]	**(1,392)**	**19,236**	**4,646**	**647**	**246**	**23,383**
Of which: the banking book	(2,246)	18,015	5,457	584	(11)	21,799
Of which: effect of early repayments of housing loans	190	22	-	-	-	212
Of which: effect of early repayments of deposits from the public	(246)	-	-	-	-	(246)

Notes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits. For additional information regarding the assumptions used for the computation of the adjusted fair value of financial instruments, see Note 34 to the financial statements.
(2) Excluding balance-sheet balances of derivative financial instruments, fair value of off-balance sheet financial instruments and fair value of hybrid financial instruments.
(3) Including Israeli currency linked to foreign currency.
(4) Reclassified - Improvement in the calculation of the data.

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

	Israeli currency		Foreign currency[4]			
	Non-linked	CPI linked	In US$	In Euro	Other	Total[5]
	in NIS millions					
	March 31, 2024					
Parallel changes						
A parallel increase of 1%	168	(818)	1	22	16	(611)
Of which: the banking book	127	(788)	27	10	3	(621)
Of which:Effect of allocation to periods of on-call deposits	1,270	-	470	82	-	1,822
Of which:Effect of early repayments of housing loans	161	149	-	-	-	310
Of which: effect of early repayments of deposits from the public	(100)	(2)	-	-	-	(102)
A parallel decrease of 1%	(113)	787	(31)	(23)	(17)	603
Of which: the banking book	(67)	755	(57)	(11)	(3)	617
Of which:Effect of allocation to periods of on-call deposits	(1,355)	-	(506)	(87)	-	(1,948)
Of which:Effect of early repayments of housing loans	(221)	(293)	-	-	-	(514)
Of which: effect of early repayments of deposits from the public	103	2	-	-	-	105
Non-parallel changes						
Curving[2]	(555)	(243)	(19)	9	3	(805)
Of which: the banking book	(568)	(229)	(45)	5	(2)	(839)
Flattening[3]	588	54	(2)	(4)	-	636
Of which: the banking book	595	47	29	(3)	2	670
Interest rise in the short-term	600	(263)	(34)	4	7	314
Of which: the banking book	587	(258)	4	-	3	336
Interest decline in the short-term	(633)	246	39	(3)	(7)	(358)
Of which: the banking book	(621)	241	1	-	(3)	(382)
	March 31, 2023					
Parallel changes						
A parallel increase of 1%	674	(697)	19	33	1	30
Of which: the banking book	672	(665)	58	25	3	93
Of which:Effect of allocation to periods of on-call deposits	1,357	-	273	47	-	1,677
Of which:Effect of early repayments of housing loans	202	129	-	-	-	331
Of which: effect of early repayments of deposits from the public	(150)	(5)	-	-	-	(155)
A parallel decrease of 1%	(651)	698	(60)	(35)	(1)	(49)
Of which: the banking book	(644)	663	(99)	(26)	(3)	(109)
Of which:Effect of allocation to periods of on-call deposits	(1,449)	-	(291)	(51)	-	(1,791)
Of which:Effect of early repayments of housing loans	(272)	(223)	-	-	-	(495)
Of which: effect of early repayments of deposits from the public	157	5	-	-	-	162
Non-parallel changes						
Curving[2]	(526)	(220)	68	8	(1)	(671)
Of which: the banking book	(570)	(199)	46	6	(1)	(718)
Flattening[3]	661	63	(79)	(2)	1	644
Of which: the banking book	705	49	(50)	(1)	2	705
Interest rise in the short-term	870	(211)	(74)	12	1	598
Of which: the banking book	908	(212)	(32)	9	2	675
Interest decline in the short-term	(913)	210	97	(12)	(1)	(619)
Of which: the banking book	(953)	211	55	(9)	(2)	(698)

For notes see next page.

Effect of scenarios of changes in interest rates on the adjusted net fair value – consolidated (continued)

