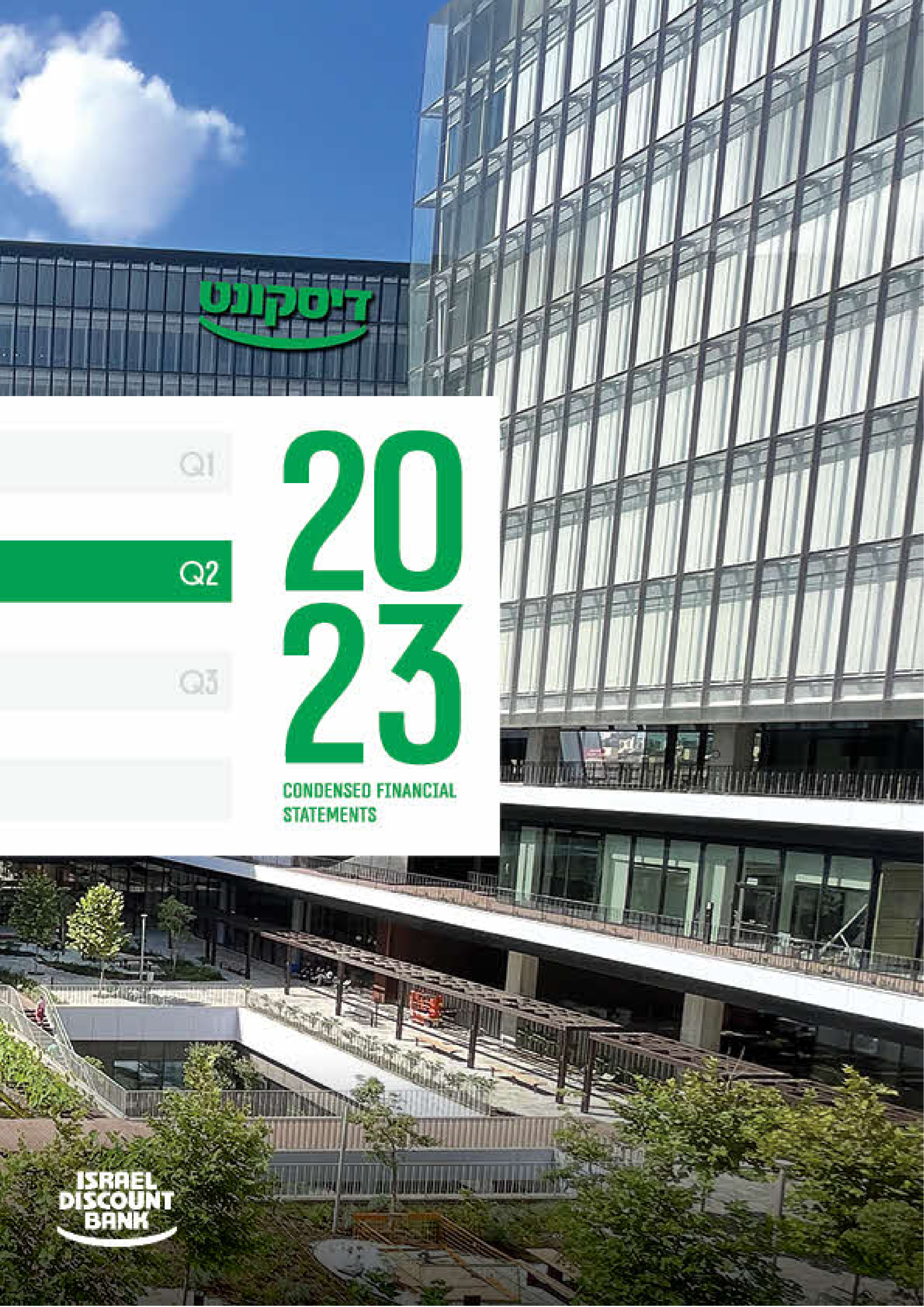

Q1

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2023

CONDENSED FINANCIAL STATEMENTS

ISRAEL DISCOUNT BANK

Board of Directors and Management Report

Internal Control over Financial Reporting

Condensed Financial Statements

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

Appendices to the Quarterly Report

Board of Directors and Management Report

Board of Directors and Management Report - List of tables

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

Chapter "A" - General overview, goals and strategy

At the meeting of the Board of Directors held on August 13, 2023, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for June 30, 2023 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information on financial position and operating results

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

	First Half		Year
	2023	2022	2022
	In %		
Main performance indicators:			
Return on equity(1)	19.0	14.9	15.1
Return on assets(1)	1.28	0.96	0.99
Ratio of net credit to the public to deposits from the public	86.5	82.0	82.5
Ratio of common equity tier 1 to risk assets	10.35	10.16	10.25
Ratio of total capital to risk assets	13.15	12.83	13.03
Leverage ratio	6.4	6.0	6.2
Liquidity coverage ratio(2)	134.5	121.3	130.5
Net Stable Funding Ratio	122.4	124.7	124.8
Efficiency ratio	46.8	57.2	55.8
Main credit quality indicators(1):			
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.39	1.29	1.31
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	0.89	0.81	0.67
Ratio of net accounting write-offs for credit to the public to the average balance of credit to the public	0.14	(0.09)	0.11
Ratio of credit loss expenses to the average balance of credit to the public	0.41	0.06	0.18
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**2,456**	**1,663**	**3,495**
Net interest income	5,674	3,873	8,693
Credit loss expense	516	71	407
Non-financing income	2,668	2,110	4,251
Of which: Fees and commissions	1,756	1,676	3,404
Non-financing expenses	3,901	3,423	7,217
Of which: salaries and related expenses	1,899	1,699	3,568
Comprehensive income, attributed to the Bank's shareholders	**2,722**	**1,057**	**2,757**
Total earnings per share attributed to Bank's shareholders (in NIS)	1.99	1.38	2.87

For footnotes see next page.

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

	First Half 2023	First Half 2022	Year 2022
	In NIS millions		
Principal balance sheet data for the end of the reporting period:			
Total assets	**391,815**	**364,421**	**376,754**
Of which:			
Cash and deposits with banks	56,696	63,449	65,713
Securities	54,537	43,926	44,794
Net credit to the public	253,197	232,465	241,079
Total liabilities	**364,133**	**340,328**	**351,276**
Of which:			
Deposits from the public	292,656	283,423	292,293
Deposits from banks	14,208	14,760	15,376
Bonds and Subordinated debt notes	16,479	13,863	12,308
Shareholders' equity	27,016	23,490	24,880
Total equity	**27,682**	**24,093**	**25,478**
Additional data:			
Share price	1,840	1,816	1,848
Dividend per share (in Agorot)	45.96	24.45	49.88
Ratio of fees and commissions to total assets(1)	0.91	0.97	0.96

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

For details on the decision of the Bank's Board of Directors dated August 13, 2023, to distribute a dividend in the amount of approx. 28.79 Agorot per share, see below "Dividend distribution" and Note 18 to the condensed financial statements.

Data excluding ICC

	First Half 2023 Actual	First Half 2023 Excluding ICC(1)	Year 2022 Actual	Year 2022 Excluding ICC(1)
	n NIS millions			
Net Profit Attributed to the Bank's Shareholders	2,456	2,294	3,495	3,305
	in percentage			
Return on equity	19.0	(2)18.5	15.1	(2)14.8
Efficiency ratio	46.8	43.1	55.8	51.5
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.39	1.30	1.31	1.23
Ratio of credit loss expenses to the average balance of credit to the public	0.41	0.35	0.18	0.14

Footnotes:
(1) The data for ICC has been totally eliminated, with no calculation in respect of the alternative use of the risk assets that would become available as a result of the separation as well as the yield produced by them and with no calculation of the gains produced by the realization of the holdings in ICC and the yield produced by the investment thereof in an alternative activity.
(2) In congruence of that stated above, the capital has been standardized so as to maintain the actually existing capital adequacy level, and accordingly, the return on equity has been standardized.

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

Market share

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

	March 31, 2023	December 31, 2022
	In %	
Total assets	16.3	15.9
Net credit to the public	16.9	16.8
Deposits from the public	15.5	15.4
Net interest income	18.1	17.6
Total non-interest income	30.2	22.7

Development of the Discount share

	Closing price at end of the trading day			Change in the first half of 2023 in %
	August 9, 2023	June 30, 2023	December 31, 2022	
Discount share	1,884	1,840	1,848	(0.4)
The TA 5 Banks index	3,510.82	3,303.48	3,280.79	0.7
The TA 35 index	1,887.30	1,749.22	1,796.92	(2.7)
Discount market value (in NIS billions)	23.31	22.76	22.86	(0.4)

Goals and business strategy

The strategic plan, which was formed in the course of 2020, directs towards the realization of an ambitious vision of being **the best financial institution for its customers, which creates maximum value to its shareholders over time**. The strategic plan is made up of three central pillars – winning in traditional banking, groundbreaking innovation, leveraging the power of the Group.

First pillar – winning in traditional banking

As part of the changes affecting the banking sector, the Discount Group will accelerate the evolution of banking activity with a view of improving competitive ability and increase its market share and profitability in banking activity. The said acceleration is to be done by way of focusing on four areas:

Winning customer experience

Goal: to be the bank with the best customer experience in the system

Changing reality requires us to improve customer experience quickly and qualitatively – customers expect another level of service, and the base for comparison is not necessarily other banks but the organizations leading in customer experience provided by them. Discount shall act to create a differentiating competitive advantage by way of a winning customer experience. In order to realize the vision and become the best Bank for its customers, Discount Bank has launched several strategic projects, intended to turn the whole Bank into a customer focused organization.
These projects require a significant and extensive effort by all units of the Bank, which would lead to a fundamental and deep change in work procedures as well as in service and conduct principles.

Such gradual implementation would lead to improved availability for customers, closure of a full treatment circle and accessibility to products and services customized to the needs of the customer.
In order to measure the success of the fundamental change process, use would be made of the Net Promoter Score index. This index has been successfully implemented by thousands of leading organizations around the world. This index has been proven as directly connected to the increase in income, to attracting new customers and increasing customer loyalty.
Within the framework of this mechanism, the Bank integrated processes involving attentiveness to customers, deep and methodological analysis of feedback from customers through translating the messages into effective initiatives for improving customer experience at all his interface points with the Bank.

Significant growth and increasing market share in focal segments

Goal: Growth of the credit portfolio and of income at a rate higher than that of the banking system

- The Bank will act to increase income at a faster pace than market growth, and to maximize the potential of income from interest and fees and commissions, as well as non-interest financing income. The Bank shall endeavor to increase its credit portfolio at a faster pace than market growth, mainly in the housing, small businesses and commercial banking fields and in additional focal fields, and all while maintaining the quality of the credit portfolio;
- In order to enable the said growth, the Bank implements new operational models in retail and corporate banking areas, which are to include, inter alia, changes in service, sales and operating layouts.

Banking excellence

Goal: Creating a qualitative organizational platform based on efficiency, operational excellence and a high level of performance

- In order to support all the strategic goals of the Bank, it is the Bank's intention to integrate operational excellence that would support customer experience, would reduce errors and operating risks and assist in obtaining significant efficiency;
- In this respect, the Bank will introduce automation, digitization and improvement of processes enabling greater efficiency, shortening of reaction time and improvement of measurement and monitoring capabilities, and will integrate additional new work methods improving central processes;
- The Bank will continue to carry out the efficiency measures with an emphasis on diverting operations to the digital channels, optimization of real estate properties and savings in purchases expenses and other expenses.

Winning organizational culture

Goal: Integration of a winning organizational culture that promotes the strategy of the Bank by means of guiding leadership and employee engagement, the highest in the banking system

With the understanding of the importance and centrality of the Bank's employees in providing the best service to customers and the ability to realize the strategic plan, the Bank would act in a number of fields:
- The Bank will continue to strengthen its managers and employees while developing leadership in accordance with the Discount spirit and striving to maximize the potential of employees and managers by means of qualitative career development processes;

- The Bank will act in order to improve the sense of commitment and the organizational engagement of employees and managers, while leveraging the relocation to the joint Campus at the "Elef" site in Rishon LeZion, all this, in order to become the best Bank for its employees;
- The Bank will act in order to adopt agile work methods that would support improvement in customer and employee experience and would help in improving performance capabilities and the shortening of response time.

Second pillar – groundbreaking innovation

Goal: Become a leading financial player in the new banking in Israel through the implementation of pioneering and competition creators banking models for customers of all banks

The financial field in general and banking business in particular, is in the midst of an accelerated process of change. The change is motivated by diverse trends headed by an ever growing transition to digital banking, competition encouraging regulation, entry of new players into the traditional banking areas, and growth in expectation of customers for more varied and customized value offers than in the past.

The competitive and singular positioning of the Discount Group which, on the one hand, is large enough in order to lead a change, and on the other hand is small enough in order not to be deterred by the implications of the change, creates for it a significant opportunity to establish its position as a leading banking-financial group, which encourages competition in the system, and to increase its market share, inter alia, through the implementation of the following measures:

- Continuing to intensify the cooperation and relationship with the Fintech community in Israel and abroad, with the aim of offering the Bank's customers and customers of all banks, the most advanced services and products, both in the field of banking and in tangential fields;
- Initiation and establishment of new ventures, off-banking, through close cooperation with Fintech companies and other third parties having a unique DNA, in favor of creating innovative products and services, designed for customers of all banks;
- Enlarging the activity of PayBox as the digital wallet for the management of off-banking payment accounts, offering also financial products and services, including those of third parties, designated for customers of all banks;
- Leveraging the open banking reform in favor of expanding its value offer to customers, while making services and products accessible on the digital channels.

Third Pillar – maximizing the value of the Group

Goal: The subsidiary companies are leading growth

- The Bank, as a holding company, will continue the implementation of the unique strategies defined for the central subsidiaries – IDB Bank, MDB, Discount Capital and ICC, with the aim of modifying their operations to the new competitive environment;
- The Bank, as a holding company, will continue to initiate significant moves that create value in the portfolio of Group companies, while maintaining activity in accordance with corporate governance rules;
- The Bank will continue to act to identify and utilize possible synergies among the group companies, both in the field of revenues and in the field of expenditure, which may contribute significantly to the Group's economic value;
- The Bank will continue to promote assembling all Head Office units of the Group companies in a joint campus located in the Millennium Complex in Rishon LeTzion, with the aim of accelerating the realization of synergies and work processes, thus achieving significant real estate efficiency.

The strategic plan goals

Subsequent to updating the strategic plan formulated in 2020, which includes a financial plan for the years 2021 through 2025, and in light of the reduction in the level of uncertainty associated with the Corona crisis and the stabilization of the economy during 2021, the Bank's Board of Directors decided on March 8, 2022 to approve the following goals:

- a return on equity goal exceeding 12.5% in 2025;
- an efficiency ratio goal of less than 55% in 2025;
- a net profit goal which will exceed NIS 3.5 billion in 2025;
- a continuation of dividend distributions according to the existing policy, namely, up to a rate of 30%. As progress is made in executing the plan, the possibility of raising the dividend rate[1] will be examined.

Following are actual data regarding components defined as goals of the strategic plan:

- a return on equity goal of 15.1% in 2022;
- an efficiency ratio of 55.8% in 2022;
- a net profit of NIS 3,495 million in 2022.

As seen from the said data, the goals of the strategic plan were mostly achieved already in 2022.

Forward-looking information. The aforesaid reflects the plans of the Bank's Management and its intentions, paying attention to information already in its possession at the time of preparing the reports with regard to the development of the banking sector, to the macroeconomic forecast, including in relation to an increase in the rates of interest and inflation and to the uncertainty associated with planning for several years ahead. Material changes in the economic and regulatory environment or in the geo-political or defense situations, technological developments, actions of competitors operating in the banking sector and other potential competitors, and changes in consumer patterns and customer expectations, which are not under the Bank's control, might results in changes in the ability to execute the Bank's plans as they exist at the time of publishing the statements. For the definition of the term "forward looking information", see "Appendix No. 4 – Glossary".

Environmental, social and governance strategy. Discount Bank, which raised the banner of becoming the best financial institution for its customers, takes another step in the implementation of its vision and publishes a significant and challenging ESG strategy, as approved by the Board of Directors on February 28, 2023. As part of the implementation of the strategy that had been formed, Discount Bank will promote a connection between environmental, social and governance aspects and the core business, organizational and social activities of the Group, while focusing on three central fields:

- Social mobility and financial inclusion – promotion of enabling banking, which acts toward increasing financial accessibility for disadvantage populations, alongside support for actions contributing to the reduction of gaps in the social and geographic peripheral areas in Israel through education and knowledge.
- Diverse and equal employment – promotion of employment diversity and employing staff at the Bank coming from employment challenged sectors, alongside the supporting of plans enlarging employment of such sectors in the Israeli economy as a whole. Alongside this, the Bank will act towards the creation of an embracing and enabling work environment.
- Green future – Promotion of green conduct in the Bank's operating and business activity, with a view of reducing its environmental effects.

In May 2023, the Bank's Board of Directors approved goals and performance indices for the year 2030[2].

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1 For details regarding the decision taken on August 13, 2023 to update the policy, see "Dividend Distributions" below.

2 The goals are presented in the Bank's ESG Report for 2022.

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

Material trends, occurrences, developments and changes

Management's handling of current material issues

The Bank's financial base and its capital infrastructure remain stable and are being stringently managed. The ratio of equity capital Tier 1 amounts to 10.35% and the liquidity coverage ratio amounts to 134.5%. This is the capital infrastructure that allows the Group to continue growing.
The central challenges and issues in the first half of 2023 were:

The separation of ICC from Discount Bank

On January 31, 2017, the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, was published on the Official Gazette ("the Law").
Within the framework of implementation of the Law, in the first stage, the credit card companies, IsraCard and MAX (formerly LeumiCard) were separated from Hapoalim Bank and Bank Leumi, respectively, due to the fact that they held assets of a value exceeding 20%, and therefore defined as "a bank with Wide-Ranging Activity". Accordingly, at that stage, the Bank is under no duty to sell ICC.
With respect to ICC, on January 31, 2021, a period of two years started, which ended on January 31, 2023, during which, the Minister of Finance, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, was empowered to instruct the separation of ICC from Discount Bank upon existence of certain terms stated in Section 11B(d) of the Banking Law (Licensing), 5741-1981 ("the Banking Law").
According to the provisions of Section 12(b)(3) of the Law, a committee had even been established, among the duties of which was recommending to the Minister in the matter of applying his authority to enforce the duty to sell ICC, as stated. On December 21, 2022, the committee published its recommendation to the Minister of Finance, as accepted by the majority of the committee members, which stated the position that the Minister should apply the said authority. The recommendation document contained also the minority opinion of the Supervisor of Banks, who was not a party to the opinion of the other committee members. On January 18, 2023, after obtaining the consent of the Governor of the Bank of Israel, the Minister applied to the Chairman of the Finance Committee of the Knesset, requesting approval of the Committee to the draft Banking Regulations (Licensing)(A bank with Wide-Ranging Activity), 5783-2023. As part of the application, the Minister referred also to the possibility of acquisition of a charge card company by institutional bodies, and noted that on the background of developments in the market and the provisions of Section 10 of the Law, he had instructed the formation of a designated team at the Ministry of Finance to study this issue.
On January 30, 2023, the Finance Committee of the Knesset approved the Banking Regulations (Licensing) (A bank with Wide-Ranging Activity), 5783-2023, ("the Regulations").
According to the Regulations, the Bank is bound to sell the means of control of Israel Credit Card Company Ltd., held by it, within a period of three years from the effective date (date of publication of the Regulations in the Official Gazette), or until the end of four years in certain circumstances, to the extent that a public offer outline would be decided upon. Furthermore, the provisions stated in the Law would apply with respect to the sale.
In addition, the following instructions, inter alia, apply:

- During the period from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank has to conduct the operation of issue of charge cards issued by it, by means of an operating company, and to enable it to be a party to the charge card agreement;

- As from the end of one year from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank is not permitted to conduct by means of one operating company, the issue of more than 52% of the total new credit cards issued to Bank customers;
- A fixed mechanism for the distribution of income derived from the issue operation of charge cards and from use of charge cards by customers, between the Bank and the charge card company, so that the said distribution of income would be in accordance with an agreement signed by the parties in 2022;
- Restriction to approaches made to customers regarding renewal of credit cards.

It is noted that the restrictions relating to the duty to enable the credit card company to become a party to the agreement, the forbiddance to conduct through one operating company the issue operation of more than 52% of total new credit cards, and restrictions on approaches to customers regarding the renewal of credit cards, apply also to some of the other banks.

The Regulations entered into effect on January 31, 2023. It is noted that at that date the Minister of Finance issued an open call for the public's positions in which he announced, as part of his decision in the matter of amending the definition of a bank with Wide-Ranging Activity, the formation of a team at the Ministry of Finance headed by the Officer in Charge of Budgeting, the Legal Counsel of the Ministry of Finance and the Commissioner of the Capital Market, Insurance and Savings, for studying the issue of the differentiation existing in the Law between the acquisition of a charge card company from a bank with Wide-Ranging Activity (primary acquisition) and the acquisition of a charge card company from an entity which had purchased such a company from such a bank (secondary acquisition), and whether it is just and equitable to leave such a differentiation intact. The question of the possible effects of large institutional bodies controlling charge card companies is also supposed to be studied.

On May 11, 2023, the team for the examination of the holdings by institutional bodies of charge cards companies ("the Team") published its recommendations.

The central recommendation of the Team is the amendment of Section 10 of the Law, whereby a large institutional body shall no longer be debarred from acquiring means of control of a charge card company from a bank with wide-ranging activity (applying also to a primary acquisition). The practical significance of this recommendation, if implemented, is that the Bank would be able to sell its holdings in ICC also to a large institutional body. In addition, as a complementary act, the Team, inter alia, recommended a clear structural separation between the charge card company and the institutional body holding it, as well as stating restrictions in respect of material operational interfaces between institutional bodies and banks.

Following the decision of the Minister of Finance and approval of the Regulations, the Bank has decided to record a provision for the balance of taxes due on its share in the profits of ICC, which in accordance with accounting principles, had not been provided for in the past, in the amount of NIS 50 million. The said provision was included in the report for the first quarter of 2023.

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

Within the framework of a joint distribution agreement with El-Al Company, El-Al was, inter alia, granted a "phantom" type option, entitling it to economic rights in ICC (of a value equal to 8.75% of the appreciation in value of ICC, exceeding the amount of NIS 1,800 million). The option would be exercisable only in the event of sale or issuance of ICC, in accordance with the terms stated in the related agreement, and would be settled in cash. (The equity capital of ICC as of June 30, 2023, amounts to NIS 2,358 million).

According to an assessment in the hands of ICC, the fair value of the "phantom" option (within the meaning of the term in accepted accounting principles), based on data regarding transactions for the acquisition of the credit card companies Isracard and MAX (being published information only, regarding the agreement, within the framework of which, Harel Investments is expected to acquire all the shares in Isracard, and the agreement, within the framework of which, CLAL Insurance Enterprises Holdings acquired all the shares in MAX, based on their reports to the public), and on the assumption that ICC will utilize to the options of the distribution of dividends, according to the option agreement, within the framework of the future negotiations to formulate the terms of sale of the holdings in ICC at an amount of approx. NIS 58 million (approx. NIS 40 million after tax effect). ICC recognized in the first quarter of 2023 a liability in respect of the said option. Considering the tax effect and after deduction of the share of the First International Bank in the profit of ICC, the recording of the option in the said amount reduced the net profit of the Bank in the first quarter of 2023 by a net amount of approx. NIS 24 million.

It is emphasized that at this stage, the Bank is in the midst of the primary preparation phases for the separation from ICC, and that decisions with respect to the separation outline have not as yet been taken. This issue relates to a

transaction of a scope expected to be significant, where the acquisition price to be determined might be affected by the dynamics in the market, as would exist at the time proximate to the date of the transaction, by the path of development of ICC in comparison to its competitors, by the outline for the execution of the separation, by possible competition between potential buyers and by different macro-economic variables. In light of the abovesaid, the acquisition price might be very materially different from the price of ICC seemingly grossed up in the fair value assessment of the option.
For additional details, see the Immediate Reports dated December 22, 2022, January 3, January 19 and January 31, 2023 (Ref. Nos. 2022-01-154045, 2023-01-001587, 2023-01-009330 and 2023-01-012882, respectively), the details contained therein are presented hereby by way of reference.
For details regarding the said Law, see "Legislation and Supervision" in Chapter "Corporate Governance, Audit and Additional details on the business of the banking corporation and management thereof". For details regarding the contribution of ICC to the profits of the Discount Group see below "Main Investee Companies. For details regarding the data for the "ICC" segment, within the framework of Managerial Operating Segments, see Note 13 to the condensed financial statements below.

Developments in the economic environment and their effect on the operations of the Bank and its customers

The CPI rose in 2022 by 5.3%, following a long period in which the inflationary environment was low. The first half of 2023 the inflationary environment in Israel moderated to an annual rate of 4.2%. Moderation occurred also in the global inflationary environment, particularly in the core inflation, though it continued to stay at a high level. The Bank of Israel interest rate, which remained unchanged for a lengthy period, rose from a level of 0.35% in April 2022 to a level of 4.75% (as from May 22, 2023), similarly to the global trend of rising interest rates.
As detailed in the section "Market risks", the Bank is exposed to market risks, including interest risk. As detailed in this part, the rising interest has a positive effect on the Bank's income, the average interest rate in the first half of 2023, in relation to the corresponding half last year, rose by approx. 3.8%, and according to the Bank's assessments, the Bank's financing income increased by approx. NIS 2 billion as a result of the rise in interest, in the first half of 2023, compared to the corresponding period last year.
With respect to the increased in inflation, the Bank is exposed to changes in the CPI in a way that there is an excess of assets over liabilities that are CPI-linked in an amount of approx. NIS 15 billion, at the end of the first half of 2023. The rise in the CPI contributed approx. NIS 370 million to the Bank's income in the first half of 2023.
The rise in the CPI and in the interest rate may result in an increased burden of loan repayments of burrowers, for households in particular, and in their impaired repayment ability. The Bank's Management gave expression to these effects in the estimate of the group allowances, according to the existing models, however, their effect may also be reflected in future periods and also require making allowances for specific borrowers.
The principal measures adopted by the Bank in order to face the effects of the main changes in interest and in the CPI are:

- Monitoring interest exposure.
- Entering into interest and CPI hedge transactions.
- Strict underwriting mechanisms for the granting of credit and the monitoring of the credit portfolio quality.
- In the framework of computation of the group allowance, a macro-economic model was utilized, intended to provide a response to a rise in the macro-economic risks. As a result of the above, a buffer has been created for the said risks and their possible implications upon borrowers. The buffer was, inter alia, computed by use of scenarios of rising interest rates and inflation, and forecasts for the GDP and unemployment for the coming year.