	Israeli currency		Foreign currency[4]			
	Non-linked	CPI linked	In US$	In Euro	Other	Total[5]
	in NIS millions					
	December 31, 2023					
Parallel changes						
A parallel increase of 1%	339	(802)	14	26	1	(422)
Of which: the banking book	346	(761)	33	14	3	(365)
Of which: Effect of allocation to periods of on-call deposits	1,323	–	448	78	–	1,849
Of which: Effect of early repayments of housing loans	191	65	–	–	–	256
Of which: effect of early repayments of deposits from the public	(120)	–	–	–	–	(120)
A parallel decrease of 1%	(286)	815	(60)	(27)	(1)	441
Of which: the banking book	(293)	773	(78)	(15)	(4)	383
Of which: Effect of allocation to periods of on-call deposits	(1,413)	–	(484)	(83)	–	(1,980)
Of which: Effect of early repayments of housing loans	(280)	(116)	–	–	–	(396)
Of which: effect of early repayments of deposits from the public	123	–	–	–	–	123
Non-parallel changes						
Curving[2]	(542)	(225)	(11)	9	(1)	(770)
Of which: the banking book	(543)	(225)	(35)	5	(2)	(800)
Flattening[3]	620	50	(75)	(3)	–	592
Of which: the banking book	620	59	(46)	(2)	2	633
Interest rise in the short-term	697	(268)	(16)	(22)	(48)	343
Of which: the banking book	698	(244)	18	(25)	(45)	402
Interest decline in the short-term	(734)	265	27	(7)	–	(449)
Of which: the banking book	(736)	240	(7)	(4)	(3)	(510)

Notes:

(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.

(2) Curving – decline in interest in the short-term and increase in interest in the long-term.

(3) Flattening – increase in interest in the short-term and decline in interest in the long-term.

(4) Including Israeli currency linked to foreign currency.

(5) After offsetting effects.

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

	March 31, 2024			March 31, 2023			December 31, 2023		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total	Interest income[1]	Non-interest financing income[1]	Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	410	29	439	494	(6)	488	478	23	501
Of which: the banking book	385	24	409	471	(39)	432	449	64	513
A parallel decrease of 1%	(710)	(33)	(743)	(1,041)	-	(1,041)	(813)	(22)	(836)
Of which: the banking book	(685)	(30)	(715)	(1,018)	37	(981)	(784)	8	(776)

Footnote:

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

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 2023 Annual Report, and is open for review, as stated (p. 76).

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, 2024		March 31, 2023		December 31, 2023	
	In NIS millions					
	Total non-weighted value (average)	Total weighted value (average)	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)		75,393		74,252		74,626
Cash outflows						
Retail deposits from individuals and small businesses, of which:	162,438	9,557	158,669	9,932	163,217	9,726
Stable deposits	48,753	2,409	49,674	2,454	47,909	2,365
Less stable deposits	51,631	5,286	58,121	5,952	53,942	5,521
Deposits for periods exceeding 30 days (Section 84 of Proper Conduct of Banking Business Directive No. 221)	62,054	1,862	50,874	1,526	61,365	1,841
Unsecured wholesale financing, of which:	102,189	60,039	100,565	60,243	106,989	63,911
Deposits for operational purposes (all counterparties) and deposits with chains of cooperative banking corporations	-	-	-	-	-	-
Deposits not for operational purposes (all counterparties)	100,373	59,946	99,084	60,178	105,260	63,838
Unsecured debts	1,816	92	1,480	66	1,729	73
Secured wholesale financing	-	-	-	64	-	36
Additional liquidity requirements, of which:	95,236	27,032	82,259	23,144	93,538	25,035
Cash outflows for exposure to derivatives and other collateral requirements	20,854	19,525	16,563	16,041	20,934	17,446
Cash outflows for loss of financing of debt products	-	-	-	-	-	-
Credit and liquidity facilities	74,382	7,508	65,697	7,104	72,604	7,589
Other contractual financing commitments	80,544	1,100	38,744	1,024	113,188	1,109
Other conditional financing commitments	2,879	100	2,772	98	3,007	101
Total cash outflows		**97,828**		**94,506**		**99,918**
Cash inflows						
Secured loans (e.g., Reverse repo transactions)	788	788	477	477	790	790
Cash inflows from regularly performing exposure	29,852	24,151	27,746	22,492	31,073	25,155
Other cash inflows	22,506	19,751	21,049	17,452	20,201	16,882
Total cash inflows	**53,146**	**44,690**	**49,272**	**40,421**	**52,064**	**42,827**

		Total adjusted value		Total adjusted value		Total adjusted value
Total High Quality Liquidity Asset (HQLA)		**75,393**		**74,252**		**74,626**
Total net cash outflows		**53,138**		**54,085**		**57,090**
Liquidity Coverage Ratio		141.9%		137.3%		130.7%

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 2023 Annual Report, and is open for review, as stated (pp. 78-84).

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 2023 Annual Report, and is open for review, as stated (p. 81).