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

- Allowing customers having certain characteristics, the option to reduce the amount of the monthly mortgage repayments to the level existing in September 2022, prior to the last four raisings of the interest rate; the amount deferred would be repayable as from the end of 24 months, spread over 36 installments, with no interest charge.
- In addition, the Bank offers its customers deposits bearing interest.

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

Greenlend

On March 5, 2023, the Bank and Ezbob Ltd., a company incorporated in England ("Ezbob"), signed a non-binding memorandum of understanding for the formation of an enterprise for extending consumer credit and credit to small and middle market businesses, to customers of all banks, by means of a company that would be controlled by the Bank (an auxiliary corporation) ("the company").

According to the memorandum of understandings, 70% of the ordinary share capital of the company would be owned by the Bank and 30% would be owned by Ezbob. Extension of credit and its management shall be conducted by means of the innovative technological systems of Ezbob, according to a license granted to the company. In accordance with the Memorandum of Understandings, the Bank is expected to provide the company with capital in the amount of approx. NIS 163 million. In addition, the Bank is expected to put at the disposal of the company additional capital/shareholder loan facilities, for future drawing in certain circumstances. Furthermore, the Bank is expected to provide the company with credit facilities at market terms.

On August 1, 2023, the Bank received the approval of the Supervisor of Banks for the control in full and for the direct holding of means of control in the auxiliary company Greenlend Financial Solutions Ltd. (hereinafter: "the Auxiliary Company"), which will engage in the granting of consumer credit and credit to small and middle size businesses, as well as in any other operation ancillary to the above operations, or which is required for their performance, under the conditions specified in the Supervisor's approval. The Bank, the auxiliary corporation and Ezbob are working to complete the agreements between them and to sign them.

Discount Campus

The finishing work at the Campus reached its peak during the reported period, and so did the preparations for the relocation of units of the Group. A work completion certificate was issued to the Discount Campus on January 11, 2023. During the reported period the transfer to the Campus of the Bank's central computer room was completed, and occupancy of about one half of the Campus has been completed.

It is noted that concurrently with the operation of Discount Leasing and the Technologies Administration established in aid of the project, the Group Relocation Administration is active as from January 2021. Its duties are to prepare the different units for relocation, to manage in practice the relocation as well as the operational routine thereafter. The Administration operates by means of promotion of eighteen across the board and multi-areas Group projects, formation and management of orderly work plans, including conditions precedent to the relocation, regulating interfaces, reports and arriving at orderly and agreed decisions.

The relocation to the Campus is conducted according to the plan in a number of stages, the completion of which is expected in the course of 2023.

For additional details, see Note 10 section 5 to the condensed financial statements and "Fixed assets and installations" below.

In view of the expected separation of ICC from Discount Bank, the Boards of Directors of ICC and of the Bank approved in July 2023, the sale by ICC of its share in the Discount Campus to the Bank or one of its subsidiaries. The transaction is not yet consummated and, consummation thereof is expected later on in 2023. The Bank is examining alternatives for the occupancy of the areas designated for ICC by additional units of the Bank and/or MDB. The Bank estimates that the said change will have no material effect.

Forward looking information. The above stated reflects the plans of the Bank's Management and its intentions, considering the information at hand at date of preparation of the financial statements. Material changes may lead to a change in the ability to carry out the plans of the Bank existing at date of publication of the financial statements.

Striving for a winning customer experience

In order to realize the vision and become the best bank for its customers, the Bank had introduced a comprehensive strategic effort intended to turn the whole Bank into a customer focused organization. This, in a significant and wide move that would engulf all units of the Bank and lead to a fundamental and deep change of work procedures and of service and behavioral principles.

Within the framework of this mechanism, the Bank implements processes of listening to customers, of in-depth and methodological analysis of customer feedback and the ability to translate the messages into effective initiatives improving customer experience at all his interface points with the Bank.

As an additional step in striving for a winning customer experience, the Bank has introduced during 2022 a new and quick service of correspondence on the Application, which invites all Bank customers to approach the Bank and receive a reply within one hour at the most.

Issue of debt instruments within the framework of an international private placement

On January 26, 2023, the Bank completed an international private placement of US dollar bonds, being the first in its history, in a principal amount of US$800 million ("the bonds"), which were issued to institutional investors, within the meaning of the term in the Articles of the Tel Aviv Stock Exchange Ltd. ("the Stock Exchange" and "the issue", respectively).

The bonds were issued at a price of 99.935% of their par value. The gross proceeds of the issue amounted to US$799.48 million. The issue price comprises a margin of 190 basis points over that of US government bonds of an identical average period to maturity.

The bonds have been registered for trading on the "TASE-UP" system of the Stock Exchange.

Additional issuances

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

Issue of bonds. On June 15, 2023, the Bank, through Manpikim, completed an issue of bonds (expansion of Series "O"), in a total amount of approx. NIS 1,568 million, at a margin of 0.98% over Government bonds.

Additional issues

- **Termination of office of the President & CEO.** For additional details, see "Board of Directors and Management" below;
- **IDB Bank.** For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details";
- **Rating by Fitch.** Fitch rated the Bank for the first time in the first quarter of 2023. For additional details, see below "Rating the Liabilities of the Bank and some of its Subsidiaries";
- **Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus.** For additional details, see Note 20 to the condensed financial statements;
- **PayBox.** For additional details, see the 2022 Annual Report (pp. 23-24 and 320-321).

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first quarter of 2023.

During January 2023, the Government started to promote a plan for the implementation of material changes in the legal system in Israel, which raises a significant dispute in the Israeli public. In the opinion of various economic entities in Israel and globally, such changes may have an adverse effect on the financial markets and on the stability of the economy in Israel. The said implications may have a negative impact also on the Bank and its customers.

It is noted that in the beginning of March Fitch rating agency has ratified the credit rating of the State of Israel at a level of "A+", with a "Stable" rating outlook. Fitch noted, inter alia, that a number of countries that had undergone a significant institutional reform, have reached even a decline in their credit rating, and that at this stage it is unclear whether the proposed reform in Israel will have a similar extensive effect.

On April 14, 2023, Moody's rating agency published the credit rating of the State of Israel, leaving it at "A1". On the other hand, Moody's graded down the rating outlook from "Positive" to "Stable" due to its estimates that the events related to the implementation of the Legal Reform indicate the weakening of the institutional solidity of Israel.

On May 12, 2023, the S&P rating agency published the credit rating of the State of Israel leaving it unchanged at "AA" with a "Stable" rating outlook, on the background of the assumption that an agreement would be reached regarding the legal reform.

It is noted that in recent months, discussions were held at the State President's House, with a view of reaching a wide consent regarding the actions for changes in the legal system, though these discussions were unsuccessful.

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

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

At this stage, it is not possible to estimate what would be the components of the plan proposing changes in the legal system, if completed at all, and accordingly foresee what would be the implications on the condition of the financial markets and on the state of the economy in Israel.

For details regarding the direct effect on the Bank's capital adequacy, in the event that the credit rating of the State of Israel would be reduced, see "Capital and Capital Adequacy" below.

Growth. The global economy continues to expand, despite anticipation that high inflation and steep rise in interest rate would harm the economy. Notwithstanding that, significant differentiation exists between countries. While the United States leads the economic growth in the developed countries, the growth in the Eurozone is slow. Inflation is slowing down worldwide, following the decline in prices of energy and commodities; however, it still remained at a higher level than that targeted by the central banks, this in view of the increase in prices of services. Therefore, pressure of prices remained significant.

A crisis broke out in the first quarter in the US banking system, with the collapse of two US regional banks. In reaction thereto, the FED rescued deposit holders and supplied liquidity to the banking system. However, despite concerns regarding the financial stability and the high level of uncertainty, Central banks around the world continued to hike the interest rates in order to revert the inflation to its targeted range, though, concurrently, they have succeeded in stabilizing the condition of banks and avoided a more intense crisis.

In Israel, economic indicators point at a slow growth. The integrated Index of the Bank of Israel rose in the first half of 2023 at an annualized rate of 1%, compared to the second half of last year. Notwithstanding this, the labor market continued to demonstrate strength, with the rate of unemployment for June amounting to 3.6%, as compared to 4.2% in December. On the other hand, the rate and scope of available positions continued to decline, with a steep decrease in the hi-tech sector.

Exchange rates. The dollar basket ("Dollar Index") weakened during the first half of the year at a rate of 1.5%, as a result of expectations for the termination of the rising interest process and the decline in the interest gap. The shekel was devalued against the dollar and against the currencies basket by 5.1% and 3.5%, respectively. This occurred on the background of the progress made in the implementation of the legal reform.

Inflation Similar to the global trend, inflation in Israel is at a slowing down trend, though it is still higher than the targeted range, amounting to 4.2%, while the core inflation amounts to 4.5%. A decrease in the short-term inflationary expectations was recorded in the second quarter of the year, from approx. 3.1% to 2.8% at the end of this half.

Monetary policy. As stated, central banks around the world continued to raise the interest rates, in order to bring back the inflation to the targeted range. The FED raised the interest to 5%-5.25% and the ECB raised it to 3.5%. The Bank of Israel also continued to raise the interest at a fast pace, raising it during the first half of the year from 3.25% to 4.75%.

Financial markets. On the background of the recovery of the economy, most of the leading indices in the developed markets were traded at rising quotations and investors' expectations that the increase in interest process is about to reach its end, and the lowering of the interest would be quick. On the other hand, the share indices of the Tel Aviv Stock Exchange dropped during the first half of the year, as a result of the advancement in legislation of the legal reform.

Trading in government bonds in Israel was affected by the global trend, alongside the progress made by the legal reform. Thus, while during the first quarter of 2023, ten year bonds recorded a moderate rise in yields of approx. 20 basis points, these maintained stability during the second quarter, at a level of approx. 3.8%. As a result, the gap in yields as against US bonds, which was negative at a level of approx. 30 basis points at the beginning of the year, and rose to approx. +30 at the end of March 2023, zeroed out at the end of the first half.

The third quarter of 2023[3]. US labor market data for July indicates a slowdown in the number of jobs added, although the rate of unemployment has fallen to 3.5% and wages have continued to rise at an annual rate of 4.4%.

The Fitch rating agency made a surprise announcement that it had downgraded the USA's credit rating from AAA to AA+.

The budgetary deficit in Israel continues to rise and reached a level of 1% of GDP in the twelve months ended in July, compared to 0.9% of GDP in June.

The Fed has hiked interest by 25 basis points to 5.25%-5.5%, noting that further rises depend on data. The ECB has raised interest to 3.75%.

Yields on US government bonds for ten years increased in view of strong economic data in the US, and recently, on the background of the lowering of the credit rating of the US by Fitch. In consequence thereof, yields reached a level of 4.2%, though later declined to 4.02% - approx. 20 basis points over their level at the end of June. On the other hand, yields on Israel government bonds rose since the beginning of the quarter by approx. 10 basis points to approx. 3.9%, and reverted to being traded at a negative yields gap against the US bonds.

Trading in the shekel was marked since the beginning of the quarter by a high volatility level, though at the end of the period, the exchange rate (against the dollar and against the basket) was at a level identical to that of the beginning of the period. Share markets recorded rising prices during this period, with the TA 125 Index rising by approx. 7%, while the S&P500 rose by approx. 3%.

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

For further details, see "Main developments in Israel and around the world in the first half of 2023" in "Corporate governance, audit, additional details on the business of the banking corporation and management thereof".

Material leading and developing risks

The Bank considers macro environment risks, business model risks, cyber and data protection risks, model risks and environment and climate risk, as the most significant developing leading risks. For additional details see the 2022 Annual Report (pp. 27-28).

3 All data relate to the period from July 1, 2023 and until August 8, 2023.

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three and six months periods ended on June 30, 2023, the independent auditors drew attention to Note 10 section 4, regarding claims that cannot be estimated.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

Net profit attributed to the Bank's shareholders for the first half of 2023 totaled NIS 2,456 million, compared with NIS 1,663 million in the corresponding period last year, an increase of 47.7%.
Return on equity net attributed to the Bank's shareholders for the first half of 2023 reached a rate of 19.0%, on an annual basis, compared with a rate of 14.9% for the corresponding period last year, and 15.1% for all of 2022.
The following are the main factors that had an effect on the business results of the Group in the first half of 2023, compared with the corresponding period last year:

a. An increase in net interest income in an amount of NIS 1,801 million (46.5%), which was affected by the growth in credit to the public in the non-linked segment and the rise in the Bank of Israel interest rate.
b. An increase in credit losses expenses in the amount of NIS 445 million. The expenses in the first half of 2023 stemmed from expenses on a specific basis, due to more stringent classifications, and from expenses on a group basis due to growth of the qualitative adjustment components, the recording of accounting write-offs, growth of the performing and problematic credit and changes in the macro-economic components.
c. An increase in the total non-interest income, of NIS 558 million (26.4%), which was affected, mostly, by an increase of NIS 593 million in non-interest financing income, mostly an increase in income from adjustments to fair value of derivative instruments, from an increase of NIS 80 million in fees and commissions (4.8%), mainly from an increase in credit card fees and commissions and from a decrease of NIS 115 million in other income, principally a decline in capital gains on sale of buildings.
d. An increase of NIS 478 million in operating and other expenses (14.0%), affected, mainly, from an increase of NIS 200 million in salaries (11.8%), from a NIS 40 million rise in maintenance and depreciation of buildings and equipment (6.6%) and from an increase of NIS 238 million in other expenses (21.4%).
e. Tax provision of NIS 1,389 million on earnings in the first half of 2023, compared with NIS 818 million in the corresponding period last year.

Additional details and explanations are presented below.
Net profit attributable to the Bank's shareholders amounted in the second quarter of 2023 to NIS 1,187 million, compared to NIS 1,269 million in the first quarter of the year, a decrease at the rate of 6.5%, and compared to NIS 680 million in the second quarter of 2022, an increase at the rate of 74.6%.
Net return on equity attributable to the Bank's shareholders reached in the second quarter of 2023 an annualized rate of 18.0%, compared to 20.1% in the first half of the year and compared to 11.8% in the second quarter of 2022.
The principal factors affecting the Group's business results in the second quarter of 2023, compared to the previous quarter, are:

a. An increase in net interest income in the amount of NIS 194 million (7.1%).
b. An increase in credit loss expenses in the amount of NIS 108 million (52.9%).
c. A decrease in non-interest income in the amount of NIS 366 million (24.1%).
d. An increase in operating and other expenses in the amount of NIS 23 million (1.2%).
e. A provision for taxes on income in the amount of NIS 626 million was recorded in the second quarter of 2023, compared to an amount of NIS 763 million in the preceding quarter.

Developments in Income and Expenses

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

	For the six months ended June 30,		
	2023	2022	Change
	In NIS millions		in %
Interest income	10,027	4,657	115.3
Interest expenses	4,353	784	455.2
Net interest income	**5,674**	**3,873**	**46.5**
Credit loss expenses	516	71	626.8
Net interest income after credit loss expenses	**5,158**	**3,802**	**35.7**
Non-interest Income			
Non-interest financing income	611	18	-
Fees and commissions	1,756	1,676	4.8
Other income	301	416	(27.6)
Total non-interest income	**2,668**	**2,110**	**26.4**
Operating and other Expenses			
Salaries and related expenses	1,899	1,699	11.8
Maintenance and depreciation of buildings and equipment	650	610	6.6
Other expenses	1,352	1,114	21.4
Total operating and other expenses	**3,901**	**3,423**	**14.0**
Profit before taxes	3,925	2,489	57.7
Provision for taxes on profit	1,389	818	69.8
Profit after taxes	**2,536**	**1,671**	**51.8**
Bank’s share in profits (losses) of Associates, net of tax effect	(4)	19	(121.1)
Net profit attributed to the non-controlling interests in consolidated companies	(76)	(27)	181.5
Net Profit attributed to Bank's shareholders	**2,456**	**1,663**	**47.7**
Return on shareholders' equity, in %(1)	19.0	14.9	
Efficiency ratio in %	46.8	57.2	
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**2,388**	**1,348**	**77.2**
Return on shareholders' equity , in %(1)- excluding certain components (see below)	18.5	12.1	
Efficiency ratio in % (see below)	47.8	61.4	

Footnote:
(1) On an annual basis.

Profitability - excluding certain components

	For the six months ended June 30		
	2023	2022	
	in NIS millions		Change in %
Net Profit Attributed to the Bank's Shareholders - as reported	2,456	1,663	47.7
Excluding(1):			
Realization of assets	(142)	(315)	
Provisions stemming from the separation of ICC	74	-	
Net Profit Attributed to the Bank's Shareholders - excluding the above components	**2,388**	**1,348**	**77.2**

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

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

	2023		2022	Change Q2 2023 compared to	
	Q2	Q1	Q2	Q1 2023	Q2 2022
	In NIS millions			in %	
Interest income	5,334	4,693	2,573	13.7	107.3
Interest expenses	2,400	1,953	500	22.9	380.0
Net interest income	**2,934**	**2,740**	**2,073**	**7.1**	**41.5**
Credit loss expenses	312	204	131	52.9	138.2
Net interest income after credit loss expenses	**2,622**	**2,536**	**1,942**	**3.4**	**35.0**
Non-interest Income					
Non-interest financing income (expenses)	282	329	(27)	(14.3)	-
Fees and commissions	869	887	851	(2.0)	2.1
Other income	-	301	-	(100.0)	-
Total non-interest income	**1,151**	**1,517**	**824**	**(24.1)**	**39.7**
Operating and other Expenses					
Salaries and related expenses	954	945	844	1.0	13.0
Maintenance and depreciation of buildings and equipment	326	324	307	0.6	6.2
Other expenses	659	693	565	(4.9)	16.6
Total operating and other expenses	**1,939**	**1,962**	**1,716**	**(1.2)**	**13.0**
Profit before taxes	1,834	2,091	1,050	(12.3)	74.7
Provision for taxes on profit	626	763	371	(18.0)	68.7
Profit after taxes	**1,208**	**1,328**	**679**	**(9.0)**	**77.9**
Bank's share in profits (losses) of Associates, net of tax effect	(9)	5	14	(280.0)	(164.3)
Net profit attributed to the non-controlling interests in consolidated companies	(12)	(64)	(13)	(81.3)	(7.7)
Net Profit attributed to Bank's shareholders	**1,187**	**1,269**	**680**	**(6.5)**	**74.6**
Return on shareholders' equity, in %[(1)]	18.0	20.1	11.8		
Efficiency ratio in %	47.5	46.1	59.2		
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**1,187**	**1,201**	**680**	**(1.2)**	**74.6**
Return on shareholders' equity, in %[(1)] - excluding certain components (see below)	18.0	19.0	11.8		
Efficiency ratio in % (see below)	47.5	48.1	59.2		

Footnote:

(1) On an annual basis.

Profitability - excluding certain components

	2023		2022	Q2 2023 compared to	
	Q2	Q1	Q2	Q1 2023	Q2 2022
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	1,187	1,269	680	(6.5)	74.6
Excluding[(1)]:					
Realization of assets	-	(142)	-		
Provisions stemming from the separation of ICC	-	74	-		
Net income attributed to the Bank's shareholders - excluding the above components	**1,187**	**1,201**	**680**	**(1.2)**	**74.6**

Footnote:

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

Details on Eliminated Components

Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel to the Discount Campus. For details, see Note 20 to the condensed financial statements.

Allowances deriving from the separation of ICC. For details, see Note 17 B 1 to the condensed financial statements.

Details on material changes in statement of profit and loss items

Net interest income. In the first half of 2023, net interest income amounted to NIS 5,674 million compared with NIS 3,873 million in the corresponding period last year, an increase of 46.5%. The rise in the net interest income in the amount of NIS 1,801 million, is explained by a positive price impact of NIS 1,750 million, and a positive quantitative effect in the amount of NIS 51 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).

The interest spread, excluding derivatives, reached a rate of 2.30% in the first half of 2023, compared with 2.17% in the corresponding period last year.

The average balance of interest bearing assets has increased by a rate of approx. 12.5%, from an amount of NIS 310,024 million to NIS 348,882 million, and the average balance of interest bearing liabilities increased by a rate of approx. 33.6%, from an amount of NIS 188,949 million to NIS 252,511 million.

Net interest income according to linkage segments

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

	For the six months ended June 30							
	2023				2022			
	Volume of activity(1) in %	Weight out of total net interest income, in %	Net interest income in NIS millions	Interest spread in %	Volume of activity(1) in %	Weight out of total net interest income, in %	Net interest income in NIS millions	Interest spread in %
Unlinked shekels	72.1	89.6	5,084	3.03	72.9	69.4	2,687	(2)2.24
CPI-linked shekels	8.3	12.2	692	1.63	7.7	15.3	594	1.92
Foreign Currency	19.6	(1.8)	(102)	0.87	19.4	15.3	592	1.91
Net interest income and the interest spread	**100.0**	**100.0**	**5,674**	**2.30**	**100.0**	**100.0**	**3,873**	**2.17**

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

The growth in net interest income, stemmed mostly from an increase in credit to the public in the non-linked segment and from a rise in the Bank of Israel interest, offset by a decline in the interest margin in the foreign currency segment.

Non-interest financing income amounted in the first half of 2023 to NIS 611 million, compared to NIS 18 million in the corresponding period last year.

The increase in non-interest financing income stems, mostly, from an increase in income from adjustments to fair value of derivative instruments (see below "Analysis of the total net financing income").

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

Composition of the net financing income

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions					
Interest income	5,334	4,693	3,930	3,113	2,573	2,084
Interest expenses	2,400	1,953	1,390	833	500	284
Net interest income(1)(2)	2,934	2,740	2,540	2,280	2,073	1,800
Non-interest financing income (expense)	282	329	248	151	(27)	45
Total net financing income	**3,216**	**3,069**	**2,788**	**2,431**	**2,046**	**1,845**
Additional information:						
(1) Margin from credit activity to the public	1,753	1,557	1,560	1,471	1,385	1,302
(2) Margin from deposits activity from the public	1,294	1,243	1,086	704	358	175
(3) Average prime interest rate	6.1%	5.4%	4.4%	3.0%	2.0%	1.6%

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

The rate of the margin on granting credit to the public operations to the average balance of credit to the public, increased from 2.4% in the first quarter of 2022, to a rate of 2.8% in the second quarter of 2023.

The rate of the margin on accepting deposits from the public operations to the average balance of deposits from the public, increased from 0.3% in the first quarter of 2022, to a rate of 1.8% in the second quarter of 2023.

The average prime rate of interest for the second quarter of 2023, increased by 4.5 percentage points as against the average prime rate of interest for the first quarter of 2022.

Most of the growth in margin on accepting deposits from the public operations stemmed from the household segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.7% in the second quarter of 2023), and from the small businesses segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.6% in the second quarter of 2023). See Note 12 to the condensed financial statements.

The margin on accepting deposits from the public operations is affected by the current account deposits that bear no interest. Upon eliminating the current account deposits, the rate of the margin on accepting deposits from the public operations would have reached approx. 1.2% in the second quarter of 2023 (as against 1.8%).

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

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

Analysis of the total net financing income

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions					
Financing Income from current operations	2,908	2,715	2,513	2,265	1,965	1,730
Effect of CPI on net interest income	234	170	111	151	230	134
Effect of CPI on derivative instruments	(19)	(8)	(15)	(39)	(65)	(37)
Net Profits (losses) from realization and adjustment to fair value of bonds(1)	(95)	(10)	(96)	(11)	16	60
Profits (losses) from investments in shares(2)	30	19	2	41	(15)	56
Adjustment to fair value of derivative instruments	116	70	210	(50)	(186)	(144)
Exchange rate differences, options and other derivatives(1)	42	113	62	71	100	46
Net profit on the sale of loans	-	-	1	3	1	-
Total net financing income	**3,216**	**3,069**	**2,788**	**2,431**	**2,046**	**1,845**
Footnotes:						
(1) Exchange rate differences of trading bonds are included in the exchange rate differences line	2	3	3	(3)	19	4
(2) Of which: income from realizations in Discount Capital in deduction of provision for impairment	14	32	(2)	5	15	39

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

Net financing income, amounted in the first half of 2023 to NIS 6,285 million, compared to NIS 3,891 million in the corresponding period last year, an increase of 61.5%. The increase in financing income stemmed mostly from an increase in financing income from current operations and from the positive effect of adjustment to fair value of derivatives.

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

Interest margin, including derivatives not for trading reached a rate of 1.99% in the first half of 2023, compared with 1.98% in the corresponding period last year.

Net financing income amounted in the second quarter of 2023 to NIS 3,216 million, compared to NIS 2,046 million in the corresponding quarter last year, an increase at the rate of 57.2%, and compared to NIS 3,069 million in the first quarter of 2023, an increase at the rate of 4.8%.

Interest margin, including derivatives not for trading reached a rate of 2.04% in the second quarter of 2023, compared to 2.07% in the corresponding quarter last year and compared to 1.93% in the first quarter of 2023.

Development of the net interest income by regulatory operating segments

	For the three months ended June 30,			For the six months ended June 30,		
	2023	2022		2023	2022	
	In NIS millions		Change in %	In NIS millions		Change in %
Domestic operations:						
Households	1,268	643	97.2	2,425	1,200	102.1
Private banking	104	33	215.2	201	50	302.0
Small and minute businesses	735	427	72.1	1,407	800	75.9
Medium businesses	191	112	70.5	361	213	69.5
Large businesses	417	259	61.0	771	470	64.0
Institutional bodies	21	16	31.3	42	22	90.9
Financial management	(106)	309	(134.3)	(175)	610	(128.7)
Total Domestic operations	**2,630**	**1,799**	**46.2**	**5,032**	**3,365**	**49.5**
Total International operations	**304**	**274**	**10.9**	**642**	**508**	**26.4**
Total	**2,934**	**2,073**	**41.5**	**5,674**	**3,873**	**46.5**

Credit loss expenses. In the first half of 2023 credit loss expenses in the amount of 516 million were recorded, compared with expenses of NIS 71 million in the corresponding period last year.

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

- Expenses on a group basis (excluding housing loans) in the amount of NIS 383 million, compared expenses of NIS 107 million, in the corresponding period last year. The expenses in the first half of 2023 were affected mainly by the growth in preforming and problematic credit balances, growth in qualitative adjustments components, recording of accounting write-offs and growth in the macro economic components;
- Expenses on a specific basis in the amount of NIS 116 million, compared to expenses release in the amount of NIS 70 million in the corresponding period last year. The expenses in the first half of 2023 were affected mainly by the more stringent classification of a number of borrowers and from the recording of accounting write-offs;
- Expenses for housing loans in the amount of NIS 17 million, compared to expenses in the amount of NIS 34 million, in the corresponding period last year.

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

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

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions					
On a specific basis						
Change in allowance	94	[3](36)	(30)	30	(36)	(71)
Gross Accounting Write-offs	31	81	111	53	50	58
Collection	(15)	(39)	(24)	(70)	(49)	(22)
Total on a specific basis	**110**	**6**	**57**	**13**	**(35)**	**(35)**
On a group basis						
Change in allowance	130	[3]153	128	55	126	(46)
Gross Accounting Write-offs	168	154	132	124	138	112
Collection	(96)	(109)	(87)	(86)	(98)	(91)
Total on a group basis	**202**	**198**	**173**	**93**	**166**	**(25)**
Total	**312**	**204**	**230**	**106**	**131**	**(60)**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public[1]:						
The rate in the quarter:	[2]0.49%	[2]0.33%	[2]0.38%	[2]0.18%	[2]0.23%	[2](0.11%)
Cumulative rate since the beginning of the year:	[2]0.41%	[2]0.33%	0.18%	[2]0.10%	[2]0.06%	[2](0.11%)

Footnotes:

(1) On an annual basis.

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

(3) Reclassified following improvement of data.

Development in the credit loss expenses

	For the six months ended June 30,		For the year
	2023	2022	2022
	In NIS millions		
On a specific basis			
Change in allowance	58	(107)	(107)
Gross accounting write-offs	112	108	272
Collection	(54)	(71)	(165)
Total on a specific basis	**116**	**(70)**	**-**
On a group basis			
Change in allowance	283	80	263
Gross accounting write-offs	322	250	506
Collection	(205)	(189)	(362)
Total on a group basis	**400**	**141**	**407**
Total	**516**	**71**	**407**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public	(1)(2)0.41%	(1)(2)0.06%	0.18%

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

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

Fees and commissions in the first half of 2023 amounted to NIS 1,756 million, compared to NIS 1,676 million in the corresponding period last year, an increase of 4.8%. The increase was mainly affected by credit card fees and commissions, handling credit fees and commissions, ledger fees and exchange differences, partly offset by a decrease in fees and commissions earned on operations in securities and in certain derivative instruments.

Distribution of the fees and commissions

	For the three months ended June 30,			For the six months ended June 30,		
	2023	2022	Change	2023	2022	Change
	in NIS millions		in %	in NIS millions		in %
Account Management fees	122	115	6.1	249	230	8.3
Credit cards	467	426	9.6	907	821	10.5
Operations in securities and in certain derivative instruments	72	86	(16.3)	157	195	(19.5)
Fees and commissions from the distribution of financial products	37	40	(7.5)	74	81	(8.6)
Handling credit	54	66	(18.2)	127	117	8.5
Conversion differences	44	39	12.8	93	77	20.8
Foreign trade services	15	16	(6.3)	29	31	(6.5)
Fees and commissions on financing activities	36	44	(18.2)	77	85	(9.4)
Other fees and commissions	22	19	15.8	43	39	10.3
Total fees and commissions	**869**	**851**	**2.1**	**1,756**	**1,676**	**4.8**

Salaries and related expenses amounted to NIS 1,899 million in the first half of 2023, compared with NIS 1,699 million in the corresponding period last year, an increase of 11.8%. The growth was mostly impacted by the rise in salaries and in the manpower position at IDB Bank. With the elimination of the effect of certain components as detailed below, an increase of 8.2% would have been recorded.

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

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

Other expenses amounted to NIS 1,352 million in the first half of 2023, compared to NIS 1,114 million in the corresponding period last year, an increase of 21.4%. The increase was affected, mainly, by an increase in expenses from fees and commissions, as a result of an increase in credit card activity, computer expenses and expenses for pension.

Developments in the comprehensive income

Changes in other comprehensive income (loss) after tax effect

	Other comprehensive income (loss), before attribution to non-controlling interests					Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive loss attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for- sale bonds at fair value	Adjustments from translation of financial statements[1]	Net profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
For the six months ended June 30, 2023 and 2022							
Balance at December 31, 2022	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	(4)	242	3	25	266	-	266
Balance at June 30, 2023	**(1,323)**	**15**	**(17)**	**(427)**	**(1,752)**	**(6)**	**(1,746)**
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	[2](1,360)	461	(14)	312	(601)	5	(606)
Balance at June 30, 2022	**(1,117)**	**(250)**	**(15)**	**(503)**	**(1,885)**	**(5)**	**(1,880)**

Footnotes:

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

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

The comprehensive income amounted in the first half of 2023 to NIS 2,722 million, as compared with NIS 1,057 million in the first half of 2022. The difference between the comprehensive income for this quarter and the net profit, stemmed mostly from profits in the amount of NIS 242 million on translation adjustments and profits of NIS 25 million on adjustments relating to employee benefits.

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

Development of Assets and Liabilities

Total assets as at June 30, 2023, amounted to NIS 391,815 million, compared with NIS 376,754 million at the end of 2022, an increase of 4.0%.

Developments in the principal balance sheet items

	June 30, 2023	December 31, 2022	Rate of change
	in NIS millions		in %
Assets			
Cash and deposits with banks	56,696	65,713	(13.7)
Securities	54,537	44,794	21.8
Net credit to the public	253,197	241,079	5.0
Liabilities			
Deposits from the public	292,656	292,293	0.1
Deposits from banks	14,208	15,376	(7.6)
Subordinated debt notes	16,479	12,308	33.9
Shareholders' equity	27,016	24,880	8.6
Total equity	27,682	25,478	8.7

Explanation of changes in certain balance sheet items

Cash and deposits with banks. Cash and deposits with banks decreased in the first half of 2023 by approx. 13.7%, comprising a decrease of approx. NIS 5.7 billion. Most of the decline stemmed principally from the growth in the credit portfolio.

Bonds and subordinated debt notes. The balance increased by approx. NIS 4.2 billion, mostly as a result of an international issuance of U.S. dollar terms bonds in the amount of approx. US$800 billion and local issues of bonds in the amount of approx. NIS 1.6 billion, and of subordinated debt noted having a loss absorption mechanism, in the amount of approx. NIS 0.4 billion. This amount was offset by the redemption of commercial securities Series 2 in the amount of approx. NIS 700 million. For additional details see Note 21 to the condensed financial statements.

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

Credit to the public

General. Net credit to the public (after allowance for credit losses) as of June 30, 2023 totaled NIS 253,197 million, compared with NIS 241,079 million at the end of 2022, an increase of 5.0%.

For details on the credit portfolio, see the 2022 Annual Report (pp. 40-43). For details on credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2022 Annual Report (pp. 67-89). For details on the quality of credit, see Note 14 B, sections 1-2, to the condensed financial statements and in the 2022 Annual Report (pp. 275-277).

Composition of credit to the public by linkage segments

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

	June 30, 2023		December 31, 2022		
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	Rate of change in %
Non-linked shekels	187,149	73.9	179,846	74.6	4.1
CPI-linked shekels	27,717	10.9	24,334	10.1	13.9
Foreign currency and foreign currency-linked shekels	38,331	15.2	36,899	15.3	3.9
Total	**253,197**	**100.0**	**241,079**	**100.0**	**5.0**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 3.9% compared with December 31, 2022. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels decreased by US$126 million, a decrease of 1.2% as compared to December 31, 2022. The total credit to the public, which includes credit in foreign currency and Israeli currency linked to foreign currency, computed in U.S. dollar terms, increased by a rate of 4.2% as compared to December 31, 2022.

Composition of credit to the public by regulatory operating segments

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

	June 30, 2023				December 31, 2022	
Linkage segment	Unlinked shekels	CPI-linked shekels	Foreign Currency linked shekels & Foreign Currency	Total	Total	Change
			In NIS millions			in %
Domestic operations:						
Households*	81,331	19,110	92	100,533	97,457	3.2
Private banking*	380	59	26	465	490	(5.1)
Small and minute businesses	40,361	1,429	744	42,534	41,185	3.3
Medium businesses	16,499	1,368	998	18,864	17,224	9.5
Large businesses	51,126	5,898	6,944	63,967	58,407	9.5
Institutional bodies	342	-	86	428	416	2.9
Total Domestic operations	**190,040**	**27,863**	**8,889**	**226,791**	**215,179**	**5.4**
Total International operations*	**46**	**-**	**29,931**	**29,977**	**29,109**	**3.0**
Total credit to the public	**190,085**	**27,863**	**38,820**	**256,768**	**244,288**	**5.1**
Credit loss expenses	(2,877)	(194)	(500)	(3,571)	(3,209)	11.3
Total net credit to the public	**187,209**	**27,669**	**38,320**	**253,197**	**241,079**	**5.0**
*Of which - Mortgages	49,087	18,381	457	67,925	65,325	4.0

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

	December 31, 2022			
Linkage segment	Unlinked shekels	CPI-linked shekels	Foreign Currency linked shekels & Foreign Currency	Total
	In NIS millions			
Domestic operations:				
Households*	79,445	17,913	100	97,457
Private banking*	405	58	27	490
Small and minute businesses	39,227	1,099	858	41,185
Medium businesses	15,168	1,205	852	17,224
Large businesses	47,883	4,163	6,360	58,407
Institutional bodies	366	-	50	416
Total Domestic operations	**182,494**	**24,439**	**8,247**	**215,179**
Total International operations*	**46**	**-**	**29,064**	**29,109**
Total credit to the public	**182,540**	**24,439**	**37,310**	**244,288**
Credit loss expenses	(2,607)	(165)	(438)	(3,209)
Total net credit to the public	**179,934**	**24,274**	**36,873**	**241,079**
*Of which - Mortgages	47,840	17,035	451	65,325

The increase in credit to the public in the first half of 2023 reflects growth in the focus points determined in the updated strategic plan. Credit to households excluding housing loans grew by NIS 444 million (1.4%). Credit to medium businesses grew by NIS 1,640 million (9.5%). Credit to large businesses grew by NIS 5,560 million (9.5%) and housing credit grew by NIS 2,600 million (4.0%).
As seen from the above table, IDB Bank recorded during the reporting period growth regarding the credit balances.

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

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

	June 30, 2023		December 31, 2022		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk(1)	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	24,042	6.0	22,904	6.1	5.0
Construction and real estate - construction	52,627	13.2	49,371	13.1	6.6
Construction and real estate - real estate activity	32,979	8.2	30,507	8.1	8.1
Commerce	41,492	10.4	37,998	10.0	9.2
Financial services	42,865	10.7	35,968	9.6	19.2
Private individuals - housing loans	76,464	19.1	73,674	19.7	3.8
Private individuals - other	76,110	19.0	74,956	19.9	1.5
Other sectors	53,470	13.4	50,837	13.5	5.2
Total overall credit to the public risk	**400,049**	**100.0**	**376,215**	**100.0**	**6.3**

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

The data presented above indicates that in the first half of 2023, the overall risk regarding credit to the public increased by 6.3% compared with the end of 2022. This growth applied mostly to financial services, commerce, construction and real estate – construction and private individuals - housing loans sectors.

Development of problematic credit risk

Following are details on credit to the public, as specified in Note 14 to the condensed financial statements:
Problematic credit to the public. The balance-sheet problematic credit to the public (both accruing and non-accruing interest) amounted at June 30, 2023, to NIS 8,084 million, as compared to NIS 6,703 million at December 31, 2022, an increase of 20.6%.
Problematic credit not accruing interest. The problematic credit to the public that does not accrue interest income amounted at June 30, 2023, to NIS 2,143 million, as compared to NIS 1,520 million at December 31, 2022, an increase of 41.0%.

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

	June 30, 2023			December 31, 2022		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk(1)	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	24,042	732	3.0	22,904	739	3.2
Construction and real estate - construction	52,627	1,004	1.9	49,371	1,219	2.5
Construction and real estate - real estate activity	32,979	2,111	6.4	30,507	1,361	4.5
Commerce	41,492	1,279	3.1	37,998	931	2.5
Financial services	42,865	28	0.1	35,968	5	0.0
Private individuals - housing loans	76,464	327	0.4	73,674	313	0.4
Private individuals - other	76,110	904	1.2	74,956	529	0.7
Hotels, Hotel Services and Food	4,113	450	10.9	3,842	466	12.1
Transportation and Storage	8,448	235	2.8	7,434	271	3.6
Other Sectors	40,909	1,547	3.8	39,561	1,382	3.5
Total Public	**400,049**	**8,617**	**2.2**	**376,215**	**7,216**	**1.9**
Banks	10,298	-	-	7,136	-	-
Governments	44,745	-	-	36,055	-	-
Total	**455,092**	**8,617**	**1.9**	**419,406**	**7,216**	**1.7**

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

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

The balances of the allowance for credit losses

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a group basis, but not including allowance for off-balance sheet credit risk, totalled NIS 3,571 million as of June 30, 2023. The balance of this allowance constituted 1.4% of the credit to the public, compared with a balance of the allowance in the amount of NIS 3,209 million, constituting 1.3% of the credit to the public as of December 31, 2022.
The balance of allowances for credit losses for non-accruing credit amounted on June 30, 2023 to NIS 384 million, compared with a balance of allowances in an amount of 248 as of December 31, 2022.

The balance of allowances for credit losses for accruing credit amounted on June 30, 2023 to NIS 3,187 million (of which for accruing problematic debts – NIS 386 million), compared with a balance of allowances in an amount of NIS 2,961 million as of December 31, 2022 (of which for accruing problematic debts – NIS 397 million).

The risk characterization of the credit to the public portfolio

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

	For the six months ended June 30			
	2023		2022	
	Credit loss expense (expense release)	Rate of expense (expense release)	Credit loss expense (expense release)	Rate of expense (expense release)
sectors	In NIS millions	%	In NIS millions	%
Industry	33	0.5	4	0.1
Construction and real estate - construction	61	0.5	(2)	(0.0)
Construction and real estate - real estate activity	103	0.7	(33)	(0.3)
Commerce	68	0.4	(34)	(0.3)
Hotels, hotel services and food	-	-	(43)	(2.3)
Transportation and storage	4	0.1	1	0.0
Financial services	35	0.4	(3)	(0.0)
Other Business Services	(5)	(0.2)	(5)	(0.2)
Public and Community Services	(17)	(0.2)	23	0.3
Other Sectors	64	1.5	51	1.4
Total Commercial	**346**	**0.4**	**(41)**	**(0.1)**
Private Individuals - Housing Loans	17	0.1	34	0.1
Private Individuals - Other	147	0.9	79	0.5
Total credit loss expenses to the public.	**510**	**0.4**	**72**	**0.1**
Total Banks and Governments	6	0.3	(1)	(0.1)
Total credit loss expenses.	**516**	**0.4**	**71**	**0.1**

Securities

General. Securities in the Nosrto portfolio totaled NIS 54,537 million as of June 30, 2023, compared with NIS 44,794 million at the end of 2022, an increase of 21.8%. Securities included in the "nostro" portfolio of the Discount Group, the investment in which as of June 30, 2023, amounted to 5% or over of the total amount of the portfolio: "government variable 1130" and the "MAKAM 314" security types, which amounted to approx. 9.3% and approx. 5.1%, of the total portfolio, respectively.
As of June 30, 2023, approx. 72.6% of the portfolio is invested in Government bonds, and approx. 15.0% of the portfolio is invested in bonds backed by mortgages of different federal agencies (Freddie Mac, Fannie Mae, Ginnie Mae) with an "AAA" rating, (of which - approx. 0.4% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE)). For details on the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, sections 1-3. For details on the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, section 2.
For details on the Nostro portfolios management policy, see 2022 Annual Report (p. 44).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	June 30, 2023	December 31, 2022	Rate of change in %
	In NIS millions		
Non-linked shekels	27,915	21,961	27.1
CPI-linked shekels	4,977	2,494	99.6
Foreign currency and foreign currency-linked shekels	19,815	18,546	6.8
Shares - non-monetary items	1,830	1,793	2.1
Total	**54,537**	**44,794**	**21.8**

Securities in foreign currency and in Israeli currency linked to foreign currency increased by 6.8%, compared with December 31, 2022. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency increased by US$85 million, an increase of 1.6% as compared with December 31, 2022. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms, increased by 19.6% as compared with December 31, 2022.

Composition of the securities portfolio according to portfolio classification

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

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

	June 30,2023			December 31 ,2022		
	Amortized Cost (in shares-cost)	Fair value	Book value	Amortized Cost (in shares-cost)	Fair value	Book value
	in NIS millions					
Bonds						
Held to maturity	13,615	12,256	13,615	14,847	13,594	14,847
Available for sale	31,904	30,423	30,423	27,344	25,858	25,858
Trading	8,676	8,669	8,669	2,309	2,296	2,296
Shares						
Available for sale	1,712	1,798	1,798	1,692	1,767	1,767
Trading	8	32	32	4	26	26
Total Securities	**55,915**	**53,178**	**54,537**	**46,196**	**43,541**	**44,794**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of June 30, 2023, includes investments in corporate bonds in the amount of NIS 3,219 million (of which an amount of NIS 401 million is held by IDB Bank), compared with NIS 2,703 million as of December 31, 2022, an increase of 19.1%. For details as to the balance of unrealized profit (losses) included in the balance of the said bonds, see Note 5 to the condensed financial statements.

Transfer of bonds to the held-to-maturity portfolio. On May 17, 2022, the Bank, IDB Bank and MDB transferred bonds from the available-for-sale portfolio to the held-to-maturity portfolio, in a total amount of approx. NIS 4.5 billion. As required by the reporting instructions, the unrealized loss on adjustment to fair value of the said bonds at the transfer date, would continue to be presented in other comprehensive income and would be amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield. The balance of unrealized losses on adjustment to fair value as of June 30, 2023, in respect of the said bonds, amounted to a pre-tax amount of NIS 370 million.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of June 30, 2023 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 9,809 million, compared to an amount of NIS 8,412 million as at December 31, 2022, an increase of 16.6%. The amount includes investment in mortgage backed securities in the amount of NIS 8,928 million, which are held by IDB Bank, compared to an amount of NIS 7,592 million as at December 31, 2022, an increase at a rate of 17.6%. Approx. 83.5% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.
As of June 30, 2023, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 1,193 million, compared with NIS 1,063 million as of December 31, 2022.
For details on the agencies operating under the auspices of the U.S. Governance, see the 2022 Annual Report (p. 46).
CLO. IDB Bank holds secured bonds of the CLO class in a total amount of approx. NIS 738 million. The said securities are rated AA-AAA, by at least one rating agency. The Bank holds secured bonds of the CLO class in a total amount of NIS 881 million. The said securities are rated AA-AAA. For details, see Note 5 to the condensed financial statements.

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

In light of the increase trend in yields to maturity recorded in the bond market in the first half of 2023, unrealized losses, included in the portfolio of available-for-sale bonds, were recorded in the first half, which as of June 30, 2023 amounted to a total of NIS 1,529 million (before tax), representing approx. 5.0% of the portfolio balance (December 31, 2022 - losses in the amount of NIS 1,566 million, approx. 6.1% of the portfolio balance). As assessed by the Management, these losses are due to an increase in yields in the capital market, which is explained by the expectation of an increase in interest rates and a change in inflation expectations. It should also be noted that most of the losses in the portfolio are attributed to bonds issued by governments (mainly the Israeli government) and bonds backed by assets or mortgages. Based on the above, the Bank's Management estimates that these losses stem from changes in the market and not from credit losses. The classification of losses inherent in the portfolio of available-for-sale bonds is reviewed by the Bank on a quarterly basis. No provision for impairment in value was recognized in the statement of profit and loss for the first half of 2023.
For details on the review of impairment of available-for-sale bonds, see below "Critical accounting policies and critical accounting estimates" and Note 1 D section 4a to the financial statements as of December 31, 2022 (p. 151).
For details regarding unrealized losses on available-for-sale bonds that are in a loss position, by period of time and rate of impairment, see Note 5 to the condensed financial statements.

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

The balance of the adjustments presented as part of equity, for stating available-for-sale bonds at fair value, including for bonds on loan, amounted at June 30, 2023, to NIS 1,941 million unrealized losses before tax effect, compared to NIS 1,940 million unrealized losses before the tax effect, as of December 31, 2022.

Customer assets

Deposits from the public as of June 30, 2023, totalled NIS 292,656 million, compared with NIS 292,293 million at the end of 2022, an increase of 0.1%.

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

	June 30, 2023		December 31, 2022		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Non-linked shekels	191,405	65.4	196,945	67.4	(2.8)
CPI-linked shekels	5,620	1.9	4,188	1.4	34.2
Foreign currency and foreign currency-linked shekels	95,631	32.7	91,160	31.2	4.9
Total	**292,656**	**100.0**	**292,293**	**100.0**	**0.1**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased at the rate of 4.9%, compared with December 31, 2022. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency decreased by US$59 million, a decrease of 0.2% compared with December 31, 2022. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, decreased at a rate of 1.5%, compared with December 2022.

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

	June 30, 2023	December 31, 2022	
	In NIS millions		Change in %
Domestic operations:			
Households	95,274	94,036	1.3
Private banking	23,963	22,319	7.4
Small and minute businesses	47,637	47,752	(0.2)
Medium businesses	16,170	15,093	7.1
Large businesses	41,766	48,002	(13.0)
Institutional bodies	31,404	29,655	5.9
Total Domestic operations	**256,214**	**256,857**	**(0.3)**
Total International operations	**36,442**	**35,436**	**2.8**
Total deposits from the public	**292,656**	**292,293**	**0.1**

The ratio of total net credit to the public to deposits from the public was 86.5% as at June 30, 2023, compared with 82.5% at the end of 2022.

Deposits from the public of the three largest depositor groups amounted as of June 30, 2023, to NIS 11,394 million.

Securities held for customers. On June 30, 2023, the balance of the securities held for customers at the Bank amounted to approx. NIS 228.76 billion, including approx. NIS 0.95 billion of non-marketable securities, compared to approx. NIS 215.55 billion as at December 31, 2022, including approx. NIS 1.75 billion of non-marketable securities, an increase of approx. 6.1%. For details as to income from security activities, see "Distribution of the fees and commissions" above. In addition, the balance of securities held on behalf of customers at the MDB as of June 30, 2023, amounted to NIS 11.97 billion, compared with NIS 11.45 billion in December 31, 2022, an increase of 4.5%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at June 30, 2023, amounting to approx. NIS 21.88 billion, compared with NIS 21.65 billion as of December 31, 2022, an increase of 1.06%.

Capital and capital adequacy

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

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

Relief regarding the efficiency plan. The Supervisor of Banks granted the Bank relief regarding its 2018 and 2020 retirement plans. The Supervisor of Banks also granted MDB relief regarding its 2020 retirement plan. For further details, see the 2022 Annual Report (p. 225) and Note 9 to the condensed financial statements, section 1 (c).

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

Effect of the rise in the interest rate. As estimated by the Bank, a rise of 1% in the interest rate would reduce the Common Equity Tier 1 ratio by approx. 0.09%, in terms of June 30, 2023 (the calculation is based on the impact of a parallel increase in interest of 1% on the Group's securities portfolio and actuarial liabilities as of June 30, 2023, net of the tax effect).

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

Effect of the credit rating of the State of Israel. The credit rating of the State of Israel has an effect on the capital requirements, in view of the fact that the capital requirement for exposure to governments, to public sector entities (local authorities, for instance) and to banks, derives from the credit rating of the State. According to estimates of the Bank, if and to the extent that the credit rating of the State of Israel would decline (one notch), this would have a decrease of 0.2% in the Tier 1 capital ratio, in June 30, 2023 terms.

Common Equity Tier 1 goal and total capital goal

At least once a year, the Board of Directors approves the Bank's capital goals, which comprise a Common Equity Tier 1 goal and a total capital goal. These goals are based on the policy that has been approved by the Board of Directors, which expresses the Bank's appetite for risk, pursuant to which the Bank is required to maintain a higher capital adequacy level than the rate required by the ICAAP result and according to a system stress test. It should be noted that these goals take into account, inter alia, the results from the Bank's internal processes for determining the capital goals (the ICAAP results) and the results of the last SREP that was carried out, which includes a dialogue between the Bank and the Banking Supervision Department in relation to the specific risks of the Bank at the time when this process was carried out and the uniform stress tests were conducted[4].

On the background of the spreading of the Corona virus and with the aim of supporting the credit needs of customers during this period, the Bank's Board of Directors decided on April 7, 2020, to adjust the goal of the Common Equity Tier 1 ratio to 8.9% (instead of the previous 9.9%), as was permitted under the Provisional Instruction published by the Supervisor of Banks. The total capital goal was adjusted accordingly.

On November 22, 2021, the Bank's Board of Directors decided to reestablish the goal of the common equity Tier I capital ratio at the targeted range that had been in effect prior to the entry into effect of the Provisional Instruction. On the basis of the ICAAP and the SREP procedures as stated, including the latest uniform stress tests performed, the Board decided to reduce the said goal by 0.15%, fixing it at the rate of 9.75% as well as reduce the minimal total capital goal fixing it at the rate of 12.6%.

4 For the meaning of the term "uniform stress testing" and for further details, see "Stress testing" in Chapter C in the 2022 Annual Report (pp. 66-67), as well as "Assessing the capital adequacy" in the "Disclosure according to the third pillar of Basel and additional information on risks" document, which had been published within the framework of the 2022 Annual Report.