The liquidity coverage ratio of the Discount Group

As of March 31, 2024, the ratio amounted to 138.0%, compared to 135.9% on December 31, 2023. The average liquidity ratio in the first quarter of 2024 amounted to 141.9% as compared with an average ratio of 130.7% in the fourth quarter of 2023.
The increase in the liquidity surplus stems from the raising of debt accomplished at the beginning of the year.
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, 2024	December 31, 2023
		in NIS millions	
Buffer 1	Cash	37,982	42,486
	Israel Bonds/Short-term loans (MAKAM)	23,240	18,241
	Foreign bonds	12,798	12,615
Buffer 2	Sovereigns bonds	139	-
	Mortgage bonds issued by public corporations	192	166
	Corporation Bonds AA	873	923
Buffer 2 b	Corporation Bonds A	169	196
Total		**75,393**	**74,626**

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, 2024	December 31, 2023
	In %	
Discount Group	141.88%	130.72%
The Bank	160.59%	146.16%
IDB New York	116.48%	120.15%
Mercantile Discount Bank	149.56%	132.47%
Total	**141.9%**	**130.7%**

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, 2024, the coverage ratio in shekels was 125.0% compared with 127.3% at December 31, 2023. The decrease in the ratio stemmed mostly from the effect of the transfer of liquidity from shekel to foreign currency swap transactions.

The liquidity coverage ratio as of March 31, 2024, respecting the total of foreign currencies, amounted to 181.9% compared to 161.3% on December 31, 2023. The increase in the ratio stemmed from the effect of the transfer of liquidity from shekel to foreign currency swap operations.

The liquidity coverage ratio with respect to US dollars as of March 31, 2024 was 161.5% as compared with 175.7% on December 31, 2023. The decrease in the ratio stemmed from the effect of SWAP transactions for the transfer of liquidity in dollar against the shekel and in dollar against the Euro.

In Euros, the liquidity coverage ratio at March 31, 2024, was 174.6% compared with 155.2% at December 31, 2023. The increase in the ratio stemmed from the effect of the transfer of liquidity from dollar to 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)

	March 31, 2024				
	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:	31,169	–	–	–	31,169
Regulatory capital	29,801	–	–	–	29,801
Other capital instruments	1,368	–	–	–	1,368
Retail deposits by individuals and small businesses:	–	139,364	22,415	1,918	150,782
Stable deposits	–	59,333	5,937	995	63,001
Less stable deposits	–	80,031	16,478	923	87,781
Wholesale funding:	–	133,555	12,222	5,301	53,651
Deposits held for operational requirements	–	–	–	–	–
Other wholesale funding	–	133,555	12,222	5,301	53,651
Liabilities with interdependent matching assets	–	–	–	–	–
Other liabilities:	–	14,661	3,210	17,837	19,442
Liabilities regarding derivative instruments for the purpose of a net stable funding ratio	–	36	–	–	–
All other liabilities and capital not included in the above categories	–	14,661	3,210	17,837	19,442
Total Available Stable Funding (AFS)	**-**	**-**	**-**	**-**	**255,044**
Total high quality liquid assets according to net stable funding ratio (HQLA)	**-**	**-**	**-**	**-**	**3,591**
Deposits held with other financial institutions for operational requirements	–	–	–	–	–
Performing loans and securities:	–	113,531	34,742	159,184	185,515
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	–	18,150	1,486	5,669	8,834
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:	–	91,126	30,208	98,476	125,453
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	–	41,191	569	4,169	5,478
Performing housing loans secured by a mortgage, of which:	–	2,597	2,587	54,355	49,587
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	–	1,750	1,168	13,385	10,506
Securities not in default but not qualified to be considered as high quality liquid assets, including marketable securities	–	1,658	461	684	1,641
Assets with interdependent matching liabilities	–	–	–	–	–
Other assets:	102	4,192	831	10,880	13,601
Commodities physically traded, including gold	102	–	–	–	102
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	–	–	–	–	–
All other classes of assets not included in the above categories	–	4,192	831	10,880	13,497
Off-balance sheet items	–	98,419	3,336	3,187	5,247
Total required stable funding (RSF)	**-**	**-**	**-**	**-**	**207,954**
Net stable funding ratio (NFSR) in percentages	**-**	**-**	**-**	**-**	**122.64**

Net Stable Funding Ratio (LIQ2) (continued)

	March 31, 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)