For additional details, see the document "Disclosure according to the third pillar of Basel and additional information on risks", which had been published within the framework of the 2022 Annual Report.

Capital Planning

As part of the capital planning process, the capital targets of the work plan have been set in the outline, which enables attainment of the Board of Directors' goals while maintaining a capital buffer in the event of unexpected fluctuations affecting the capital ratio, and from these the risk assets budget is derived. The allocation of the risk assets between the business units and the subsidiaries is in line with the strategic plan, while optimizing the Group's return on equity. The capital outline takes into consideration various parameters that have an effect on the capital ratios, such as: assumption of profitability consistent with the risk assets budget, dividend distribution, changes in the various capital reserves, regulatory adjustments and amortizations according to transitional instructions. The Bank examines a number of scenarios in arriving at the prescribed capital ratios.
As part of the capital management process, the Bank routinely examines its ability to attain the internal capital targets set by the Board of Directors and included in the work plan. Should the forecasted capital ratio differ considerably from that planned (by a predetermined rate), a Management discussion takes place to consider the measures that need to be taken in order to attain the prescribed outline – measures such as reducing risk assets, utilizing the capital buffer, and so forth.
For additional details, see "Capital adequacy" in the document "Disclosure according to the third pillar of Basel and additional information on risks" which had been published within the framework of the 2022 Annual Report. The document is available for perusal on the Bank's website together with the Bank's 2022 Annual Report, on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Exposure regarding the investment in Discount Bancorp Inc.

A US dollar exposure (structural position) in the amount of US$1,167 million exists as of June 30, 2023, stemming from the investment in the banking subsidiary in New York (Discount Bancorp Inc.). This exposure prevents material fluctuations in the ratio of capital to risk components caused by the effect of exchange rate of the US dollar on the credit risk. On the other hand, changes in the exchange rate of the dollar affect the shekel value of the investment in the said subsidiary and lead to fluctuations in other comprehensive profit and in the equity capital of the Bank.

Components of capital

Total capital as at June 30, 2023, totalled NIS 27,682 million, compared with NIS 25,478 million at the end of 2022, an increase of 8.7%.
Shareholders' equity as at June 30, 2023, totalled NIS 27,016 million, compared with NIS 24,880 million at the end of 2022, an increase of 8.6%. The change in Shareholders' equity in the first half of 2023 was affected, among other things, by the net earnings during the period, net of the tax effect, and from an increase of NIS 242 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 25 million.
The ratio of total capital, to total assets as at June 30, 2023, stood at 7.1%, compared with 6.8% on December 31, 2022.

Components of the regulatory capital as of June 30, 2023

Ratio of common equity tier 1 as of June 30, 2023, amounted to 10.35%, compared with 10.25% on December 31, 2022.
Total capital ratio as of June 30, 2023, amounted to 13.15%, compared with 13.03% on December 31, 2022.

Components of the regulatory capital as of June 30, 2023

	June 30,		December 31,
	2023	2022	2022
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	27,448	23,939	25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	**27,448**	**23,939**	**25,353**
Tier 2 capital	7,434	6,275	6,878
Total capital	**34,882**	**30,214**	**32,231**
2. Weighted risk assets balance			
Credit risk(2)	238,713	213,829	225,052
Market risk	5,200	4,690	3,633
CVA risk	2,430	1,526	2,077
Operational risk	18,884	15,490	16,685
Total weighted risk assets balance	**265,227**	**235,535**	**247,447**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.35	10.16	10.25
Ratio of total capital to risk assets	13.15	12.83	13.03
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.19	9.18	9.19
Total capital ratio	12.50	12.50	12.50

Footnotes:

(1) With an addition of 0.19% (June 30, 2022: 0.18%, December 31, 2022: 0.19%), according to the additional capital requirements with respect to housing loans - see Note 25 section 1(b) to the financial statements.

(2) The total weighted balances of the risk assets have been reduced by NIS 203 million (June 30, 2022: NIS 301 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated for the purchase of land as of December 31, 2022: NIS 555 million.

Raising of resources

The Bank may raise additional regulatory capital instruments according to the Bank's work plan for 2023 and market conditions, in order to maintain the total capital targets for 2023.

Additional disclosure according to the third pillar of Basel

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

Dividends distribution

For details on the dividend policy approved by the Board of Directors, see the 2022 Annual Report (p. 51)
On August 13, 2023 the Bank's Board of Directors decided to make a dividend distribution at the rate of 30% of the profits of the second quarter of 2023 (compared to 20% up until and including the fourth quarter of 2022), in an amount of approx. NIS 356 million, representing approx. 28.79 Agorot per ordinary A share of NIS 0.1 par value. Further details on the Board of Directors' decision, including the dates set as the record date and the payment date, are included in the immediate report that the Bank is issuing concurrently with the publication of this report.

On August 13, 2023, the Bank's Board of Directors approved an update to the Bank's dividend policy, according to which, the Bank may distribute in each quarter, a dividend of up to 40% of the distributable net earnings according to the consolidated financial statements for the previous quarter, instead of a distribution rate of up to 30%. The updating of the dividend policy was approved following attainment of the capital outline of the Bank and the consistent improvement in the business results of the Group.
It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution or regarding the rate of dividend to be distributed, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, according to the Companies Law and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Supervisor of Banks and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.
For details of the dividends paid as from the first quarter of 2022, see Note 18 to the condensed financial statements.
For details regarding the limitations set in the Supervisor of Banks' directives, see Note 24 C (2) to the financial statements as of December 31, 2022 (p. 221).

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

General

The regulatory operating segments have been defined by the Bank of Israel in the new directives, based on the characteristics of their customers, such as: the nature of their activity (in relation to private customers), or their business turnover (in case of commercial customers), in a format that connects, on a uniform and single value basis, between the different customers of the banking industry as a whole, and the regulatory operating segments.
According to the instructions, a banking corporation, the operating segments of which, according to the approach of its Management, are materially different from the regulatory operating segments, shall provide in addition, disclosure regarding operating segments according to the Management's approach ("managerial operating segments"), according to the accounting principles accepted by U.S. banks in the matter of operating segments – (ASC 280). However, according to new directives and clarifications of the Banking Supervision Department, the disclosure in the directors' and management report shall relate to regulatory operating segments only. Note 13 to the condensed financial statements present a quantitative disclosure of the managerial operating segments that the Bank has identified.
Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements.
For details on the relevant public reporting instructions and the definition of the segments, and details on the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2022 (pp. 253-255).

Administrative Structure

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

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to NIS 913 million, compared to an amount of 235 million in the corresponding period last year, an increase of 288.5%. The growth in profits was, mostly, affected by growth in income. The growth in income is mainly explained by the growth in net interest income, attributed mainly to the increase in margin income from deposit operations due to the rise in the Bank of Israel interest. In addition, an increase was also recorded in margin income from credit operations, mostly due to the positive quantity effect (increase in credit).
The credit loss expenses in the first half of 2023 recorded expenses of NIS 172 million, compared to expenses of NIS 112 million in the corresponding period last year, an increase of 53.6%. The increase in expenses is due, mostly, from the group allowance.

Principal data on the household segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	1,767	1,113	3,413	2,113	4,966
Credit loss expenses	104	83	172	112	222
Total Operating and other expenses	888	821	1,813	1,628	3,393
Net Profit Attributed to the bank's shareholders	490	119	913	235	849

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

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to NIS 121 million, compared to NIS 29 million in the corresponding period last year, an increase of 317.2%. The growth in profits was mostly affected by growth in income.

Principal data on the Private Banking segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	127	55	247	92	280
Credit loss expenses	1	-	-	1	1
Total Operating and other expenses	31	27	63	48	111
Net Profit Attributed to the bank's shareholders	63	18	121	29	112

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

Small and minute businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to 581 million, compared to an amount of NIS 289 million in the corresponding period last year, an increase at a rate of 101.0%. The growth in profits was mostly affected by growth in income. The growth in income is mainly explained by the growth in net interest income, attributed mainly to the increase in margin income from deposit operations due to the rise in the Bank of Israel interest.
The credit loss expenses in the first half of 2023 expenses were recorded of NIS 114 million, compared to expenses of NIS 14 million in the corresponding period last year. The increase in expenses is due, mostly, to the increase in the group allowance.

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

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	892	575	1,716	1,099	2,555
Credit loss expenses	41	18	114	14	89
Total Operating and other expenses	353	320	704	653	1,371
Net Profit Attributed to the bank's shareholders	326	149	581	289	721

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

Medium businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to NIS 149 million, compared to an amount of 102 million in the corresponding period last year, an increase at a rate of 46.1%.
The credit loss expenses in the first half of 2023 amounted to expenses of NIS 61 million, compared to expenses release of NIS 5 million in the corresponding period last year.

Principal data on the Medium businesses segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	229	145	437	282	648
Credit loss expenses (expenses release)	60	3	61	(5)	35
Total Operating and other expenses	72	65	144	135	281
Net Profit Attributed to the bank's shareholders	62	49	149	102	221

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

Large businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to NIS 275 million, compared to an amount of NIS 254 million in the corresponding period last year, an increase at a rate of 8.3%.
The credit loss expenses in the first half of 2023 amounted to expenses of NIS 169 million, compared to expenses release of NIS 19 million in the corresponding period last year. The increase in expenses is due, mostly, to the increase in the group allowance.

Principal data on the Large businesses segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	527	374	1,000	689	1,576
Credit loss expenses (expenses release)	95	28	169	(19)	70
Total Operating and other expenses	194	170	381	328	703
Net Profit Attributed to the bank's shareholders	146	113	275	254	528

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

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit of the segment in the first half of 2023 amounted to NIS 8 million, compared with NIS 3 million in the corresponding period last year.

Principal data on the Institutional bodies segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	26	19	47	28	77
Credit loss expenses (expenses release)	-	3	-	(3)	(2)
Total Operating and other expenses	16	14	33	28	59
Net Profit Attributed to the bank's shareholders	5	2	8	3	14

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

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

Total income of the segment in the first half of 2023 amounted to NIS 738 million, compared to NIS 1,053 million in the corresponding period last year, a decrease at a rate of 29.9%. The decrease in income was, inter alia, impacted by the decrease in the realization of assets compared with the corresponding period last year, and from the rise in price of money relating to deposits, offset by the rise in the price of money relating to credit and the rise in interest on bank deposits and bonds. See Note 20 to the condensed financial statements.
The net profit in the first half of 2023 amounted to NIS 246 million, compared to an amount of NIS 567 million in the corresponding period last year, a decrease at a rate of 56.6%.

Principal data on the Financial management segment (Domestic operations)

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	164	270	738	1,053	1,494
Credit loss expenses	2	4	6	-	-
Total Operating and other expenses	121	99	262	220	465
Net Profit Attributed to the bank's shareholders	53	124	246	567	702

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

International operations Segment

Scale of Operations and Net Profit of the Segment

The net profit in the first half of 2023 amounted to NIS 163 million, compared to NIS 184 million in the corresponding period last year, an increase at a rate of 11.4%.
The credit loss expenses in this segment in the first half of 2023 amounted to expenses release of NIS 6 million, compared to expenses release of NIS 29 million in the corresponding period last year.

Principal data on the International operations segment

	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
Total income	353	346	744	627	1,348
Credit loss expenses (expenses release)	9	(8)	(6)	(29)	(8)
Total Operating and other expenses	264	200	501	383	834
Net Profit Attributed to the bank's shareholders	42	106	163	184	348

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

Main Investee Companies

Distribution of Net profit by the Group's structure

	Contribution to the Group's profit				
	For the six months ended June 30				
	2023		2022		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
In Israel - the Bank	1,613	65.7	1,052	63.3	53.3
Mercantile Discount Bank	495	20.2	265	15.9	86.8
Overseas - Discount Bancorp	166	6.8	178	10.7	(6.7)
Other Activities:					
Israel Credit Cards	162	6.6	99	6.0	63.6
Discount Capital	27	1.1	75	4.5	(64.0)
Other financial services	(7)	(0.4)	(6)	(0.4)	(16.7)
Net profit	**2,456**	**100.0**	**1,663**	**100.0**	**47.7**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 843 million in the first half of 2023, compared to NIS 611 million in the corresponding period last year, and an income of NIS 1,203 million in all of 2022.
The Bank evaluates the performance and opportunities of the principal investee companies, an evaluation that includes, from time to time, an examination of the strategic alternatives relating to the main investee companies.
Following are the major developments in the Bank's main investee companies.

Discount Bancorp, Inc.

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

Discount Bancorp, Inc. – principal data

	Second Quarter		First Half		Year
	2023	2022	2023	2022	2022
	In US$ millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	22	29	52	57	114
Net interest income	86	79	173	151	335
Credit loss expenses (expenses release)	2	(2)	(2)	(9)	(3)
Non-financing income	17	20	34	38	68
Non-financing expenses	73	62	141	120	255
Principal balance sheet data for the end of the reporting period:					
Total assets	12,224	12,604	12,224	12,604	12,512
Credit to the public, net	7,982	8,608	7,982	8,608	8,154
Securities	2,705	2,607	2,705	2,607	2,460
Deposits from the public	10,266	10,821	10,266	10,821	10,479
Total equity	1,167	1,094	1,167	1,094	1,121
	In %				
Main performance indicators:					
Return on equity	7.5	10.8	9.0	10.3	10.2
Efficiency ratio	70.9	62.6	68.1	63.5	63.4
Ratio of total capital to risk assets	15.7	13.8	15.7	13.8	15.1
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.10	(0.10)	(0.04)	(0.21)	(0.03)
Total net return on interest bearing assets	2.96	2.62	2.99	2.48	2.80

The main factors affecting the results of the first half, compared to the corresponding period last year, are: an increase in net interest income (US$15.6 million; 14.8%) effected from improvement in Return on Assets, a decrease in credit loss expenses release (US$7.2 million), and the increase in total operating and other expenses (US$20.6 million; 17.2%) stemming, mostly, from the rise in payroll expenses (approx. US$13.6 million), an increase in consulting expenses (approx. US$2.7 million) and an increase in other expenses (approx. US$2.4 million).
The contribution of Bancorp to the Bank's net results reached a profit of NIS 166 million in the first half of 2023 (after deducting a provision for taxes of NIS 25 million), compared with NIS 178 million in the first half of 2022 (after deducting a provision for taxes of NIS 23 million).
For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".
The annual financial statements of Bancorp and of IDB Bank are available for review on the Internet website of IDB Bank (IDB Bank). Annual and quarterly financial data is available for review on the Internet website of FDIC.

Mercantile Discount Bank Ltd.

Mercantile Discount Bank Ltd. ("Mercantile Discount") is a wholly-owned and controlled subsidiary of the Bank.

Mercantile Discount Bank – principal data

	Second Quarter		First Half		Year
	2023	2022	2023	2022	2022
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	258	144	495	265	601
Net interest income	608	414	1,171	773	1,746
Credit loss expenses	63	36	116	61	155
Non-financing income	111	89	220	178	376
Non-financing expenses	266	247	521	488	1,051
Principal balance sheet data for the end of the reporting period:					
Total assets	63,137	63,081	63,137	63,081	64,786
Credit to the public, net	44,163	41,306	44,163	41,306	42,569
Securities	6,872	7,001	6,872	7,001	6,988
Deposits from the public	49,637	49,466	49,637	49,466	51,047
Total equity	4,531	3,777	4,531	3,777	4,055
	In %				
Main performance indicators:					
Return on equity	23.7	15.5	23.4	14.2	15.7
Efficiency ratio	37.0	49.1	37.5	51.3	49.5
Ratio of total capital to risk assets	13.75	13.62	13.75	13.62	13.60
Ratio of credit loss expenses to the average balance of credit to the public	0.57	0.36	0.52	0.31	0.38
Total net return on interest bearing assets	3.91	2.86	3.76	2.68	2.92

The principal factors affecting the business results. The profit in the first half of 2023, compared to the corresponding period last year, was mainly affected by the following factors: an increase of NIS 55 million in credit loss expenses; an increase of NIS 398 million in net interest income (an increase of 51.5%), which stemmed mainly from the rise at an average rate of 4.15% in the Bank of Israel interest, from the rise at a rate of 8.1% in the average balance of the income producing assets and from a rise at the rate of 0.59 basis points in the interest margin, an increase of NIS 42 million in non-interest income (an increase of 23.6%) and an increase of NIS 33 million in the base of operating expenses.

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

For details on lawsuits and applications for approval of the lawsuits as class action suits and for details on additional proceedings, see Note 26 C to the financial statements as of December 31, 2022, sections 10.7 and 10.8 (p. 242) and Note 10 to the condensed financial statements, sections 3.2 and 3.3.

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

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of June 30, 2023, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.
For details regarding the separation of ICC from the Discount Group, see Note 17 B 1 to the condensed financial statements.

Israel Credit Cards – principal data

	Second Quarter		First Half		Year
	2023	2022	2023	2022	2022
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	82	81	345	161	309
The contribution to the Bank's business results(1)	50	50	162	99	190
Income from credit card transactions	447	412	870	789	1,651
Net interest income	203	172	397	332	680
Non-interest Income	-	31	301	48	102
Non-financing expenses	536	502	1,119	941	1,992
Of which: Credit loss expenses	53	27	94	26	97
Principal balance sheet data for the end of the reporting period:					
Total assets	19,633	17,698	19,633	17,698	18,547
Interest bearing credit to the public	8,762	7,518	8,762	7,518	8,183
Total equity	2,358	2,057	2,358	2,057	2,120
	In %				
Main performance indicators:					
Return on equity	14.2	14.6	31.3	14.4	14.3
Efficiency ratio	74.3	77.2	65.4	78.3	77.9
Ratio of total capital to risk assets	14.1	13.9	14.1	13.9	13.5
Turnover of credit card transactions – in NIS millions	40,744	37,088	80,443	71,675	149,851
Number of active cards – in thousands	3,418	3,238	3,418	3,238	3,330

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

The business results of ICC for the reported period, compared to the corresponding period last year, were mostly affected by an increase in income (NIS 103 million, 8.8%), stemming mostly from the increase in income from credit card transactions (NIS 81 million, 10.3%), which mostly stemmed from the growth in the issuance rounds of the company, and from an increase in net interest income (NIS 65 million, 19.6%),which mostly stemmed from growth at the rate of 17% in the credit portfolio of the company compared to June 30, 2022. On the other hand, expenses of the company increased (NIS 94 million, 10.1%), which mostly stemmed from growth of the volume of operations of the company and in credit loss expenses (NIS 68 million, 263.4%).
Profits in the first half were affected, inter alia, by gains on the sale of the company's building in Givataim, in the amount of NIS 231 million, net of the tax effect, and on the other hand, by recognition of an expense for the "phantom" option granted to EL AL Company in the amount of NIS 40 million, net of tax. (See Note 17 B 1 and Note 20 to the condensed financial statements, respectively).
Strategic plan. For details, see the 2022 Annual Report (p. 62).
Common Equity Tier 1 Goal. On July 16, 2023, ICC's Board of Directors approved that the Common Equity Tier 1 goal would be 10.0%.
Distribution of dividend. On March 31, 2023, ICC distributed to its shareholders a dividend of NIS 74 million (the share of the Bank is approx. NIS 53 million).
For details on activity in the credit card field in Israel, see in the 2022 Annual Report (pp. 315-321, 384-393) in the chapter "Corporate governance, audit and additional details on the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details on lawsuits and applications to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2022, sections 10.1, 10.4 and 10.9 (pp. 238-241) and Note 10 to the condensed financial statements, section 3.1.
The annual and quarterly financial statements of ICC are available for review on the Internet website of the company.

Discount Capital Ltd.

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

Discount Capital – principal data

	In NIS millions		
Principal statements of profit and loss data for the first half:	2023	2022	Change in %
Net profit attributed to the shareholders	30	[2]95	(68.4)
The contribution to the Bank's business results[1]	27	76	(64.5)

Principal balance sheet data for the end of the reporting period:	June 30, 2023	December 31, 2022	Change in %
Total assets	2,600	2,579	0.8
Total equity	1,333	1,293	3.1

Footnotes:
(1) Differences between net income and the contribution to the Bank's business results is derived from differences in the implementation of generally accepted accounting principles and from current tax liability for the investment on the company.
(2) Restated – Discount Capital has begun implementing the accounting principles adopted by the Bank with respect to everything relating to investments. The comparative data is restated accordingly.

For details regarding income from the investment portfolio of Discount Capital, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".
In the first half of 2023, Discount Capital participated, via its subsidiary, in 16 public offerings, and in 5 private transactions, of which 1 public offering for the Discount Group, amounting to approx. NIS 12.6 billion. This, compared with 21 public offerings, of which 2 for the Discount Group and 8 private transactions, amounting to approx. NIS 14.1 billion, in the corresponding period last year.

Chapter "C" - Risks review

General description of the risks and manner of management thereof

Risk Profile of the Discount Group - Risk Environment

For details on the risk profile of the Discount Group, see the 2022 Annual Report (pp. 63-64). For details on Risk Management Principles, see the 2022 Annual Report (pp. 64-65).

Disclosures according to the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure on the various risks above and below in this Chapter, is presented in the 2022 Annual Report (pp. 63-112) and in the document "Disclosure according to the third pillar of Basel and additional information on risks". The document is available for perusal on the Bank's website together with the Bank's 2022 annual report together with the Report for the first quarter of 2023 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

For details on Credit risks, see the 2022 Annual Report (pp. 67-89). For details regarding exposure to Russia and the Ukraine, see the 2022 Annual Report (p. 75).

Adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses

Starting with January 1, 2022, the Bank applies the directives of the Supervisor of Banks requiring adoption in full of the accounting principles accepted by US banks with respect to allowances for expected credit losses (CECL). The new rules were initially implemented in the first quarter of 2022, for the data as of January 1, 2022 (transition date). ICC implements the new rules as from January 1, 2023.
During 2022, the Bank continued to improve and develop the process for measuring the allowance for credit losses. The said improvement and development are continuing also in 2023.
It is noted that application of the new rules requires the formation of a methodology and complex models as well as a new technological application. Naturally, also after the beginning of initial application, improvement and development of the process for the measurement of the credit loss allowances are continuing, and respectively, such activity may require certain changes in the measurement procedure.
It is further noted, that the new rules do not require the application of a uniform methodology, and therefore, banking corporations had determined their own methodology and models used in the implementation of the rules, while using discretion. Care is therefore required in comparing the effects of the implementation as reported by the banks.

Credit quality and problematic credit risk

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

	Commercial	Housing	Private	Total
		In NIS millions		
		June 30, 2023		
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	157,600	67,014	31,657	256,271
Off-balance sheet credit risk[3]	76,362	8,475	40,757	125,594
Total credit risk in Credit Granting Rating	**233,962**	**75,489**	**72,414**	**381,865**
Credit risk not in Credit Granting Rating:				
1. Not problematic	4,492	584	2,002	7,078
2. Accruing problematic	5,145	88	712	5,945
3. Problematic non-accruing	1,728	239	176	2,143
Total balance sheet credit risk	**11,365**	**911**	**2,890**	**15,166**
Off-balance sheet credit risk[3]	**2,148**	**64**	**806**	**3,018**
Total credit risk not in Credit Granting Rating	**13,513**	**975**	**3,696**	**18,184**
Of which: Accruing debts in arrears of 90 days or more	93	-	47	140
Total overall credit risk of the public[2]	**247,475**	**76,464**	**76,110**	**400,049**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	1,770	239	176	2,185
		December 31, 2022		
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	147,607	64,409	31,547	243,563
Off-balance sheet credit risk[3]	[5]68,907	8,293	[5]40,551	117,751
Total credit risk in Credit Granting Rating	**216,514**	**72,702**	**72,098**	**361,314**
Credit risk not in Credit Granting Rating:				
1. Not problematic	3,820	603	2,037	6,460
2. Accruing problematic	4,665	84	437	5,186
3. Problematic non-accruing	[4]1,211	229	81	[4]1,521
Total balance sheet credit risk	**9,696**	**916**	**2,555**	**13,167**
Off-balance sheet credit risk[3]	**1,375**	**56**	**303**	**1,734**
Total credit risk not in Credit Granting Rating	**11,071**	**972**	**2,858**	**14,901**
Of which: Accruing debts in arrears of 90 days or more	70	-	45	115
Total overall credit risk of the public[2]	**[5]227,585**	**73,674**	**[5]74,956**	**376,215**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	[4]1,263	229	81	[4]1,573

Footnotes:
(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.
(2) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts, bonds, securities borrowed or purchased under agreements to resell.
(3) Credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation
(4) December 31, 2022- Including non-accruing corporate bonds in the amount of NIS 1 million.
(5) Reclassified following improvement of data.

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

	Three months ended June 30							
	2023				2022			
	Commercial[1]	Housing Loans	Private[1]	Total	Commercial	Housing Loans	Private[1]	Total
	In NIS millions							
Changes in non-accruing debts (for credit to the public only)								
Balance of non-accruing credit to the public at beginning of period	**1,077**	**234**	**164**	**1,475**	**1,142**	**251**	**80**	**1,473**
Credit classified as non-accruing during the period	758	32	36	826	521	32	59	612
Credit resuming accruing interest income	(32)	(13)	(8)	(53)	(52)	(24)	(5)	(81)
Credit written off accounting wise	(13)	(1)	(10)	(24)	(43)	(3)	(38)	(84)
Repaid credit	(57)	(13)	(5)	(75)	(93)	(13)	(11)	(117)
Other	(6)	-	-	(6)	8	-	-	8
Balance of non-accruing debts at end of the period	**1,727**	**239**	**177**	**2,143**	**1,483**	**243**	**85**	**1,811**
Of which: changes in restructured non-accruing credit								
Balance of restructured non-accruing credit at beginning of period	**439**	**3**	**70**	**512**	**560**	**9**	**50**	**619**
Restructure of debts made during the period	40	-	17	57	157	1	13	171
Debts reclassified as non-impaired due to following restructure	(28)	-	(8)	(36)	(21)	-	(5)	(26)
Restructured debts written off	(4)	-	(6)	(10)	(4)	-	(2)	(6)
Restructured debts repaid	(26)	-	(1)	(27)	(75)	-	(6)	(81)
Other	1	-	-	1	1	-	-	1
Balance of restructured non-accruing credit at end of the period	**422**	**3**	**72**	**497**	**618**	**10**	**50**	**678**
Changes in allowances for credit losses for non-accruing debts								
Balance of allowance for credit losses as of the beginning of the period	184	12	55	251	241	9	24	274
Increase in allowances	134	2	36	172	67	4	28	99
Collection of debts and accounting write-offs	(36)	(2)	(1)	(39)	(92)	(5)	(24)	(121)
Balance of allowance for credit losses as of end of the period	**282**	**12**	**90**	**384**	**216**	**8**	**28**	**252**

For footnote see next page.

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

	Six months ended June 30							
	2023				2022			
	Commercial	Housing Loans	Private	Total	Commercial	Housing Loans	Private[1]	Total
	In NIS millions							
Movement in non-accruing debts (for credit to the public only)								
Balance of impaired debts at December 31, 2022	1,210	229	81	1,520				
Adjustment to non-accruing credit at January 1, 2023[2]	1	-	70	71				
Balance of non-accruing credit to the public at beginning of period	**1,211**	**229**	**151**	**1,591**	**1,184**	**275**	**72**	**1,531**
Credit classified as non-accruing during the period	950	79	132	1,161	735	67	117	919
Credit resuming accruing interest income	(55)	(48)	(23)	(126)	(138)	(58)	(15)	(211)
Credit written off accounting wise	(80)	(1)	(61)	(142)	(94)	(9)	(71)	(174)
Repaid credit	(295)	(20)	(22)	(337)	(214)	(32)	(18)	(264)
Other	(4)	-	-	(4)	10	-	-	10
Balance of non-accruing debts at end of the period	**1,727**	**239**	**177**	**2,143**	**1,483**	**243**	**85**	**1,811**
Of which: changes in restructured non-accruing credit								
Balance of restructured troubled debt as of December 31, 2022	450	4	42	496				
Adjustment to restructured non-accruing credit as of January 1, 2023[2]	(2)	-	26	24				
Balance of restructured non-accruing credit at beginning of period	**448**	**4**	**68**	**520**	**552**	**7**	**46**	**605**
Restructure of debts made during the period	103	-	36	139	287	3	32	322
Debts reclassified as non-impaired due to following restructure	(47)	(1)	(16)	(64)	(85)	-	(15)	(100)
Restructured debts written off	(13)	-	(11)	(24)	(8)	-	(4)	(12)
Restructured debts repaid	(71)	-	(5)	(76)	(128)	-	(9)	(137)
Other	2	-	-	2	-	-	-	-
Balance of restructured non-accruing credit at end of the period	**422**	**3**	**72**	**497**	**618**	**10**	**50**	**678**
Changes in allowances for credit losses on impaired debts:								
Balance of allowance for credit losses as of December 31, 2022	205	13	30	248				
Balance of allowance for credit losses as of January 1, 2023[2]	1	-	43	44				
Balance of allowance for credit losses as of the beginning of the year	**206**	**13**	**73**	**292**	**277**	**9**	**23**	**309**
Increase in allowances	204	3	120	327	133	10	53	196
Collection of debts and accounting write-offs	(128)	(4)	(103)	(235)	(194)	(11)	(48)	(253)
Balance of allowance for credit losses as of end of the period	**282**	**12**	**90**	**384**	**216**	**8**	**28**	**252**

Footnotes:
(1) Reclassified following improvement of data.
(2) ICC initially implemented the US GAAP with respect to allowances for current expected credit losses (CECL) as from January 1, 2023, see Note 1(e) to the condensed financial statements.

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

	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total
	June 30, 2023			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	1.12%	0.35%	0.51%	0.83%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	1.18%	0.35%	0.65%	0.89%
Ratio of problematic credit to balance of credit to the public	4.45%	0.48%	2.57%	3.15%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	8.76%	1.44%	10.70%	7.08%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.46%	0.05%	0.86%	0.41%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.11%	-	0.55%	0.14%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.60%	0.42%	2.37%	1.39%
Ratio of credit loss allowance to balance of non-accruing credit to the public	142.91%	118.41%	463.28%	166.64%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	135.60%	118.41%	366.07%	156.42%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	15.62	141.50	4.36	10.26
	June 30, 2022			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	1.05%	0.40%	(1)0.26%	0.77%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	1.09%	0.40%	(1)0.39%	0.81%
Ratio of problematic credit to balance of credit to the public	3.72%	0.52%	1.38%	2.57%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.54%	(1)1.48%	6.76%	5.87%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses (expense release) to the average balance of credit to the public (in annualized terms)	(0.06%)	0.12%	(1)0.49%	0.06%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	(0.06%)	(0.02%)	(0.31%)	(0.09%)
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.48%	0.38%	2.17%	1.29%
Ratio of credit loss allowance to balance of non-accruing credit to the public	141.20%	95.88%	(1)844.71%	168.14%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	136.15%	95.88%	(1)556.59%	159.42%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	(25.54)	(16.64)	(7.18)	(15.54)
	December 31, 2022			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.84%	0.35%	0.24%	0.62%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.88%	0.35%	0.37%	0.67%
Ratio of problematic credit to balance of credit to the public	4.05%	0.48%	1.52%	2.74%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.64%	1.49%	8.38%	6.10%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public	0.13%	0.10%	0.49%	0.18%
Ratio of net accounting write-off to the average balance of credit to the public	0.09%	0.01%	0.35%	0.11%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.53%	0.41%	2.14%	1.31%
Ratio of credit loss allowance to balance of non-accruing credit to the public	182.81%	116.16%	902.47%	211.12%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	172.81%	116.16%	580.16%	196.27%
Ratio of credit loss allowance to net accounting write-offs	16.89	53.20	6.36	12.78

Footnote:
(1) Reclassified following improvement of data.

Credit risk by economic sectors

Credit risk by economic sectors – consolidated

	June 30, 2023							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Credit Loss Expenses	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	18,397	17,606	527	264	111	35	14	256
Construction and Real Estate - Construction[6]	52,393	51,086	1,004	303	751	61	8	545
Construction and Real Estate - Real Estate Activity	17,498	16,924	481	93	391	60	23	385
Commerce	29,833	28,473	728	632	126	71	23	378
Financial Services[7]	30,220	30,140	28	52	2	30	(2)	127
Other Business Services	43,087	41,319	944	824	246	42	25	697
Total Commercial	**191,428**	**185,548**	**3,712**	**2,168**	**1,627**	**299**	**91**	**2,388**
Private Individuals - Housing Loans	76,001	75,032	327	642	239	25	1	296
Private Individuals - Other	74,107	70,768	599	2,740	177	148	94	903
Total Public	**341,536**	**331,348**	**4,638**	**5,550**	**2,043**	**472**	**186**	**3,587**
Banks in Israel and Government of Israel	40,789	40,789	-	-	-	1	-	3
Total Lending Activity in Israel	**382,325**	**372,137**	**4,638**	**5,550**	**2,043**	**473**	**186**	**3,590**
Total Public - Lending Activity Outside of Israel	**58,513**	**50,517**	**3,979**	**4,017**	**142**	**38**	**(12)**	**444**
Banks and Governments Outside of Israel	14,254	14,254	-	-	-	5	1	33
Total Lending Activity Outside of Israel	**72,767**	**64,771**	**3,979**	**4,017**	**142**	**43**	**(11)**	**477**
Total	**455,092**	**436,908**	**8,617**	**9,567**	**2,185**	**516**	**175**	**4,067**

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 266,971 million, NIS 52,707 million, NIS 1,024 million, NIS 2,969 million, NIS 131,421 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 311 million.

(7) Including mortgage backed securities in the amount of NIS 7,956 million, issued by GNMA and in the amount of NIS 234 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 10,195 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 107 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	June 30, 2022							
						Credit Losses(3)		
	Total Credit Risk(1)(8)(9)(10)	Of Which: Credit Performance Rating(4)(10)	Of which: Problematic credit risk(5)	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Credit Loss Expenses (expense release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	17,133	16,393	496	244	191	4	14	279
Construction and Real Estate - Construction'(6)	45,333	44,349	682	302	429	(3)	4	367
Construction and Real Estate - Real Estate Activity	15,541	14,999	377	165	234	6	1	261
Commerce	24,180	23,265	412	503	149	(25)	8	333
Financial Services(7)	26,436	26,269	66	101	-	2	1	120
Other Business Services	40,586	38,395	1,081	1,110	264	69	18	715
Total Commercial	**169,209**	**163,670**	**3,114**	**2,425**	**1,267**	**53**	**46**	**2,075**
Private Individuals - Housing Loans	70,301	69,410	314	(10)577	239	33	7	242
Private Individuals - Other	70,786	68,679	450	1,657	165	79	50	798
Total Public	**310,296**	**301,759**	**3,878**	**4,659**	**1,671**	**165**	**103**	**3,115**
Banks in Israel and Government of Israel	29,692	29,692	-	-	-	-	-	2
Total Lending Activity in Israel	**339,988**	**331,451**	**3,878**	**4,659**	**1,671**	**165**	**103**	**3,117**
Total Public - Lending Activity Outside of Israel	**55,433**	**50,156**	**2,636**	**2,641**	**271**	**(93)**	**(5)**	**332**
Banks and Governments Outside of Israel	15,068	15,068	-	-	-	(1)	-	28
Total Lending Activity Outside of Israel	**70,501**	**65,224**	**2,636**	**2,641**	**271**	**(94)**	**(5)**	**360**
Total	**410,489**	**396,675**	**6,514**	**7,300**	**1,942**	**71**	**98**	**3,477**

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 243,363 million, NIS 42,080 million, NIS 1,330 million, NIS 11,023 million, NIS 112,693 million, respectively.

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

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

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

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

(6) Including acquisition groups in an amount of NIS 457 million.

(7) Including mortgage backed securities in the amount of NIS 7,168 million, issued by GNMA and in the amount of NIS 226 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 8,216 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 282 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) Reclassified - following improvement of data.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2022							
						Credit Losses[3]		
	Total Credit Risk[1][8][9][10]	Of Which: Credit Performance Rating[4][10]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Credit Loss Expenses (expense release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	17,150	16,350	489	311	176	31	58	256
Construction and Real Estate - Construction'[6]	49,160	47,713	1,219	228	278	153	24	493
Construction and Real Estate - Real Estate Activity	16,195	15,681	362	152	220	61	2	325
Commerce	27,091	26,073	490	528	119	(42)	9	316
Financial Services[7]	25,399	24,950	5	444	1	(4)	21	94
Other Business Services	40,994	38,934	1,143	917	340	60	46	679
Total Commercial	**175,989**	**169,701**	**3,708**	**2,580**	**1,134**	**259**	**160**	**2,163**
Private Individuals - Housing Loans	73,227	72,267	313	647	229	61	5	271
Private Individuals - Other	72,936	70,216	481	2,239	81	163	115	818
Total Public	**322,152**	**312,184**	**4,502**	**5,466**	**1,444**	**483**	**280**	**3,252**
Banks in Israel and Government of Israel	29,909	29,909	-	-	-	-	-	1
Total Lending Activity in Israel	**352,061**	**342,093**	**4,502**	**5,466**	**1,444**	**483**	**280**	**3,253**
Total Public - Lending Activity Outside of Israel	**54,063**	**49,130**	**2,714**	**2,219**	**129**	**(76)**	**(29)**	**379**
Banks and Governments Outside of Israel	13,282	13,282	-	-	-	-	-	30
Total Lending Activity Outside of Israel	**67,345**	**62,412**	**2,714**	**2,219**	**129**	**(76)**	**(29)**	**409**
Total	**419,406**	**404,505**	**7,216**	**7,685**	**1,573**	**407**	**251**	**3,662**

Footnotes:
(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 251,036 million, NIS 43,001 million, NIS 857 million, NIS 2,363 million, NIS 122,149 million, respectively.
(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets for Maof Market operations.
(3) Including for off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").
(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy of the Bank.
(5) Balance sheet and off-balance sheet, credit risk, which is non-accruing, substandard or under special mention.
(6) Including acquisition groups in an amount of NIS 519 million.
(7) Including mortgage backed securities in the amount of NIS 6,724 million, issued by GNMA and in the amount of NIS 239 million, issued by FNMA and FHLMC.
(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 9,407 million.
(9) The balance of commercial debts includes housing loans in the amount of NIS 218 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.
(10) Reclassified - following improvement of data.

Exposure to Foreign Countries - consolidated

	As of June 30						As of December 31		
	2023			2022			2022		
	exposure			exposure			exposure		
The Country	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total
	In NIS millions								
United States	18,218	10,942	29,160	20,594	8,451	29,045	18,431	9,748	28,179
Other	6,696	(5)10,492	17,188	8,569	(5)6,890	15,459	6,191	(5)(8)9,876	16,067
Total exposure to foreign countries(1)	**24,914**	**21,434**	**46,348**	**29,163**	**15,341**	**44,504**	**24,622**	**19,624**	**44,246**
Of which - Total exposure to the PIGS countries(4)	37	185	222	25	123	148	9	(8)244	253
Of which - Total exposure to LDC countries(6)	438	179	617	506	177	683	413	162	575
Of which - Total exposure to countries having liquidity problems	21	26	47	40	29	69	31	13	44

Notes:

(1) Exposure to countries where the total amounts of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is lower. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives.

(2) Balance sheet and off-balance sheet credit risk,are presented before the impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.

(3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.

(4) Portugal, Italy, Greece and Spain.

(5) Including the transfer of credit risk to a consortium of international insurers, as of June 30 2023 in the following countries: Switzerland – an amount of NIS 3,126 million and Germany – an amount of NIS 3,020 million, as of June 30 2022 in the following countries: Switzerland – an amount of NIS 2,508 million and Germany – an amount of NIS 2,170 million, and as of December 31 2022 in the following countries: Switzerland – an amount of NIS 2,993 million and Germany – an amount of NIS 2,920 million.

(6) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.

(7) Balance sheet and off-balance sheet credit risk for derivative instruments is presented after credit risk mitigation.

(8) Reclassified – improvement of data.

Credit Exposure to Foreign Financial Institutions

General. Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.

As opposed to the definition of the "financial services" economic sector for the purpose of disclosure in the Management Review concerning the "Overall credit risk according to economic sectors", the exposure to foreign financial institutions presented in the table hereunder includes exposure to foreign banks and to foreign investment banks, which, on the one hand, are not included in credit to the public, and on the other hand, does not include exposure to investment in asset backed securities and to potential off-balance sheet exposure.

As a general rule, the credit risk policy of the Group allows exposure to banks from Tier 1 only and a low credit risk appetite in respect of regional and middle-sized banks (exposure of the Group to regional and middle-sized banks in the US, as of June 30, 2023, relates to four banks and amounts to a few million dollars).

The Bank maintains a careful credit policy and is monitoring developments and volume of exposure to key markets and to markets of the countries at risk. This is performed on an ongoing basis and at the Group level, within the framework of an inter-division forum. The Bank's dealing room monitors these markets in order to obtain a comprehensive picture and to react in real time to currency risks according to the risk profile of each customer and the approved credit facilities.

As seen from the data presented above on "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.

For details on the manner of managing credit risk applying to foreign financial institutions, see the 2022 Annual Report (pp. 76-78).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, about 98% of the exposure as of June 30, 2023, is to financial institutions rated "A-" rating or higher, similar to December 31, 2022.

During the first half, three banks collapsed in the United States. In Switzerland, following concern for the collapse of a certain Bank, the Swiss Government initiated a quick acquisition move for its takeover by another Bank, backed up by the central bank. Exposure of the Bank to the said banks is not material.

The states for which the Bank has exposure as stated above as of June 30, 2023, include, inter-alia, the United States and Britain.

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

In the first half of 2023, no loss on impairment of securities was recorded for exposure to financial institutions.

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

	Balance sheet credit risk(2)(4)(5)	Present off balance sheet credit risk(3)(4)	Present credit exposure(4)
	In NIS millions		
	As of June 30, 2023		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	959	21	980
A+ to A-	5,223	656	5,879
BBB+ to BBB-	79	5	84
BB+ to B-	3	34	37
Not rated	5	30	35
Total present credit exposure to foreign financial institutions	**6,269**	**746**	**7,015**
	As of December 31, 2022		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	771	20	791
A+ to A-	3,196	470	3,666
BBB+ to BBB-	28	5	33
BB+ to B-	2	20	22
Not rated	2	25	27
Total present credit exposure to foreign financial institutions	**3,999**	**540**	**4,539**

Notes:

(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.

(2) Deposits with banks, credit to the public, investment in bonds, securities borrowed or purchased under agreements to resell and other Balance sheet credit risk for derivative instrument.

(3) Mainly guarantees, including guarantees securing third party indebtedness.

(4) Credit exposures and problematic credit risk are presented before the effect of allowance for credit losses and before deductions as defined in Section 5 of Proper Conduct of Banking Business Directive No. 313.

(5) For further information on the composition of the credit exposure reflected in the table showing derivative instruments in relation to banks/dealers/brokers, see Note 11 to the condensed financial statements.

(6) Credit exposure does not include exposure to financial institutions that have explicit and full government guarantees, and does not include investment in assets backed securities (for additional details on assets backed securities, see Note 5 to the condensed financial statements).

(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.

In addition to the exposure presented in the above table, as of June 30, 2023 and December 31, 2022 a potential off-balance sheet exposure exists to derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 on "Restrictions on indebtedness of a single borrower and of a group of borrowers"), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 1,394 million and NIS 1,479 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB Bank (hereinafter will be named together as "the Group"). It is noted though, that the data relating to IDB Bank are negligible (housing credit in the amount of NIS 345 million as of June 30, 2023 and NIS 336 million as of December 31, 2022).

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

The growth recorded in the volume of housing loans granted by the banking industry, which exceeds the economic growth rates and the growth rates in the standard of living and in household income together with the rise recorded in the interest rate and a scenario of the rise in unemployment and an additional rise in the interest rate, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. Beginning with the second quarter of 2022 a decline was recorded, all across the system, in the volume of housing loans extended. This slowdown continued also in the first half of 2023. In continuation of the trend of rising interest rates in the economy, the volume of granting new housing loans continued to decline together with the slowdown in the housing market, decline in the comprehensive residential units price Index was observed in recent months, as well as moderation in the rate of increase in prices of residential units, in annual terms.

For details on the measures taken by the Group, see 2022 Annual Report (pp. 78-79).

The volume of the Group's housing loan portfolio as of June 30, 2023, amounted to NIS 68,032 million (December 31, 2022 - NIS 65,543 million).

Certain risk characteristics of the Group's housing loans portfolio

	June 30, 2023	December 31, 2022
	%	
Rate of housing loans financing over 75% of the value of the property	0.7	0.8
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	13.7	12.4
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio[1]	58.2	58.7

Footnote:

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

Amount of loans and average financing ratios

	For the six months ended June 30,2023	December 31, 2022
Average amount of loan (in NIS thousands)	953	993
Average financing ratio for housing loans (in %)	55.0	56.7
Average financing ratio for general purpose loans (in %)	25.1	30.3

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

	June 30, 2023		December 31, 2022	
Credit limit net[1][2] (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	43,292	63.9	42,342	64.9
Between 1,200 and 4,000	23,006	34.0	21,554	33.0
Over 4,000	1,449	2.1	1,379	2.1
Total	**67,747**	**100.0**	**65,275**	**100.0**
Of which:				
Housing loans that were granted abroad	339		323	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 285 million (31.12.2022: NIS 268 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 107 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2022:NIS 218 million).

Volume of problematic debts in housing loans

	Balance of credit to the public[1][2]	Balance of problematic credit: Accruing	Non-accruing	Total	Balance of allowances for credit losses	Ratio of problematic debt
	In NIS millions					Change in %
June 30, 2023	68,032	88	239	327	285	0.5
December 31, 2022	65,543	84	229	313	268	0.5

Footnotes:
(1) Recorded amount.
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 107 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2022: NIS 218 million).

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

	For the six months ended June 30, 2023		For the six months ended June 30, 2022		For the year ended December 31, 2022	
Loan to value (LTV) ratio[1]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 45%	1,704	31.8	2,599	24.5	4,493	25.3
Between 45% and 60%	1,484	27.7	3,631	34.2	5,800	32.6
Over 60%	2,167	40.5	4,386	41.3	7,472	42.1
Total	**5,355**	**100.0**	**10,616**	**100.0**	**17,765**	**100.0**

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

The average loan period of housing loans at the Bank (standalone) in the first half of 2023, was 24.7 years, compared with 24.2 years in the industry. The amount of credit for a period of over twenty years amounted to 56.4% of the whole credit portfolio of housing loans at the Bank.
The data on the distribution of extended credit as of June 30, 2023, by period of loan shows that the granting of loans for periods of over twenty years reached a rate of 76.5% of the portfolio.

Data on developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			credit			
	Fixed interest	Variable interest		Fixed interest	Variable interest		Fixed interest	Variable interest		
	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	Total Housing Credit (1)(2)
As at June 30, 2023	21,688	27,365	72.4	6,412	12,177	27.4	26	79	0.2	67,747
As at December 31, 2022	20,996	26,822	73.2	5,756	11,596	26.6	24	81	0.2	65,275

Footnotes:

(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 107 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2022: NIS 218 million).

(2) The balance of credit is after deduction of allowance for credit losses of NIS 285 million (December 31,2022: NIS 268 million).

Most of the loans are granted for an initial period of up to 25 years. The average period of the loan at the Bank is slightly higher than that of the industry.
The outstanding balance as of June 30, 2023 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 12,182 million, comprising 18.0% of the total housing loans portfolio (as of December 31, 2022, the balance amounted to NIS 9,527 million, comprising 14.6% of the total housing loans portfolio).

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

	For the six months ended June 30,				For the year ended December 31,	
	2023		2022		2022	
Ratio of payment to income (PTI)[1]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 40%	4,862	99.9	10,052	99.4	16,713	99.4
Over 40%	6	0.1	57	0.6	100	0.6
Total	**4,868**	**100.0**	**10,109**	**100.0**	**16,813**	**100.0**

Footnote:

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

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

Credit risk of private individuals (excluding housing credit risk)

General. The data presented in his section comprise data of operation in Israel, excluding housing loans, and they include the Bank and MDB. Certain data relating to credit to private individuals at ICC is presented separately hereunder, according to available data of ICC.
Definitions. Following are the definitions used in the preparation of this report:
Amount of income per account – average income of a recurring pattern from salaries, annuities, transfers and deposits, after elimination of exceptional amounts.
Balance-Sheet credit upper limit – according to the reporting to the Supervisor of Banks under Reporting to the Supervisor of Banks Directive No. 836 – current account balances, credit cards and loans. Excluding non-utilized facilities of current account and credit cards.
"Financial assets portfolio" – the financial assets portfolio related to the account of the customer: financial deposits (including current account balance), securities portfolio and other financial assets.

Development in balances

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

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	June 30, 2023				
Level of income to the account					
Excluding permanent income to the account	917	89	1,006	513	1,519
Less than NIS 10 thousand	3,488	694	4,182	2,972	7,154
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,335	1,509	5,844	3,694	9,538
Greater than NIS 20 thousand	4,607	3,094	7,701	6,142	13,843
Total	**13,347**	**5,386**	**18,733**	**13,321**	**32,054**
	December 31, 2022				
Level of income to the account					
Excluding permanent income to the account	1,046	103	1,149	574	1,723
Less than NIS 10 thousand	3,904	838	4,742	3,300	8,042
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,312	1,637	5,949	3,771	9,720
Greater than NIS 20 thousand	4,108	3,018	7,126	5,616	12,742
Total	**13,370**	**5,596**	**18,966**	**13,260**	**32,226**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	June 30, 2023	December 31, 2022
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,246	1,277
Over 1 year and up to 3 years	4,636	4,748
Over 3 years and up to 5 years	3,768	3,984
Over 5 years	2,958	2,996
Total	**12,608**	**13,005**

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

Distribution by size of credit to the borrower

	June 30, 2023	December 31, 2022
Balance sheet credit upper limit (NIS thousands)	in NIS million	
Up to 40	4,907	5,132
Between 40 and 150	9,223	9,563
Over 150	4,603	4,271
Total	**18,733**	**18,966**

Distribution by exposure to changes in interest rates

	June 30, 2023	December 31, 2022
	in NIS million	
Fixed interest credit	5,692	5,714
Variable interest credit	13,041	13,252
Total	**18,733**	**18,966**

Distribution of collateral securing the credit

	June 30, 2023	December 31, 2022
Type of collateral	Total collateral in NIS millions	
Liquid financial assets	956	1,047
Other collateral	938	1,050
Total	**1,894**	**2,097**

Development of problematic credit risk for private individuals

	June 30, 2023	December 31, 2022	Change in	Rate from total balance-sheet to credit to the public March 31, 2023	2022
	in NIS million		%	%	
Problematic credit risk	179	179	(0.1)	1.0	0.9
Of which: Non-accruing credit risk	41	39	5.6	0.2	0.2
Debts in arrears of 90 days or more	47	45	4.4	0.3	0.2
Net accounting write-offs	21	14	(1)202.4	0.2	0.1
Balance of allowance for credit losses	476	459	3.7	2.5	2.4

Footnote:

(1) On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank, MDB and in ICC), amounted to NIS 1,284 million at June 30, 2023, compared with NIS 1,491 million as of December 31, 2022.

Additional details

Background

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

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.
The continuation of the slowdown trend in the economy in the first half of 2023, as well as the reduction in volume of tax collection contributed to a higher evaluation of the credit risk. In view of the rising inflation and interest rate and the anticipated slowdown in economic activity in the market, a rise in credit risk is expected. The main reason for such a rise is a heavier burden of debt imposed on borrowers as a result of higher interest and inflation.
It is noted that the development of the risk is directly connected to additional economic indices, in particular, the growth rate, employment and private consumption. Developments in such indices in the coming period have a material impact upon the credit risk level.

Risk mitigating measures

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

Use of information obtained from the credit data base. Credit underwriting if performed using information obtained from the data base, subject to minimum levels of materiality, as defined by the Bank and to limitations set by law. Emphasis is being applied in this period to an in-depth examination of the credit risk level in respect of exposure of customers in their bank and nonbank activity.