	December 31, 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:	30,123	–	–	–	30,123
Regulatory capital	28,894	–	–	–	28,894
Other capital instruments	1,229	–	–	–	1,229
Retail deposits by individuals and small businesses:	–	137,751	23,020	1,061	148,997
Stable deposits	–	58,732	6,116	65	61,671
Less stable deposits	–	79,019	16,904	996	87,326
Wholesale funding:	–	138,949	16,361	6,142	56,848
Deposits held for operational requirements	–	–	–	–	–
Other wholesale funding	–	138,949	16,361	6,142	56,848
Liabilities with interdependent matching assets	–	–	–	–	–
Other liabilities:		13,377	1,810	16,487	17,392
Liabilities regarding derivative instruments for the purpose of a net stable funding ratio		3,010	–	–	–
All other liabilities and capital not included in the above categories	–	13,377	1,810	16,487	17,392
Total Available Stable Funding (AFS)	**-**	**-**	**-**	**-**	**253,360**
Total high quality liquid assets according to net stable funding ratio (HQLA)	**-**	**-**	**-**	**-**	**4,814**
Deposits held with other financial institutions for operational requirements	–	–	–	–	–
Performing loans and securities:	–	119,602	30,414	159,261	183,882
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	–	18,761	1,059	5,390	8,357
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:	–	96,073	26,374	99,650	123,695
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	–	43,793	490	4,163	5,527
Performing housing loans secured by a mortgage, of which:	–	2,571	2,525	53,912	50,241
With a risk weight of 35% or less, according to Proper Conduct of Banking Business Directive No. 203	–	2,251	1,591	14,888	11,612
Securities not in default but not qualified to be considered as high quality liquid assets, including marketable securities	–	2,197	456	309	1,589
Assets with interdependent matching liabilities	–	–	–	–	–
Other assets:	97	4,347	708	10,103	13,304
Commodities physically traded, including gold	97	–	–	–	97
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		–	–	222	222
All other classes of assets not included in the above categories	–	4,347	708	10,103	12,983
Off-balance sheet items		97,244	2,858	3,730	5,192
Total required stable funding (RSF)		**-**	**-**	**-**	**207,192**
Net stable funding ratio (NFSR) in percentages		**-**	**-**	**-**	**122.28**

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	March 31, 2024	December 31, 2023
	In NIS millions	
Total assets as of	110,578	118,236
Liquidity requirement	9,019	9,194
Of which pledged	17,746	24,971
Of which provided as collateral	2,205	2,955
Total available assets	**81,607**	**81,116**

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 2023 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. 87-92).

Drafts and Instructions published during the first quarter of 2024

Draft of a new Proper Conduct of Banking Business Directive – "Model risks management". A draft for comments by the public was published on March 27, 2024, following prior drafts in the matter published in the past. The draft describes the main aspects of the effective management of model risks, and it applies also to models that include or which are based on artificial intelligence, which might expose banking corporations to new risks or might intensify existing risks. The draft defines the term "model" and model risks, states instructions in matters of corporate governance, policies and controls; as well as instructions and clarifications regarding development, implementation and use of models and validation of models. The Directive will take effect within one year from date of publication (excluding exceptions)..

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 2023 Annual Report, and is open for review, as stated (pp. 93-94).

Data and cyber protection risks

Threats in the cyberspace

In the first quarter of 2024, 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 2024:

- The Iranian government has been operating through subcontractors in order to harm the Israeli economy by preventing service, disabling banking services, destructive attacks, and leaking data. These attacks have a nationalistic element – the embarrassment of the victim (and as a result thereof, the embarrassment of the State of Israel) on social media and other media channels, but may also cause future fraud events, since data leaks support fraudulent activities against citizens of the State of Israel, including the Bank's customers;
- 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 2023 Annual Report, and is open for review, as stated (pp. 94-96).

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 2023 Annual Report, and is open for review, as stated (pp. 96-100).

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 2023 Annual Report, and is open for review, as stated (pp. 100-102).

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, the last of which until June 30, 2024 and the Bank is negotiating presently with the Accountant General for the prolongation of their effect for an additional period. In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority. Notwithstanding the above, if the letters of indemnity and immunity are not extended, the Bank will consider the termination of the said services.

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

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 2023 Annual Report, and is open for review, as stated (p. 106).

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 2023 Annual Report, and is open for review, as stated (pp. 106-109).

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 2023 Annual Report, and is open for review, as stated (p. 109).

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 2023 Annual Report, and is open for review, as stated (p. 110).

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 2023 Annual Report, and is open for review, as stated (pp. 110-111).

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 2023 Annual Report (pp. 338-341).
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 2023 Annual Report, and is open for review, as stated (pp. 111-118).

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 2023 Annual Report, and is open for review, as stated (pp. 119-129). 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 2023 Annual Report, and is open for review, as stated (p. 130).

May 19, 2024	Danny Yamin Chairman of the Board of Directors	Avi Levy 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.