The fairness principle

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

Monitoring and control

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

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

Quantitative data on credit granted to private individuals in ICC

A rise at the rate of 7.3% was recorded in the first half of 2023 in the balance of interest bearing credit granted to private individuals, in continuation of a rise of 21.9% in 2022. This credit amounted as of June 30, 2023, to NIS 7,549 million, and comprises 60.7% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 4,880 million, as compared to NIS 4,726 million as of December 31, 2022 (an increase of approx. 3.3%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.
Credit losses for private individuals amounted in the first half to NIS 109 million, compared to an expense in the amount of NIS 31 million in the corresponding period last year. The growth in credit loss expenses stems, mostly, from a decrease in the group allowance for credit losses recognized in prior periods, as well as from growth in scope of accounting write-offs, growth in the credit portfolio and from the macro-economic condition in Israel.

Credit risk in relation to the Construction and Real Estate Sector

The construction and real estate sectors are a central component in the Bank's credit portfolio, and most of the credit to these sectors is managed by the Real Estate Subdivision in the Corporate Division, which possesses a high level of expertise and considerable experience in this field. In this area, the Bank operates subject to the regulatory limitation and according to mitigating instructions determined by the Supervisor of Banks, within the framework of the Provisional Instruction, in order to enable confronting the Corona crisis, according to which banks may increase the volume of credit extended to the construction and real estate sector, so that the rate of credit in this sector shall not exceed 26% of total credit, and after deduction of indebtedness of national infrastructure projects, shall not exceed 22%. The banks would be required to revert to a rate of 20% during a period of twenty-four months as from December 31, 2025, on condition that the rate of indebtedness during the said two years would not exceed the rate at December 31, 2025. The Bank conforms to the said limits and also to internal limits serving as alert levels.

The credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see the "Construction and Real Estate Activity" under "Additional Details on the Business of the Banking Corporation and Management Thereof" chapter.

The second quarter of 2023 saw a significant slowdown in the growth of the construction and real estate sector, following growth at a fair rate in the first quarter and in 2022. The Bank operates with a focus on financing residential building projects and on financing the purchase of land. The Bank monitors and closely follows the growth in exposure, inter alia, for new transactions having increased risk (see below), and where required, the Bank has made adjustments to the group allowance.

The Bank purchases insurance policies in respect of credit risk involved in bank guarantees issued under the Sales Law, execution guarantees and loans financing the purchase of land. Within the framework of such policies, the Bank transfers a share of the credit risk to an international consortium of reinsurers. In accordance with Proper Conduct of Banking Business Directive No. 203, the international rating of the reinsurers allows the Bank the replacement of counterparty risk, thus reducing up to 80% of the required capital allocation in respect of the insured assets. As of June 30, 2023, a total of approx. NIS 30.3 billion of exposure to the real estate sector, including commitments to extend credit, is insured under the said insurance policies.

The rate of exposure to credit in the construction and real estate sector decreased as of June 30, 2023 to 16.99%, compared with 17.03% at the end of 2022.

The rising interest rates in the market, which started in April 2022, led to an increase in financing expenses of borrowers in the construction and real estate sector in general, and in the area of financing the purchase of land, in particular. The Bank closely follows-up and monitors exposure and the impact of rising interest rates on the financial stability of the borrowers, as well as the prices of properties.

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

The Supervisor of Banks issued on August 19, 2021, a letter in the matter of "Growth in credit risk pertaining to the construction and real estate sector", on the background of the significant growth that had taken place at the banking system during the first half of 2021 with respect to business credit balances in general and in credit balances to the construction and real estate sector in particular, and in view of the increase in competition and the growing risk appetite, and in consequence thereof, an increase in credit risk. The letter requires banking corporations to reinforce their monitoring and control procedures as regards the development of risks, especially with respect to new credit transactions. Within the framework of monitoring and control, as stated, banking corporations are required to determine criteria for credit underwriting defined by them as "increased risk" credit (on the basis of parameters stated in an Annex to the letter). Moreover, banking corporations are required to adjust the computation of the group allowance for credit losses following the fast growth of the credit portfolio and the relaxation in underwriting conditions.

In continuation to that stated above, and on the background of the growth in risks pertaining to the construction and real estate sector, banks were required by the Supervisor of Banks, on October 11, 2021, to expand, as from the report for the third quarter of 2021, the quantitative and qualitative disclosure on the construction and real estate sector presented in their Boards of Directors and Managements' reports, and accordingly, a Table was added detailing credit exposure and data on credit rated for granting and credit not rated for granting. In a further letter from the Banking Supervision Department, dated December 30, 2021, the banking corporations were required to make an adjustment to the group allowance in the 2021 financial statements in view of the rise in the risk and the level of exposure to the construction and real estate sector, as well as expanding the disclosure on this topic.

An Amendment to Proper Conduct of Banking Business Directive No. 203, was published on May 22, 2022, in the matter of the standardised approach to the measurement of credit risk and capital adequacy, according to which the list of debts averaged at the rate of 150% risk would include loans intended to finance the purchase of land for development or building purposes at a rate exceeding 80% of the value of the purchased property, excluding loans financing the purchase of agricultural land having no planning horizon or intention to file a request for a change in zoning, and loans financing the purchase of land for the personal use of a borrower who is not classified to the construction and real estate sector. The Amendment takes effect on June 30, 2022, though the effect of the existing amount of loans on the capital adequacy ratio may be spread at fixed quarterly installments until June 30, 2023 (beginning with the third quarter of 2022).

A detailed analysis of increased risk transactions conducted at Discount Bank starting from the second quarter of 2021, shows that:

- Credit that meets the criteria of intensified risk is mostly attributed to the financing of the purchase of land for construction;
- The credit in these transactions that was granted in the last quarters is earmarked in part to finance "Mechir Lamishtaken"/reduced price projects and was extended to borrowers that are not rated as being high risk as well as credit defined as financing current operations. In the estimation of the Bank's Management, the risk in such transactions is reasonable;
- The pricing of such transactions relates, inter alia, both to the nature of the transactions and to the quality of the borrower.

In the reported period, MDB did not extend credit in the construction and real estate sector, which matches the definition of increased risk credit according to the parameters defined by that bank.

The data presented hereunder relate to operations conducted in Israel (operations by Discount Bank and by MDB).

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

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

	June 30, 2023					December 31, 2022					
Sector	Credit for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit	Credit for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit	Change in total credit risk
	in NIS million										%
Income generating real estate	14,038	212	2,155	16,405	459	(1)13,176	242	(1)1,475	14,893	328	10.2
Construction – general building contracting	832	280	520	1,632	20	739	835	352	1,926	39	(15.3)
Residential projects financing	6,360	6,285	12,979	25,624	103	5,310	6,655	11,724	23,689	139	8.2
Acquisition of building land	13,889	447	540	14,876	697	(1)12,841	356	(1)214	13,411	859	10.9
Subcontracting	1,554	1,066	671	3,291	86	1,519	1,159	607	3,285	99	0.2
Civil engineering work	1,943	2,530	922	5,395	45	1,855	2,329	1,067	5,251	43	2.7
Other	1,647	506	566	2,719	75	1,462	550	682	2,694	(1)74	0.9
Total	**40,263**	**11,326**	**18,353**	**69,942**	**1,485**	**(1)36,902**	**12,126**	**(1)16,121**	**65,149**	**(1) 1,581**	**7.4**

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

The credit risk relating to the construction and real estate sector grew in the first half of 2023 at a rate of 7.4%, in continuation to an increase at a rate of 13.5% in 2022. Most of the growth is in residential projects financing, income generating real estate and in acquisition of building land fields.

Breakdown by quality of credit portfolio

	June 30, 2023	December 31, 2022	
	in NIS million		Change in %
Non-accruing debts	1,141	496	130.0
Impaired debts in Arrears of 90 Days or More	14	12	16.7
Other problematic debts	330	(1)1,073	(69.3)
Total problematic debts	**1,485**	**1,581**	**(6.1)**
Non-problematic debts ranked as "performing"	68,061	(1)63,188	7.7
Non-problematic debts not ranked as "performing"	396	(1)380	4.3
Total Credit	**69,942**	**65,149**	**7.4**

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

As shown by the Table, the credit risk for non-accruing debts for the construction and real estate sector increased in the first half of 2023 by approx. 130.0%, as a result of intensification in the reclassification of certain borrowers. Other problematic debts decreased by 69.3% and performing credit which is not at credit rated for granting increased by approx. 4.3%.
For details on the purchase of a policy to insure against credit risk related to Sale Law guarantees and performance guarantees and with respect to the purchase of credit risk insurance in the real estate field, see above.

Breakdown by type of financing

	June 30, 2023	December 31, 2022	
	in NIS million		Change in %
Housing construction	41,194	38,389	7.3
Industrial and commercial construction	14,396	12,460	15.5
Without real estate collateral	14,353	14,300	0.4
Total	**69,942**	**65,149**	**7.4**

Breakdown by type of collateral

	June 30, 2023	December 31, 2022	
	in NIS million		Change in %
"Gross" land	14,736	13,294	10.8
Real estate under construction	25,250	22,175	13.9
Constructed real estate	15,604	15,380	1.5
Without real estate collateral	14,353	14,300	0.4
Total	**69,942**	**65,149**	**7.4**

Credit risk for leveraged finance

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

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

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

Following are data on credit risk pertaining to leveraged finance as of June 30, 2023. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

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

	June 30, 2023				December 31, 2022			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
Sector	In NIS millions							
Construction and real estate	899	288	1,187	-	1,041	181	1,222	-
Commerce	162	-	162	-	181	-	181	-
Public and Community Services	249	5	254	-	258	5	263	-
Total	**1,310**	**293**	**1,603**	**-**	**1,480**	**186**	**1,666**	**-**

Exposure to leveraged finance as of June 30, 2023 amounted to NIS 1,310 million, compared with NIS 1,480 million as of December 31, 2022. The balance of exposure presented in the table above, is after accounting write-offs. The off-balance sheet exposure to leveraged finance transactions as of June 30, 2023, amounted to NIS 293 million, compared with NIS 186 million as of December 31, 2022.
For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information on risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

Additional disclosure on credit risk for significant exposure to borrower groups

As at June 30, 2023, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

Market Risks

Market risks are presented in this review on a Group basis that includes the Bank, Mercantile Discount Bank, IDB Bank, ICC and the severance pay fund for the Bank's employees (hereafter in this section: "the Group"). Other Group companies do not have any material market risk.
For general details on market risks, see the 2022 Annual Report (pp. 89-99).

Quantitative information on interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	June 30 2023			June 30 2022			December 31 2022		
	Israeli currency	Foreign currency[2]	Total	Israeli currency	Foreign currency[2]	Total	Israeli currency	Foreign currency[2]	Total
	In NIS millions								
Net adjusted fair value[1][3]	15,192	6,437	21,629	14,818	5,965	20,783	16,120	5,099	21,219
Of which: the banking book	13,882	5,229	19,111	15,771	2,942	18,713	15,987	4,038	20,025

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

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

	June 30 2023			June 30 2022			December 31 2022		
	Israeli currency	Foreign currency(4)	(5)Total	Israeli currency	Foreign currency(4)	(5)Total	Israeli currency	Foreign currency(4)	(5)Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	(22)	77	55	(331)	(27)	(358)	(3)	170	167
Of which: the banking book	(1)	77	76	(350)	26	(324)	-	186	186
A parallel decrease of 1%	26	(102)	(76)	185	(22)	163	7	(202)	(195)
Of which: the banking book	13	(101)	(88)	204	(74)	130	9	(217)	(208)
Non-parallel changes									
Curving(2)	(727)	42	(685)	(370)	36	(334)	(649)	55	(594)
Flattening(3)	710	(31)	679	278	(64)	214	631	(28)	603
Interest rise in the short-term	645	(29)	616	129	(67)	62	585	52	637
Interest decline in the short-term	(693)	43	(650)	(160)	73	(87)	(635)	(53)	(688)

Footnotes:

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

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

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

(4) Including Israeli currency linked to foreign currency.

(5) After offsetting effects.

Most of the change in exposure stems from the change in foreign currency. A reduction in current account balances and an increase in the securities portfolio took place in this segment, resulting in a reduction in profit under a rising interest scenario.

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

	June 30 2023			June 30 2022			December 31 2022		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	465	(14)	451	1,346	(219)	1,127	521	(44)	477
Of which: the banking book	428	(33)	395	1,326	(211)	1,115	509	(41)	468
A parallel decrease of 1%	(937)	10	(927)	(1,467)	224	(1,243)	(1,033)	35	(998)
Of which: the banking book	(899)	31	(868)	(1,447)	215	(1,232)	(1,021)	35	(986)

Sensitivity of the income is calculated on the basis of various assumptions regarding the effect of a change in interest on the return on assets and the cost of the deposits (Beta) and application of minimum interest levels for pricing.

As of June 30, 2023, the estimated effect of a parallel increase of 1% on interest income amounted to an increase of NIS 451 million, whereas the estimated effect of a parallel decrease of 1% amounted to a decrease of NIS 927 million. This compared to estimates as of December 31, 2022, which amounted to an increase in interest income of NIS 477 million, in a scenario of a parallel increase of 1%, and to a decrease in interest income of NIS 998 million, in a scenario of a parallel decrease of 1%. Sensitivity of the income is calculated on the basis of various assumptions regarding the effect of a change in interest on the return on assets and the cost of the deposits (Beta) and application of minimum interest levels for pricing.

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

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

Fair value of financial instruments. Most of the Bank's balance sheet financial instruments do not have a quoted "market price" as they are not traded on an active market. Accordingly, according to the directive, the fair value is estimated using accepted pricing models, and in particular through the calculation of the present value of the discounted cash flows using a discount interest rate appropriate to the level of risk embodied in the instrument.

The determination of the discount interest rate is subjective. Thus, for most of the financial instruments, the fair value estimate presented below does not necessarily constitute an indication of the realizable value of the financial instruments on the reporting date.

The assessment of the present value of future cash flows was done according to the interest rates in effect on the reporting date, without taking into consideration fluctuations in interest rates. Using different discount rates assumptions, may result in significantly different fair value amounts. This relates particularly to financial instruments bearing a fixed interest rate or non-interest bearing.

It should be further noted, that the differential between the book value of the financial instrument and its fair value, may never be realized, as the Bank usually holds the financial instrument to maturity.

In consequence of the above, it should be stressed that the data included in this Note, is no indication of the Bank's value.

Furthermore, due to the broad spectrum of possible assessment techniques and estimates in implementing the reporting directives with regard to the fair value, care should be taken when examining the fair value data itself as well as when comparing it with the fair value data presented by other banks.

Hybrid financial instruments are debt instruments, in which are embedded derivative components that have not been separated there from. In providing information on fair value, the Bank is not required to classify financial instruments as hybrid financial instruments, because, according to the Bank of Israel's guidelines, the interest rate exposure of these instruments included the division of such transactions according to maturity dates, while separating the option component from these instruments. Following are details of the hybrid financial instruments, where in the disclosure on exposure to changes in interest rates, the separated option and the host instrument have been treated as standalone instruments (the effect on the financial statements is not material): deposits with the option of a fixed rate of interest or of a variable rate of interest, savings deposits linked to the CPI or linked to foreign currency with an option for changing the linkage base and an option securing the Shekel principal sum deposited, deposits and loans linked to the CPI or linked to foreign currency with an option for securing the Shekel principal sum.

For further details on the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2022 (pp. 297-299).

Following are certain updates as of June 30, 2023:

- The fair value of problematic debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the problematic debts by NIS 2.8 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the problematic debts by NIS 1.8 million (compared to a reduction of NIS 2.3 million and a reduction of NIS 1.5 million, respectively, as of December 31, 2022);
- Cash flows for mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, increased the fair value of the mortgages, particularly in the Shekel segment, by NIS 206 million (compared to an increase of NIS 167 million as at December 31, 2022);
- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.68 years on June 30, 2023, compared to 3.31 years, taking into consideration the forecast for early redemptions (compared to 3.87 years and 3.46 years, respectively, as of December 31, 2022);
- Cash flows for deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits by NIS 72 million (compared to a reduction of NIS 169 million at December 31, 2022);

- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.59 years on June 30, 2023, compared to 2.50 years, taking into consideration the forecast for early redemption (compared to 2.79 years and 2.67 years, respectively, as of December 31, 2022).

For details on the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2022 (p. 298-299).
The net changes in fair value, in the different linkage segments, stem from the active management of the active capital and the decision to move it according to returns expected in the different linkage segments.
No weekly cumulative change occurred in the past ten years, which had it occurred in the reported period would have adversely affected the "going concern" assumption used at the basis of preparation of the financial statements.

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

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

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

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
			In NIS millions		
		For the second quarter ended on June 30, 2023			
An increase of 100BP in interest rates	14	(594)	(1)	29	(551)
A decrease of 100BP in interest rates	23	521	(33)	(31)	480
		For the fourth quarter ended on December 31, 2022			
An increase of 100BP in interest rates	(62)	(518)	106	26	(447)
A decrease of 100BP in interest rates	76	432	(135)	(28)	345

The changes between the effect of the changes in interest in this table and the changes presented in the table "the impact of scenarios of changes in interest rates on the net adjusted fair value" shown above are due mainly to the use of different discounting curves in the two measurements, as set forth above. This effect is expressed primarily in the non-linked segment, as there is a significant gap in the results in this segment when use is made of the cost of credit rather than using the transfer price, this is because most of the interest exposure derives from the credit portfolio. In the dollar segment (including foreign currency) there is no material gap between the two tables, since most of the

interest exposure in this segment derives from the deposits, which are not affected by the gap between the transfer price and the cost of credit.
In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

Replacement of foreign interest benchmarks (base rates) and its repercussions

General. On March 20, 2019, the Supervisor of Banks addressed a letter to the banking corporations, in which they are requested to prepare for the anticipated discontinuation of the publication of interest benchmarks existing around the world and their replacement with other benchmarks. On February 13, 2020, the Supervisor of Banks published a letter on disclosure of the preparations made with respect to the discontinuation of the use of the LIBOR rate, on the background of disclosure guidelines published by the SEC in the matter.
Discontinuation of the use of LIBOR interests. According to the pronouncement made by the UK's Financial Conduct Authority (FCA) in July 2017, it has been decided to gradually terminate the use of the LIBOR interests in stages through the end of 2021. Further to this decision, various work teams have been set up around the world in order to determine interest indices, as an alternative to the LIBOR interest rates. In May 2020, the Bank informed the relevant customers with respect to the anticipated change and the preparations made by the Bank in the matter.
ICE Benchmark Administration Company, the administrator for the dollar LIBOR interest, announced on November 30, 2020, its intention to defer to June 2023, the termination of publishing the US dollar LIBOR interest for the most material tenors (one month and three months).
Furthermore, the International Swaps and Derivatives Association (ISDA), published on October 23, 2020, the ISDA 2020 IBOR Fallbacks protocol, which includes swap mechanisms for LIBOR interest. The Bank adopted the said protocol on February 1, 2021.
The main risks and the Bank's preparations therefor. The discontinuation of the use of LIBOR interests and the transition to alternative interest indices create various risks - operational, IT systems, the Bank-customer relations, financial and legal, that arise from the Bank's operations with its customers. The Bank is making preparations to identify the risks, inter alia, by means of mapping all the relevant forms, contracts and exposures.
The Bank has examined the expected effect of discontinuing to publish the LIBOR interest and has implemented the transition to new interest indices in relation to each of the relevant currencies.
In December 2021, the Bank completed its operational and legal preparations for the transition to the new interest indices for the credit products and derivatives. In addition, the loan forms and contracts to be used with the new interests have been updated. The Bank has held training sessions for employees to be able to support customers using foreign currency credit products and has sent notices and announcements to the relevant customers according to the requirements of Proper Conduct of Banking Business No. 250A.
On June 30, 2023, the LIBOR interest quotation for the US dollar was discontinued; the Bank replaced the interest index for the balance of the loans linked to the LIBOR interest, to an alternative interest index based on the SOFR graph, as published by the Chicago Mercantile Exchange (CME) with the addition of adjustment of the risk margin determined by the International Swaps and Derivatives Association (ISDA). Notices were delivered to the relevant customers and in publications of the Bank. Interest SWAP derivative transactions have been changed in accordance with the definitions of the international ISDA organization, to an alternative interest rate benchmark based on the SOFR graph with the addition of a compensating margin, as determined by the organization.

Material exposures. The Bank had various contracts that continued beyond June 30, 2023 which related to LIBOR interests. All contracts were exchanged on the transition date to an alternative benchmark interest with the addition of a compensating margin.

Discount's exposure to the LIBOR interest rate in respect to exposures at date of transition (June 30, 2023) – in US$ currency

	As of June 30, 2023		As of December 31, 2022	
	Number of transactions	Book value in NIS million	Number of transactions	Book value in NIS million
Loans	881	7,130	1,185	8,216
Securities	20	625	20	595
Total	**901**	**7,755**	**1,205**	**8,311**
Derivatives (volume transactions)	369	19,721	1,188	52,426

The Discount Group is no longer exposed to the LIBOR interest after June 30, 2023.
The Table includes data of Discount Bank, MDB and of IDB Bank.

For additional details, see the 2022 Annual Report (pp. 96-97).

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details on assets and liabilities according to linkage terms, see Note 15 to the condensed financial statements.
Capital sensitivity to changes in exchange rate. The capital's sensitivity to changes in exchange rate is presented in the following table, which provides details on the impact of changes in exchange rates of the major currencies on the capital as of June 30, 2023.
Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank's policy is not to create an exposure to foreign currency exchange rates in its ongoing activity. Coverage of the built-in foreign currency position, which arises from the investment in IDB Bank, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates (see above "Exposure regarding the investment in Discount Bancorp Inc." in section "Capital and capital adequacy").

The Bank's capital sensitivity of changes in exchange rates

	For the second Quarter ending on June 30, 2023			
	in NIS millions			
Segment	10%	5%	5%-	10%-
USD	456	226	(208)	(411)
EUR	84	39	(22)	(39)
Other Foreign Currencies	8	4	(4)	(8)

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

Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of June 30, 2023.

Sensitivity of the capital to changes in the CPI

	For the first Quarter ended on June 30, 2023	
	in NIS millions	
	Increase of 3%	Decrease of 3%
	408	(408)

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

For quantitative and qualitative details about share price risk, see the 2022 Annual Report (pp. 98-99) and in the "Disclosure according to the third pillar of Basel and additional information on risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.
No deviation from the said restrictions was recorded in the second quarter of 2023.
For further details on the management of the Liquidity and financing risks, see the 2022 Annual Report (pp. 99-102).

Liquidity coverage ratio

As of the second quarter of 2023, the liquidity coverage ratio of the Discount Group, on the basis of 74 observations average, stood as of June 30, 2023, at 134.5%, compared with 130.5% as of December 31, 2022, higher than the minimum requirements according to the instructions.
For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

The Bank's liquidity ratio grew in the first half of 2023, mainly as a result of debt issues made by the Bank during the period in the amount of approx. NIS 4 billion, as well as due to the pledging of the mortgage portfolio. This impact was offset by the growth in the Bank's credit portfolio. The contribution of deposits from the public to the Bank's liquidity slightly declined throughout the first half.
Transferability of liquidity within the Group. The transfer of liquidity between the Group companies and the Bank is based on the money price mechanism established at the Bank. As stated, the subsidiary companies may not rely upon the transfer of liquidity where no liquidity framework had been defined which is taken into account in the liquidity model at the counterparty.
During the first half of 2023, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a significant liquidity surplus.

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

Deposits from the public

	June 30, 2023	June 30, 2022	December 31, 2022	Change compared to June 30, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	149,804	149,008	153,976	796	0.5	(4,172)	(2.7)
CPI-linked shekels	13,809	9,987	10,304	3,822	38.3	3,505	34.0
Foreign currency and foreign currency linked shekels	56,124	51,276	53,139	4,848	9.5	2,985	5.6
Total	**219,737**	**210,271**	**217,419**	**9,466**	**4.5**	**2,318**	**1.1**
Foreign currency and foreign currency linked shekels - In US$ millions	15,169	14,650	15,101	519	3.5	68	0.4

Deposits from Banks

	June 30, 2023	June 30, 2022	December 31, 2022	Change compared to June 30, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	8,199	9,319	9,241	(1,120)	(12.0)	(1,042)	(11.3)
CPI-linked shekels	23	27	22	(4)	(14.8)	1	4.5
Foreign currency and foreign currency linked shekels	686	696	568	(10)	(1.4)	118	20.8
Total	**8,908**	**10,042**	**9,831**	**(1,134)**	**(11.3)**	**(923)**	**(9.4)**

For additional details on liquidity risks and the management thereof, see the “Disclosure according to the third pillar of Basel and additional information on risks” document, which is available for perusal as stated, and also Note 15 on assets and liabilities according to linkage terms.
For additional details on financial risk, see the “Disclosure according to the third pillar of Basel and additional information on risks” document, which is available for perusal on the Bank’s website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Operational Risks

For details on Operational risks and the manner of management thereof, including in the matter of business continuity, see the 2022 Annual Report (pp. 102-103) and the document ”Disclosure according to the third pillar of Basel and additional information on risks” available for perusal as stated.

Environmental and climate risks

For details regarding Environmental and climate risks, see the 2022 Annual Report (pp. 106-107).

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. In 2018, the Bank received immunity letter and indemnity letter signed by the State of Israel. Following extension, the indemnity letter and immunity letter are in effect until May 31, 2021.

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

In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.

For further details on compliance risks including Discount Group's activities with banks acting in the Palestinian Authority, see the 2022 Annual Report (pp. 108-109).

Other risks

For additional details on other risks, see 2022 Annual Report (including: Cross-border risks – p. 104; Information technology risks – p. 105; Strategic risk - p. 105; Reputation risk – p. 105; Data and cyber protection risks - p. 106; Legal risks – pp. 107-108; Conduct risks – p. 109).

Risk Factors Table

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

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

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

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

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

Critical Accounting Policies and Critical Accounting Estimates

The Bank's financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2022, pp. 146-162) and according to instructions and guidelines of the Supervisor of Banks.

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

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

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

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

A summary review of evaluations and assessments made regarding "critical" matters is included in the 2022 Annual Report (pp. 113-120).

Measurement of financial instruments according to their fair value

The credit risk. Adjustment of the credit risk involved in assets and liabilities regarding derivative instruments, resulted in the first half of 2023 in a profit of NIS 15 million, compared to a profit in a negligible amount in the corresponding period last year.

Adjustments made to assets and liabilities for derivative instruments

	June 30, 2023	December 31, 2022
	in NIS millions	
Assets for derivative instruments	12,401	11,423
Adjustment for credit risk regarding assets relating to derivative instruments	(45)	(61)
Liabilities for derivative instruments	10,138	9,356
Adjustment for credit risk regarding liabilities relating to derivative instruments	(4)	(5)

For additional details on the measurement of financial instruments according to their fair value, see the 2022 Annual Report (pp. 115-117).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of June 30, 2023. For details on the computation of the actuarial provision amount that would have been required were the cap rate to be determined according to the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the 2022 Annual Report.

Presenting the actuary's opinion for perusal. The opinion of the Actuary is available for perusal on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the 2023 Second Quarter Report (this Report).

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

Controls and Procedures

Disclosure controls and procedures

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

Changes in Internal Control

During the second quarter of 2023, no change has occurred in the Bank's internal control over financial reporting, which materially affected, or is reasonably expected to materially affect, the Bank's internal control over financial reporting.

Shaul Kobrinsky	Avi Levy	
Chairman of the Board of Directors	President & Chief Executive Officer	August 13, 2023

Internal Control over Financial Reporting

Certification

I, Avi Levy, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of June 30, 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

Avi Levy
President & Chief Executive Officer

August 13, 2023

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of June 30, 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   (b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   (c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   (d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

August 13, 2023

Joseph Beressi
Senior Executive Vice President
Chief Accountant

Condensed Financial Statements

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

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at June 30, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and six months periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial data for these interim periods according to Israeli GAAP regarding financial reporting for this interim period and according to the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

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

Conclusion

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

Emphasis of a matter

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

Somekh Chaikin
Certified Public Accountants (Isr.)

Ziv Haft
Certified Public Accountants (Isr.)

August 13, 2023

Condensed Consolidated statement of profit and loss

		Unaudited				Audited
		For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	Notes	2023	2022	2023	2022	2022
		in NIS millions				
Interest income		5,334	2,573	10,027	4,657	11,700
Interest expenses		2,400	500	4,353	784	3,007
Net interest income	**2**	**2,934**	**2,073**	**5,674**	**3,873**	**8,693**
Credit loss expenses	6,14	312	131	516	71	407
Net interest income after credit loss expenses		**2,622**	**1,942**	**5,158**	**3,802**	**8,286**
Non-interest Income						
Non-interest financing income (expenses)	3	282	(27)	611	18	417
Fees and commissions		869	851	1,756	1,676	3,404
Other income	20	-	-	301	416	430
Total non-interest income		**1,151**	**824**	**2,668**	**2,110**	**4,251**
Operating and other Expenses						
Salaries and related expenses		954	844	1,899	1,699	3,568
Maintenance and depreciation of buildings and equipment		326	307	650	610	1,232
Other expenses		659	565	1,352	1,114	2,417
Total operating and other expenses		**1,939**	**1,716**	**3,901**	**3,423**	**7,217**
Profit before taxes		1,834	1,050	3,925	2,489	5,320
Provision for taxes on profit		626	371	1,389	818	1,806
Profit after taxes		**1,208**	**679**	**2,536**	**1,671**	**3,514**
Bank's share in profit (loss) of associates, net of tax effect		(9)	14	(4)	19	27
Net profit:						
Before attribution to non-controlling interests		1,199	693	2,532	1,690	3,541
Attributed to the non-controlling interests		(12)	(13)	(76)	(27)	(46)
Net Profit Attributed to the Bank's Shareholders	**3A**	**1,187**	**680**	**2,456**	**1,663**	**3,495**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.96**	**0.55**	**1.99**	**1.38**	**2.87**

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

Shaul Kobrinsky
Chairman of the Board of Directors

Avi Levy
President & Chief Executive Officer

Joseph Beressi
Senior Executive Vice President,
Chief Accountant

August 13, 2023

Condensed Consolidated statement of comprehensive Income

	Unaudited				Audited
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Net profit before attribution to non-controlling interests	1,199	693	2,532	1,690	3,541
Net profit attributed to non-controlling interests	(12)	(13)	(76)	(27)	(46)
Net profit attributed to the Bank's shareholders	**1,187**	**680**	**2,456**	**1,663**	**3,495**
Other comprehensive income (loss), before taxes:					
Net adjustments, for presentation of available-for-sale bonds at fair value[3]	(4)	(789)	(1)	(2,018)	(2,317)
Adjustments from translation of financial statements	110	384	242	461	484
Adjustments of liabilities for employee benefits[2]	13	216	37	469	548
Net income (loss) on cash flows hedge	(1)	(6)	4	(19)	(27)
Other comprehensive income (loss), before taxes	**118**	**(195)**	**282**	**(1,107)**	**(1,312)**
Related tax effect	(7)	185	(16)	506	578
Other comprehensive income (loss), before attribution to non-controlling interests, after taxes	111	(10)	266	(601)	(734)
Other comprehensive income (loss) , attributed to non-controlling interests	(1)	4	-	5	4
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	**112**	**(14)**	**266**	**(606)**	**(738)**
Comprehensive income, before attribution to non-controlling interests	1,310	683	2,798	1,089	2,807
Comprehensive income, attributed to non-controlling interests	(11)	(17)	(76)	(32)	(50)
Comprehensive income, attributed to the Bank's shareholders[1]	**1,299**	**666**	**2,722**	**1,057**	**2,757**

Footnotes:

(1) See Note 4.

(2) Reflects mostly adjustments for actuarial assessments as of the end of the period of defined benefits pension plans and amortization of amounts recorded in the past in other comprehensive income.

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

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

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	June 30, 2023	June 30, 2022	December 31, 2022
			in NIS millions	
Assets				
Cash and deposits with banks		56,696	63,449	65,713
Securities				
Held-to-maturity bonds		13,615	14,713	14,847
Available- for- sale bonds		30,423	25,945	25,858
Not for trading shares		1,798	1,840	1,767
Trading securities		8,701	1,428	2,322
Total Securities (of which: 26,667, 15,128, 16,359 respectively, pledged to lenders)	**5**	**54,537**	**43,926**	**44,794**
Securities borrowed or purchased under agreements to resell		1,024	1,330	857
Credit to the public	6,14	256,768	235,510	244,288
Allowance for credit losses	6,14	(3,571)	(3,045)	(3,209)
Net credit to the public		**253,197**	**232,465**	**241,079**
Credit to Governments		3,036	2,607	2,599
Investments in Associates		483	493	486
Buildings and equipment		4,245	3,573	3,904
Intangible assets and goodwill		162	163	162
Assets for derivative instruments	11	12,400	11,023	11,420
Other assets		6,035	5,392	5,740
Total assets		**391,815**	**364,421**	**376,754**
Liabilities and Equity				
Deposits from the public	7	292,656	283,423	292,293
Deposits from banks		14,208	14,760	15,376
Deposits from the Government		136	124	117
Securities lent or sold under agreements to repurchase		10,728	1,946	3,739
Bonds and Subordinated debt notes		16,479	13,863	12,308
Liabilities for derivative instruments	11	10,124	9,303	9,348
Other liabilities (1)		19,802	16,909	18,095
Total liabilities		**364,133**	**340,328**	**351,276**
Equity attributed to the Bank's shareholders		27,016	23,490	24,880
Non-controlling rights		666	603	598
Total equity		**27,682**	**24,093**	**25,478**
Total Liabilities and Equity		**391,815**	**364,421**	**376,754**

Footnote:

(1) Of which NIS 466 million, NIS 403 million and NIS 424 million, as of June 30, 2023, June 30, 2022 and December 31, 2022, respectively, allowance for credit losses for off-balance sheet credit instruments.

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

Condensed Statement of Changes in Equity

	Paid up Share capital	Capital reserves: Share premium	Capital reserves: Benefit in respect of share based payment transactions	Capital reserves: Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
A. For the three months ended June 30, 2023 and 2022 (unaudited)										
Balance at March 31, 2023	683	5,565	5	253	6,506	(1,858)	21,448	26,096	654	26,750
Net Profit for the period	-	-	-	-	-	-	1,187	1,187	12	1,199
Dividend paid	-	-	-	-	-	-	(381)	(381)	-	(381)
Benefit for share based payment transactions[1]	-	-	2	-	2	-	-	2	1	3
Other comprehensive income , net after tax effect	-	-	-	-	-	112	-	112	(1)	111
Balance at June 30, 2023	**683**	**5,565**	**7**	**253**	**6,508**	**(1,746)**	**22,254**	**27,016**	**666**	**27,682**
Balance at March 31, 2022	683	5,565	-	258	6,506	(1,866)	18,387	23,027	682	23,709
Net Profit for the period	-	-	-	-	-	-	680	680	13	693
Dividend paid	-	-	-	-	-	-	(196)	(196)	-	(196)
A decrease in the rate of holding in a subsidiary company, with no loss of control	-	-	-	(7)	(7)	-	-	(7)	-	(7)
Exercise of options to Shares[1]	-	-	-	-	-	-	-	-	(96)	(96)
Other comprehensive loss , net after tax effect	-	-	-	-	-	(14)	-	(14)	4	(10)
Balance at June 30, 2022	**683**	**5,565**	**-**	**251**	**6,499**	**(1,880)**	**18,871**	**23,490**	**603**	**24,093**
B. For the six months ended June 30, 2023 and 2022 (unaudited)										
Balance at December 31, 2022 (audited)	683	5,565	3	253	6,504	(2,012)	20,388	24,880	598	25,478
Adjustment to the opening balance, net of tax due to the effect of the initial application[2]	-	-	-	-	-	-	(21)	(21)	(10)	(31)
Net Profit for the period	-	-	-	-	-	-	2,456	2,456	76	2,532
Dividend paid	-	-	-	-	-	-	(569)	(569)	-	(569)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	21	21
Benefit for share based payment transactions	-	-	4	-	4	-	-	4	2	6
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(21)	(21)
Other comprehensive income, net after tax effect	-	-	-	-	-	266	-	266	-	266
Balance at June 30, 2023	**683**	**5,565**	**7**	**253**	**6,508**	**(1,746)**	**22,254**	**27,016**	**666**	**27,682**

For footnotes see next page.

Condensed Statement of Changes in Equity (continued)

		Capital reserves									
	Paid up Share capital	Share premium	Benefit in respect of share based payment transactions	Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
Balance at December 31, 2021 (audited)	676	4,174	-	258	5,108	(1,274)	17,649	21,483	665	22,148
The effect of adoption of new accounting standards[1]	-	-	-	-	-	-	(139)	(139)	-	(139)
Net Profit for the period	-	-	-	-	-	-	1,663	1,663	27	1,690
Dividend paid	-	-	-	-	-	-	(302)	(302)	-	(302)
Transactions with minority	-	-	-	(7)	(7)	-	-	(7)	2	(5)
Issue of Shares[2]	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(96)	(96)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(606)	-	(606)	5	(601)
Balance at June 30, 2022	**683**	**5,565**	**-**	**251**	**6,499**	**(1,880)**	**18,871**	**23,490**	**603**	**24,093**
C. For the year of 2022 (audited)										
Balance at December 31, 2021	676	4,174	-	258	5,108	(1,274)	17,649	21,483	665	22,148
The effect of adoption of new accounting standards[1]	-	-	-	-	-	-	(139)	(139)	-	(139)
Net Profit for the period	-	-	-	-	-	-	3,495	3,495	46	3,541
Dividend paid	-	-	-	-	-	-	(617)	(617)	-	(617)
Transactions with minority	-	-	-	(5)	(5)	-	-	(5)	(2)	(7)
Issue of Shares[3]	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Benefit for share based payment transactions	-	-	3	-	3	-	-	3	3	6
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(118)	(118)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(738)	-	(738)	4	(734)
Balance at December 31, 2022	**683**	**5,565**	**3**	**253**	**6,504**	**(2,012)**	**20,388**	**24,880**	**598**	**25,478**

Footnotes:

(1) Cumulative effect of the initial implementation of US GAAP regarding current expected credit losses, As described in Note 1C5(1) to the financial statements as of December 31, 2022.

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

(3) As described in Note 24 a to the financial statements as of December 31, 2022.

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

Condensed Consolidated Statement of Cash Flows

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Cash Flows from Operating (to Operating) Activities					
Net profit before attribution to non-controlling interests in consolidated companies	1,199	693	2,532	1,690	3,541
Adjustments necessary to present cash flows from current operations:					
Bank's share in undistributed (profits) loss of investee companies (consolidated – associates)	9	(14)	4	(19)	(27)
Depreciation of buildings and equipment (including impairment in value)	147	141	297	281	579
Provision for impairment in value of securities	5	1	34	3	60
Credit expenses (reducing expenses) release	312	131	516	71	407
Gain on sale of credit portfolio, net	-	(1)	-	(1)	(5)
Profit on sale of available-for-sale bonds and shares not for trading	47	(20)	(11)	(73)	(47)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	26	(32)	37	(68)	(88)
Non realized loss (gain) on adjustment to fair value of shares no for trading	(12)	36	(5)	18	28
Gain from realization at an investment in investee companies (consolidated – associates)	-	-	-	(15)	(15)
Gain on realization of buildings and equipment	-	-	(297)	(414)	(421)
Benefit for share based payment transactions	1	-	4	-	6
Net deferred taxes	(27)	(62)	87	(345)	(433)
Severance pay – increase (decrease) in excess of provision over the deposits	17	(132)	2	(291)	(370)
Net change in current assets:					
Assets for derivative instruments	(443)	(5,288)	(981)	(5,501)	(5,898)
Trading securities	(2,389)	112	(6,417)	(357)	(1,142)
Other assets	(86)	339	(262)	598	908
Effect of changes in exchange rate on cash and cash equivalent balances	(49)	(221)	(80)	(235)	(282)
Accrual differences included in investment and financing activities	(199)	(1,507)	(677)	(1,227)	(1,252)
Net change in current liabilities:					
Liabilities for derivative instruments	122	3,413	778	2,982	3,025
Other liabilities	(703)	(564)	1,656	(423)	386
Adjustments for exchange rate differences on current assets and liabilities	52	659	177	822	68
Dividends received from investee companies (consolidated – associates)	2	6	12	14	26
Net Cash Flows from Operating (to Operating) Activities	**(1,969)**	**(2,310)**	**(2,594)**	**(2,490)**	**(946)**

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

Condensed Consolidated Statement of Cash Flows (continued)

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Cash Flows to Investing Activities					
Net change in Deposits with banks	222	(249)	(384)	(73)	(99)
Net change in net credit to the public	1,039	(11,587)	(4,902)	(14,703)	(18,106)
Net change in Credit to the Governments	876	677	1,224	1,090	2,831
Net change in Securities borrowed or purchased under agreements to resell	227	(174)	(167)	(123)	350
Acquisition of held-to-maturity bonds	(4)	(8)	(311)	(441)	(1,143)
Proceeds from redemption of held-to-maturity bonds	98	163	1,619	446	1,033
Purchase of available-for-sale bonds and shares not for trading	(4,500)	(2,199)	(12,220)	(8,428)	(16,069)
Proceeds of sale of available-for-sale bonds and shares not for trading	2,324	1,289	6,773	7,905	12,981
Purchased credit portfolios	(5,240)	(3,746)	(9,555)	(6,416)	(14,165)
Gain on sale of credit portfolio	8	452	15	1,461	1,511
Proceeds of redemption of available-for-sale bonds	1,142	451	1,487	915	3,971
Purchase of shares in investee companies (consolidated – associates)	-	(24)	(2)	(24)	(24)
Proceeds of the sale of investments in associates	-	-	-	26	26
Acquisition of buildings and equipment	(381)	(242)	(689)	(494)	(1,064)
Proceeds from sale of buildings and equipment	-	-	248	507	521
Net Cash Flows to Investing Activities	**(4,189)**	**(15,197)**	**(16,864)**	**(18,352)**	**(27,446)**
Cash Flows from Financing Activities					
Net change in Deposits from banks	(3,309)	1,577	(1,168)	2,226	2,842
Net change in Deposits from the public	2,418	15,142	761	21,294	29,701
Net change in Deposits from the Government	5	(35)	19	(222)	(229)
Net change in Securities borrowed or purchased under agreements to resell	2,941	1,946	6,989	1,946	3,739
Issuance of subordinated debt notes	1,954	1,647	4,844	1,691	2,197
Redemption of subordinated debt notes	(733)	(217)	(971)	(3,218)	(5,220)
Issue of Shares	-	-	-	1,398	1,398
Dividend paid to the shareholders	(381)	(196)	(569)	(302)	(617)
Dividend to non-controlling interests	-	(96)	(21)	(96)	(118)
Net cash flows from Financing Activities	**2,895**	**19,768**	**9,884**	**24,717**	**33,693**
Increase (decrease) in cash	(3,263)	2,262	(9,574)	3,876	5,301
Cash balance at beginning of period	58,973	60,813	65,252	59,277	59,277
Effect of changes in exchange rate on cash and cash equivalent balances	141	(60)	173	(138)	674
Cash balance at end of period	**55,851**	**63,015**	**55,851**	**63,015**	**65,252**
Interest and taxes paid and/or received					
Interest received	5,165	2,296	9,646	4,088	10,318
Interest paid	(1,724)	(231)	(2,952)	(734)	(2,110)
Dividends received	3	10	14	19	41
Taxes on income paid	(711)	(77)	(1,158)	(446)	(1,480)
Taxes on income received	180	39	190	257	279

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

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

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Recognition of a right-of-use asset in consideration for a leasing liability	4	30	23	94	588
Purchase (sale) of fixed assets	22	12	(63)	29	94
Lending of securities	832	683	(147)	754	330

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

Notes to the Condensed Financial Statements

1. Accounting Policies

A. General. Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of June 30, 2023, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in Associates. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2022 and the accompanying notes. The interim financial statements have been prepared on the basis of the same accounting principles used for the preparation of the audited financial statements as of December 31, 2022 except as detailed in section E hereunder.

B. The interim financial statements were approved for publication by the Bank's Board of Directors on August 13, 2023.

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

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

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

Starting with the period beginning January 1, 2023, accounting standards and instructions are implemented as detailed hereunder:

(1) Allowances for current expected credit losses (CECL) (see section 1 below) – at ICC.

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

(1) Adoption of updates to accounting principles accepted by US banks – allowances for credit loss and additional instructions – at ICC

ICC implements the new rules as from January 1, 2023. The increase in the allowance for credit losses was recognized in retained earnings at January 1, 2023, and affected the current business results.

Details on the effect of the initial implementation at ICC are presented hereunder[1]:

	Audited	Unaudited	
	December 31, 2022	Effect of implementation of CECL	January 1, 2023
	In NIS millions		
Balance			
Allowance for Credit Losses:	347	50	397
Of which: credit loss allowance – private individuals	320	34	354
Of which: credit loss allowance – commercial portfolio	24	16	40
Common equity			
Retained earnings balance, before the tax effect	2,133	(50)	2,083
Tax effect	-	16	16
Retained earnings balance, net of the tax effect	**2,133**	**(34)**	**2,099**

Footnote:

(1) As presented in ICC's financial statements.

1. Accounting Policies (continued)

F. **New accounting standards and new directives of the Supervisor of Banks in the period prior to their implementation**

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

The provisions of the update apply to entities that have adopted the updated Standard 2016-13, starting with annual and interim periods beginning after December 15, 2022. On July 26, 2023, the Supervisor of Banks published a draft amendment to the public reporting instructions regarding "change in terms of loans of borrowers in financial difficulties", within the framework of which it is proposed to adopt the said updated Standard by the public reporting instructions, with effect as from January 1, 2024.

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

2. Interest Income and Expenses

	Unaudited			
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
	in NIS millions			
A. Interest Income[2]				
Credit to the public	4,255	2,340	8,039	4,264
Credit to the Governments	44	20	79	36
Deposits with the Bank of Israel and cash	519	56	991	68
Deposits with Banks	55	5	105	8
Securities borrowed or purchased under resale agreements	12	1	23	1
Bonds[1]	436	146	771	270
Other assets	13	5	19	10
Total interest income	**5,334**	**2,573**	**10,027**	**4,657**
B. Interest Expenses[2]				
Deposits from the public	(2,007)	(298)	(3,684)	(451)
Deposits from the Government	(1)	(1)	(2)	(1)
Deposits from the Bank of Israel	(1)	(2)	(3)	(4)
Deposits from banks	(57)	(11)	(111)	(18)
Securities lent or sold under agreements to repurchase	(120)	(3)	(198)	(3)
Bonds and subordinated debt notes	(214)	(185)	(355)	(307)
Total interest expenses	**(2,400)**	**(500)**	**(4,353)**	**(784)**
Net interest income	**2,934**	**2,073**	**5,674**	**3,873**
C. Details of the net effect of hedge derivative instruments on interest income and expenses[3]:				
Interest Income	28	(5)	64	(11)
Interest expenses	(36)	-	(57)	5
D. Accrual basis, interest income from bonds:				
Held-to-maturity	51	43	105	78
Available-for-sale	303	95	534	178
Trading	82	8	132	14
Total included in interest income	436	146	771	270

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions	13	9	25	18
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	49	32	92	61

(2) Including the impact of hedge relations.

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

3. Non-interest Financing Income

	Unaudited			
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
	in NIS millions			
A. Non-interest financing income (expenses) from operations not for trading purposes				
From operations in derivative instruments , net				
Net income for derivative instruments[4]	1,183	2,227	2,537	2,513
Total from operations in derivative instruments	**1,183**	**2,227**	**2,537**	**2,513**
From investments in bonds:				
Gains on sale of available-for-sale bonds[3]	3	5	10	48
Losses on sale of available-for-sale bonds[3]	(69)	(2)	(79)	(17)
Total from investments in bonds	**(66)**	**3**	**(69)**	**31**
Net exchange rate differences	**(999)**	**(2,287)**	**(2,136)**	**(2,705)**
Net profit from investments in shares:				
Gains on sale from non trading shares	19	17	80	43
Losses on sale from non trading shares	-	-	-	(1)
Provision for impairment of non trading shares	(5)	(1)	(34)	(3)
Dividends from non trading shares	3	5	4	5
Unrealized profits (losses) [7]	12	(36)	5	(18)
Profit on sale of shares and activities of Associates	-	-	-	15
Total from investment in shares	**29**	**(15)**	**55**	**41**
Net profit on loans sold	-	1	-	1
Total non-interest financing income (expenses) from operations not for trading purposes	**147**	**(71)**	**387**	**(119)**
B. Non-interest financing income from operations for trading purposes[5]:				
Net income for non trading derivative instruments	161	12	261	69
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[1]	(27)	32	(31)	68
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value[2]	1	-	(6)	-
Total from trading operations[6]	**135**	**44**	**224**	**137**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:				
Interest rate exposure	107	70	138	121
Foreign currency exposure	26	(25)	91	16
Share exposure	2	(1)	(5)	-
Total according to risk exposure	**135**	**44**	**224**	**137**
Total non-interest financing income (expenses)	**282**	**(27)**	**611**	**18**

Footnotes:

(1) Of which, a part of the income (loss) relating to trading bonds that are still on hand at balance sheet date	(8)	1	(7)	-
(2) Of which, a part of the income (loss) relating to trading shares that are still on hand at balance sheet date	1	(2)	24	1
(3) Reclassified from accumulated other comprehensive income (loss), see Note 4: Of which, profit from investments in bonds, net	(66)	3	(69)	31

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

3A. Earnings Per Share

	Unaudited				Audited
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Earnings per share					
Total net income attributed to bank's shareholders	1,187	680	2,456	1,663	3,495

	In Thousand				
Earnings per share:					
Weighted average of shares of NIS 0.1 par value:					
Balance at the beginning and end of the period	1,237,011	1,237,011	1,237,011	1,164,017	1,164,017
Shares issued during the year[1]	-	-	-	37,505	55,396
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,237,011**	**1,237,011**	**1,237,011**	**1,201,522**	**1,219,413**
Earnings per share of NIS 0.1 (in NIS)	**0.96**	**0.55**	**1.99**	**1.38**	**2.87**

Footnote:

(1) As described in Note 24 a to the financial statements as of December 31, 2022. See also Note 18 below.

According to the rules, stock options issued to Officers and senior employees (as detailed in Note 24 to the financial statements as of December 31, 2022) have not been taken into account in the reported period in computing the diluted per share earnings.

In the reported period, the Bank did not have securities having a dilutive effect.

4. Accumulated other comprehensive income (loss)

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

	Other comprehensive income (loss), before attribution to non-controlling interests					Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive loss attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for- sale bonds at fair value	Adjustments from translation of financial statements[1]	Net profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
A. For the three months ended June 30, 2023 and 2022 (unaudited)							
Balance at March 31, 2023	(1,316)	(95)	(16)	(436)	(1,863)	(5)	(1,858)
Net change during the period	(7)	110	(1)	9	111	(1)	112
Balance at June 30, 2023	**(1,323)**	**15**	**(17)**	**(427)**	**(1,752)**	**(6)**	**(1,746)**
Balance at March 31, 2022	(583)	(634)	(10)	(648)	(1,875)	(9)	(1,866)
Net change during the period	[2](534)	384	(5)	145	(10)	4	(14)
Balance at June 30, 2022	**(1,117)**	**(250)**	**(15)**	**(503)**	**(1,885)**	**(5)**	**(1,880)**
B. For the six months ended June 30, 2023 and 2022 (unaudited)							
Balance at December 31, 2022 (audited)	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	(4)	242	3	25	266	-	266
Balance at June 30, 2023	**(1,323)**	**15**	**(17)**	**(427)**	**(1,752)**	**(6)**	**(1,746)**
Balance at December 31, 2021 (audited)	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	[2](1,360)	461	(14)	312	(601)	5	(606)
Balance at June 30, 2022	**(1,117)**	**(250)**	**(15)**	**(503)**	**(1,885)**	**(5)**	**(1,880)**
C. For the year of 2022 (audited)							
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the year	[2](1,562)	484	(19)	363	(734)	4	(738)
Balance at December 31, 2022	**(1,319)**	**(227)**	**(20)**	**(452)**	**(2,018)**	**(6)**	**(2,012)**

Footnotes:

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

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

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

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

	Unaudited					
	For the three months ended					
	June 30, 2023			June 30, 2022		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions					
Changes in components of other comprehensive loss, before attribution to non-controlling interests:						
Adjustments for presentation of available-for- sale bonds at fair value						
Net unrealized loss from adjustments to fair value	(89)	23	(66)	(795)	257	(538)
losses on available-for-sale bonds reclassified to the statement of income[2]	85	(26)	59	6	(2)	4
Net change during the period[4]	**(4)**	**(3)**	**(7)**	**(789)**	**255**	**(534)**
Translation adjustments						
Adjustments from translation of financial statement [1]	110	-	110	384	-	384
Net change during the period	**110**	**-**	**110**	**384**	**-**	**384**
Cash flow hedging						
Net losses for cash flow hedging	(7)	2	(5)	(6)	1	(5)
Net loss for cash flow hedging reclassified to the statement of income	6	(2)	4	-	-	-
Net change during the period	**(1)**	**-**	**(1)**	**(6)**	**1**	**(5)**
Employee benefits						
Net actuarial income	-	-	-	199	(64)	135
loss reclassified to the statement of income[3]	13	(4)	9	17	(7)	10
Net change during the period	**13**	**(4)**	**9**	**216**	**(71)**	**145**
Total net changes during the period	**118**	**(7)**	**111**	**(195)**	**185**	**(10)**
Changes in components of other comprehensive income (loss) attributed to non-controlling interests:						
Total net changes during the period	**(1)**	**-**	**(1)**	**5**	**(1)**	**4**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:						
Total net changes during the period	**119**	**(7)**	**112**	**(200)**	**186**	**(14)**

For footnotes see next page.

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

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

	Unaudited						Audited		
	For the six months ended						For the year ended December 31		
	2023			2022			2022		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions								
Changes in components of other comprehensive loss, before attribution to non-controlling interests:									
Adjustments for presentation of available-for- sale bonds at fair value									
Net unrealized loss from adjustments to fair value	(106)	27	(79)	(1,996)	651	(1,345)	(2,448)	797	(1,651)
loss (Income) on available-for-sale bonds reclassified to the statement of income[2]	105	(30)	75	(22)	7	(15)	131	(42)	89
Net change during the period[4]	**(1)**	**(3)**	**(4)**	**(2,018)**	**658**	**(1,360)**	**(2,317)**	**755**	**(1,562)**
Translation adjustments									
Adjustments from translation of financial statement [1]	242	-	242	461	-	461	484	-	484
Net change during the period	**242**	**-**	**242**	**461**	**-**	**461**	**484**	**-**	**484**
Cash flow hedging									
Net loss for cash flow hedging	(6)	2	(4)	(18)	5	(13)	(31)	9	(22)
Net loss (income) for cash flow hedging reclassified to the statement of income	10	(3)	7	(1)	-	(1)	4	(1)	3
Net change during the period	**4**	**(1)**	**3**	**(19)**	**5**	**(14)**	**(27)**	**8**	**(19)**
Employee benefits									
Net actuarial income	13	(4)	9	430	(144)	286	437	(147)	290
loss reclassified to the statement of income[3]	24	(8)	16	39	(13)	26	111	(38)	73
Net change during the period	**37**	**(12)**	**25**	**469**	**(157)**	**312**	**548**	**(185)**	**363**
Total net change during the period	**282**	**(16)**	**266**	**(1,107)**	**506**	**(601)**	**(1,312)**	**578**	**(734)**
Changes in components of other comprehensive income attributed to non-controlling interests:									
Total net change during the period	**-**	**-**	**-**	**7**	**(2)**	**5**	**5**	**(1)**	**4**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**282**	**(16)**	**266**	**(1,114)**	**508**	**(606)**	**(1,317)**	**579**	**(738)**

Footnotes:

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

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

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

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

5. Securities

A. Composition

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value(1)
	Unaudited				
	June 30,2023				
	In NIS millions				
(1) Held-to-maturity bonds(6)					
Bonds and loans:					
Of the Israeli Government(9)	9,956	9,956	-	874	9,082
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,595	3,595	-	482	3,113
Of others abroad(5)	64	64	-	3	61
Total held-to-maturity bonds	**13,615**	**(8)13,615**	**-**	**1,359**	**12,256**

	Book value	Amortized cost	Accumulated other comprehensive income: Profits	Accumulated other comprehensive income: Losses	Fair value(1)
	Unaudited				
	June 30,2023				
	In NIS millions				
(2) Available- for- sale bonds(7)					
Bonds and loans:					
Of the Israeli Government(9)	16,563	17,203	13	653	16,563
Of foreign governments	4,427	4,531	1	105	4,427
Of Israeli financial institutions	84	88	-	4	84
Of foreign financial institutions	1,022	1,017	11	6	1,022
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,214	6,925	-	711	6,214
Of others in Israel	340	371	-	31	340
Of others abroad(5)	1,773	1,769	23	19	1,773
Total Available- for- sale bonds	**(8)30,423**	**31,904**	**(2)48**	**(2)1,529**	**30,423**

	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value(1)(3)
	Unaudited				
	June 30,2023				
	In NIS millions				
(3) Investment in not for trading shares	1,798	1,712	(4)97	(4)11	1,798
Of which: shares, the fair value of which is not readily available	1,657	1,623	34	-	1,657
Total not for trading securities	**45,836**	**47,231**			**44,477**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	Unaudited				
	June 30,2023				
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	8,577	8,583	1	7	8,577
Of foreign governments	79	79	-	-	79
Of Israeli financial institutions	1	1	-	-	1
Of others in Israel	12	13	-	1	12
Total bonds	**(8)8,669**	**8,676**	**1**	**8**	**8,669**
Shares	32	8	26	2	32
Total trading securities	**8,701**	**8,684**	**(4)27**	**(4)10**	**8,701**
Total securities	**54,537**	**55,915**			**53,178**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at June 30, 2023 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of June 30, 2023.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 2,654 million, from the available for sale portfolio with a market value of NIS 3,925 million and from trading portfolio with a market value of NIS 4,498 million.

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

5. Securities (continued)

A. Composition (continued)

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
			Unaudited		
			June 30,2022		
			In NIS millions		
(1) Held-to-maturity bonds[6]					
Bonds and loans:					
Of the Israeli Government[9]	11,619	11,619	10	456	11,173
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,996	2,996	3	209	2,790
Of others abroad[5]	98	98	-	3	95
Total held-to-maturity bonds	**14,713**	**14,713**	**13**	**668**	**14,058**

	Book value	Amortized cost	Accumulated other comprehensive income: Profits	Losses	Fair value[1]
			Unaudited		
			June 30,2022		
			In NIS millions		
(2) Available- for- sale bonds[7]					
Bonds and loans:					
Of the Israeli Government[9]	12,613	13,053	56	496	12,613
Of foreign governments	4,961	5,116	-	155	4,961
Of Israeli financial institutions	90	91	-	1	90
Of foreign financial institutions	496	512	2	18	496
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,759	6,221	1	463	5,759
Of others in Israel	453	471	1	19	453
Of others abroad[5]	1,573	1,601	9	37	1,573
Total Available- for- sale bonds	**[8]25,945**	**27,065**	**[2]69**	**[2]1,189**	**25,945**

	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1][3]
			Unaudited		
			June 30,2022		
			In NIS millions		
(3) Investment in not for trading shares	1,840	1,761	[4]110	[4]31	1,840
Of which: shares, the fair value of which is not readily available	1,608	1,574	34	-	1,608
Total not for trading securities	**42,498**	**43,539**			**41,843**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	June 30,2022				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,338	1,338	3	3	1,338
Of foreign governments	71	71	-	-	71
Of others in Israel	13	13	-	-	13
Total bonds	**1,422**	**1,422**	**3**	**3**	**1,422**
Shares	6	5	3	2	6
Total trading securities	**1,428**	**1,427**	**[(4)]6**	**[(4)]5**	**1,428**
Total securities	**43,926**	**44,966**			**43,271**

Footnotes:

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

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

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

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

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

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

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

(8) Including securities sold by the Bank under repurchase terms from the available for sale portfolio with a market value of NIS 2,166 million

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

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2022				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(1) Held-to-maturity bonds[(6)]					
Bonds and loans:					
Of the Israeli Government[(9)]	11,497	11,497	1	843	10,655
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,257	3,257	1	408	2,850
Of others abroad[(5)]	93	93	-	4	89
Total held-to-maturity bonds	**14,847**	**[(8)]14,847**	**2**	**1,255**	**13,594**

	Audited				
	December 31, 2022				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[(1)]
	In NIS millions				
(2) Available- for- sale bonds[(7)]					
Bonds and loans:					
Of the Israeli Government[(9)]	12,625	13,251	57	683	12,625
Of foreign governments	5,375	5,507	3	135	5,375
Of Israeli financial institutions	89	94	-	5	89
Of foreign financial institutions	549	556	5	12	549
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,155	5,811	1	657	5,155
Of others in Israel	384	414	1	31	384
Of others abroad[(5)]	1,681	1,711	13	43	1,681
Total Available- for- sale bonds	**[(8)]25,858**	**27,344**	**[(2)]80**	**[(2)]1,566**	**25,858**

	Audited				
	December 31, 2022				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)(3)]
	In NIS millions				
(3) Investment in not for trading shares	1,767	1,692	[(4)]85	[(4)]10	1,767
Shares	1,637	1,603	34	-	1,637
Total shares	**42,472**	**43,883**	**-**	**-**	**41,219**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2022				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	2,206	2,218	-	12	2,206
Of foreign governments	76	76	-	-	76
Of others in Israel	14	15	-	1	14
Total bonds	**[(8)]2,296**	**2,309**	**-**	**13**	**2,296**
Shares	26	4	24	2	26
Total trading securities	**2,322**	**2,313**	**[(4)]24**	**[(4)]15**	**2,322**
Total securities	**44,794**	**46,196**			**43,541**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at December 31, 2022 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of December 31, 2022.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 808 million, from the available for sale portfolio with a market value of NIS 2,282 million and from trading portfolio with a market value of NIS 976 million.

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

5. Securities (continued)

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

	Unaudited							
	June 30, 2023							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	1,946	110	-	110	7,107	521	243	764
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	732	15	-	15	2,863	331	136	467
Of others abroad	63	3	-	3	-	-	-	-
Total held-to-maturity bonds	**2,741**	**128**	**-**	**128**	**9,970**	**852**	**379**	**1,231**

	Unaudited							
	June 30, 2022							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	7,505	189	-	189	1,896	267	-	267
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,343	202	-	202	281	7	-	7
Of others in Israel	-	-	-	-	4	[1]	-	-
Of others abroad	61	3	-	3	-	-	-	-
Total held-to-maturity bonds	**9,909**	**394**	**-**	**394**	**2,181**	**274**	**-**	**274**

	Audited							
	December 31, 2022							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	8,825	456	13	469	1,802	352	22	374
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,407	152	21	173	1,714	175	60	235
Of others abroad	63	4	-	4	-	-	-	-
Total held-to-maturity bonds	**10,295**	**612**	**34**	**646**	**3,516**	**527**	**82**	**609**

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

5. Securities (continued)

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

	Unaudited							
	June 30, 2023							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	10,414	133	16	149	5,738	451	53	504
Of foreign governments	1,853	24	-	24	1,510	81	-	81
Of Israeli financial institutions	70	3	-	3	14	1	-	1
Of foreign financial institutions	15	-	-	-	213	6	-	6
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,547	31	-	31	4,553	326	354	680
Of others in Israel	67	7	-	7	214	24	-	24
Of others abroad	383	7	-	7	289	12	-	12
Total available-for-sale bonds	**14,349**	**205**	**16**	**221**	**12,531**	**901**	**407**	**1,308**

	Unaudited							
	June 30, 2022							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	5,590	305	49	354	1,370	135	7	142
Of foreign governments	4,260	155	-	155	-	-	-	-
Of Israeli financial institutions	71	1	-	1	-	-	-	-
Of foreign financial institutions	342	18	-	18	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	4,810	328	-	328	787	135	-	135
Of others in Israel	321	19	-	19	-	-	-	-
Of others abroad	1,015	37	-	37	-	-	-	-
Total available-for-sale bonds	**16,409**	**863**	**49**	**912**	**2,157**	**270**	**7**	**277**

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

5. Securities (continued)

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

	Audited							
	December 31, 2022							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	5,576	431	49	480	1,588	186	17	203
Of foreign governments	2,018	57	-	57	1,419	78	-	78
Of Israeli financial institutions	89	5	-	5	-	-	-	-
Of foreign financial institutions	309	10	-	10	40	2	-	2
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,035	233	-	233	1,924	164	260	424
Of others in Israel	294	31	-	31	3	(1)	-	-
Of others abroad	1,050	36	-	36	61	7	-	7
Total available-for-sale bonds	**12,371**	**803**	**49**	**852**	**5,035**	**437**	**277**	**714**

Footnote:

(1) An amount lower than NIS 1 million.

D. The securities portfolio, as of June 30, 2023, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details on the terms "Mortgage-backed- securities - MBS", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2022.

E. The available-for-sale securities portfolio includes corporate bonds in a total amount of NIS 3,219 million (December 31, 2022: NIS 2,703 million). The balance of the said bonds included as of June 30, 2023, unrealized net losses in the amount of NIS 26 million (December 31, 2022: unrealized net gains of NIS 72 million).

F. **Unrealized losses**

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

Held-to-maturity bonds. The Bank and the relevant subsidiaries have not recognized an allowance for credit loss for most of the bonds held in the held-to-maturity portfolio, principally Israeli government bonds and US government bonds. As of June 30, 2023, the allowance for credit loss exists for other bonds is a negligible amount.

G. **Fair value presentation.** The balances of securities as of June 30, 2023, June 30, 2022, and December 31, 2022, include securities amounting to NIS 39,218 million, NIS 27,605 million and NIS 28,251 million, respectively, that are presented at fair value.

5. Securities (continued)

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

	Unaudited			
	June 30, 2023			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds(2)				
Mortgage pass-through bonds:	231	-	17	214
of which:				
Bonds guaranteed by GNMA	175	-	10	165
Bonds issued by FHLMC and FNMA	56	-	7	49
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,043	-	662	4,381
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,043	-	662	4,381
Total available-for-sale MBS bonds	**5,274**	**-**	**679**	**4,595**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	39	-	2	37
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	31	-	2	29
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,556	-	480	3,076
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,556	-	480	3,076
Total held-to-maturity MBS bonds	**3,595**	**-**	**482**	**3,113**
Total mortgage-backed bonds (MBS)	**8,869**	**-**	**1,161**	**7,708**
2.Total-Asset-backed available-for-sale bonds (ABS)	1,651	-	32	1,619
Of which collateralized bonds CLO	1,651	-	32	1,619
Total mortgage and asset-backed bonds	**10,520**	**-**	**1,193**	**9,327**

Footnotes:
(1) For available for sale bonds-accumulated other comprehensive income.
(2) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of June 30, 2023.

5. Securities (continued)

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

	Unaudited			
	June 30, 2022			
	Amortized cost	Unrealized gains from adjustment to fair value[1]	Unrealized losses from adjustment to fair value[1]	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds[2]				
Mortgage pass-through bonds:	288	-	11	277
of which:				
Bonds guaranteed by GNMA	226	-	5	221
Bonds issued by FHLMC and FNMA	62	-	6	56
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,519	1	399	4,121
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,519	1	399	4,121
Total available-for-sale MBS bonds	**4,807**	**1**	**410**	**4,398**
Held-to-maturity bonds[2]				
Mortgage pass-through bonds:	41	-	-	41
of which:				
Bonds guaranteed by GNMA	9	-	-	9
Bonds issued by FHLMC and FNMA	32	-	-	32
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	2,955	3	209	2,749
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,955	3	209	2,749
Total held-to-maturity MBS bonds	**2,996**	**3**	**209**	**2,790**
Total mortgage-backed bonds (MBS)	**7,803**	**4**	**619**	**7,188**
2.Total-Asset-backed available-for-sale bonds (ABS)	1,414	-	53	1,361
Of which collateralized bonds CLO	1,412	-	53	1,359
Of which Asset-backed bond (ABS)	2	-	-	2
Total mortgage and asset-backed bonds	**9,217**	**4**	**672**	**8,549**

Footnotes:

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

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

5. Securities (continued)

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

	Audited			
	December 31 ,2022			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds(2)				
Mortgage pass-through bonds:	251	-	17	234
of which:				
Bonds guaranteed by GNMA	194	-	10	184
Bonds issued by FHLMC and FNMA	57	-	7	50
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,053	1	581	3,473
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,053	1	581	3,473
Total available-for-sale MBS bonds	**4,304**	**1**	**598**	**3,707**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	39	-	2	37
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	31	-	2	29
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,218	1	406	2,813
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,217	1	406	2,812
Total held-to-maturity MBS bonds	**3,257**	**1**	**408**	**2,850**
Total mortgage-backed bonds (MBS)	**7,561**	**2**	**1,006**	**6,557**
2.Total-Asset-backed available-for-sale bonds (ABS)	1,507	-	59	1,448
Of which collateralized bonds CLO	1,506	-	59	1,447
Of which Asset-backed bond (ABS)	1	-	-	1
Total mortgage and asset-backed bonds	**9,068**	**2**	**1,065**	**8,005**

Footnotes:
(1) For available for sale bonds-accumulated other comprehensive income.
(2) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of December 31, 2022.

5. Securities (continued)

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

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

	Unaudited			
	June 30, 2023			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass-through bonds				
Bonds guaranteed by GNMA	20	1	145	9
Bonds issued by FHLMC and FNMA	-	-	48	7
Total mortgage-backed pass-through bonds	**20**	**1**	**193**	**16**
B.Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,267	28	3,026	634
Total other mortgage-backed bonds	**1,267**	**28**	**3,026**	**634**
Total available-for-sale MBS	**1,287**	**29**	**3,219**	**650**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	8	(1)-	-	-
Bonds issued by FHLMC and FNMA	1	(1)-	28	2
Total mortgage-backed pass-through bonds	**9**	**-**	**28**	**2**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	708	15	2,368	465
Total other mortgage-backed bonds	**708**	**15**	**2,368**	**465**
Total held-to-maturity MBS bonds	**717**	**15**	**2,396**	**467**
Total mortgage-backed bonds (MBS)	**2,004**	**44**	**5,615**	**1,117**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	260	2	1,334	30
Total asset-backed available-for-sale bonds (ABS)	**260**	**2**	**1,334**	**30**
Total mortgage and asset-backed bonds	**2,264**	**46**	**6,949**	**1,147**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

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

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

	Unaudited			
	June 30, 2022			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A.Mortgage pass through bonds:				
Bonds guaranteed by GNMA	192	5	-	-
Bonds issued by FHLMC and FNMA	56	6	-	-
Total mortgage backed pass through bonds	**248**	**11**	**-**	**-**
B.Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,251	266	754	133
Total other mortgage backed bonds	**3,251**	**266**	**754**	**133**
Total available-for-sale MBS bonds	**3,499**	**277**	**754**	**133**
Held-to-maturity securities				
A.Mortgage pass through bonds:				
Bonds issued by FHLMC and FNMA	30	(1)	-	-
Total mortgage backed pass through bonds	**30**	**-**	**-**	**-**
Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,111	202	274	7
Total other mortgage backed bonds	**2,111**	**202**	**274**	**7**
Total held-to-maturity MBS bonds	**2,141**	**202**	**274**	**7**
Total mortgage-backed bonds (MBS)	**5,640**	**479**	**1,028**	**140**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	1,310	51	33	2
Of which Asset-backed bond (ABS)	1	(1)	-	-
Total asset backed available-for-sale bonds (ABS)	**1,311**	**51**	**33**	**2**
Total mortgage and asset backed bond	**6,951**	**530**	**1,061**	**142**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

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

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

	Audited			
	December 31 ,2022			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A.Mortgage pass through bonds:				
Bonds guaranteed by GNMA	184	10	-	-
Bonds issued by FHLMC and FNMA	25	2	25	5
Total mortgage backed pass through bonds	**209**	**12**	**25**	**5**
B. Other Mortgage-Backed Securities (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,700	174	1,616	407
Total other mortgage-backed bonds	**1,700**	**174**	**1,616**	**407**
Total available-for-sale MBS bonds	**1,909**	**186**	**1,641**	**412**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	6	(1)-	-	-
Bonds issued by FHLMC and FNMA	1	(1)-	28	2
Total mortgage-backed pass-through bonds:	**7**	**-**	**28**	**2**
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,227	173	1,451	233
Total other mortgage-backed bonds	**1,227**	**173**	**1,451**	**233**
Total held-to-maturity MBS bonds	**1,234**	**173**	**1,479**	**235**
Total mortgage-backed bonds (MBS)	**3,143**	**359**	**3,120**	**647**
2.Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	1,125	47	283	12
Of which Asset-backed bond (ABS)	1	(1)-	-	-
Total asset-backed available-for-sale bonds(ABS)	**1,126**	**47**	**283**	**12**
Total mortgage and asset backed bonds	**4,269**	**406**	**3,403**	**659**

Footnote:
(1) Amount lower than NIS 1 million

J. Information on problematic bonds

	June 30, 2023	June 30, 2022	December 31, 2022
	In NIS millions		
Recorded amount of non accruing interest income problematic bonds	-	1	1

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

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

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

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

	Unaudited					
	June 30, 2023					
	Credit to the public					
	Commercial[(1)]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	144,047	345	1,210	145,602	54,158	199,760
Examined on a group basis	[(1)]10,250	67,580	33,336	111,166	83	111,249
Total debts	**154,297**	**67,925**	**34,546**	**256,768**	**54,241**	**311,009**
Of which:						
Non-accruing debts	1,727	239	177	2,143	-	2,143
Debts in arrears of 90 days or more	93	-	47	140	-	140
Other problematic debts	5,048	88	665	5,801	-	5,801
Total Problematic debts	**6,868**	**327**	**889**	**8,084**	**-**	**8,084**
Allowance for Credit Losses for debts:						
Examined on a specific basis	2,157	6	3	2,166	31	2,197
Examined on a group basis	311	277	817	1,405	-	1,405
Total allowance for Credit Losses	**2,468**	**283**	**820**	**3,571**	**31**	**3,602**
Of which: For non-accruing debts	282	12	90	384	-	384
Of which: For other problematic debts	314	1	71	386	-	386

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 107 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

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

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

	Unaudited					
	June 30, 2022					
	Credit to the public					
	Commercial[1][2]	Private Individuals - Housing Loans[2]	Private Individuals - Other Loans[2]	Total[2]	Banks and Governments Held-to-maturity and available-for-sale-bonds[2]	Total[2]
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	131,609	307	1,925	133,841	48,510	182,351
Examined on a group basis	[1]10,059	60,482	31,128	101,669	-	101,669
Total debts	**141,668**	**60,789**	**33,053**	**235,510**	**48,510**	**284,020**
Of which:						
Non-accruing debts	1,483	243	85	1,811	-	1,811
Debts in arrears of 90 days or more	55	-	44	99	-	99
Other problematic debts	3,730	75	326	4,131	-	4,131
Total Problematic debts	**5,268**	**318**	**455**	**6,041**	**-**	**6,041**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,774	11	25	1,810	29	1,839
Examined on a group basis	320	222	693	1,235	-	1,235
Total allowance for Credit Losses	**2,094**	**233**	**718**	**3,045**	**29**	**3,074**
Of which: For non-accruing debts	216	8	28	252	-	252
Of which: For other problematic debts	191	2	112	305	-	305

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 282 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(2) Reclassified following improvement of data.

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

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

	Audited					
	December 31, 2022					
	Credit to the public					
	Commercial[1]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	134,873	336	1,458	136,667	47,453	184,120
Examined on a group basis	[1]9,989	64,989	32,643	107,621	-	107,621
Total debts	**144,862**	**65,325**	**34,101**	**244,288**	**47,453**	**291,741**
Of which:						
Non-accruing debts	1,210	229	81	1,520	-	1,520
Debts in arrears of 90 days or more	70	-	45	115	-	115
Other problematic debts	4,592	84	392	5,068	-	5,068
Total Problematic debts	**5,872**	**313**	**518**	**6,703**	**-**	**6,703**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,909	13	22	1,944	29	1,973
Examined on a group basis	303	253	709	1,265	-	1,265
Total allowance for Credit Losses	**2,212**	**266**	**731**	**3,209**	**29**	**3,238**
Of which: For non-accruing debts	205	13	30	248	-	248
Of which: For other problematic debts	268	1	128	397	-	397

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

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

2. Movement in the balance of allowance for credit losses

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[2]	Total
	In NIS millions					
	Three months ended June 30, 2023					
Balance of allowance for credit losses, as at March 31, 2023	2,642	292	869	3,803	34	3,837
Expenses for credit loss	206	11	93	310	2	312
Accounting write-offs	(77)	(1)	(121)	(199)	-	(199)
Collection of debts written-off in previous years	44	-	67	111	-	111
Net accounting write-offs	(33)	(1)	(54)	(88)	-	(88)
Adjustments from translation of financial statements	7	-	-	7	-	7
Balance of allowance for credit losses, as at June 30, 2023	**2,822**	**302**	**908**	**4,032**	**36**	**4,068**
Of which: For off-balance sheet credit instruments	354	19	88	461	5	466
	Three months ended June 30, 2022					
Balance of allowance for credit losses, as at March 31, 2022	2,332	231	770	3,333	27	3,360
Expenses for credit loss	43	23	62	128	3	131
Accounting write-offs	(88)	(1)	(99)	(188)	-	(188)
Collection of debts written-off in previous years	78	-	69	147	-	147
Net accounting write-offs	(10)	(1)	(30)	(41)	-	(41)
Adjustments from translation of financial statements	25	1	1	27	-	27
Balance of allowance for credit losses, as at June 30, 2022	**2,390**	**254**	**803**	**3,447**	**30**	**3,477**
Of which: For off-balance sheet credit instruments	296	21	85	402	1	403
	Six months ended June 30, 2023					
Balance of allowance for credit losses, as at December 31, 2022 (audited)	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application[1]	16	-	34	50	-	50
Expenses for credit loss	346	17	147	510	6	516
Accounting write-offs	(197)	(1)	(235)	(433)	(1)	(434)
Collection of debts written-off in previous years	118	-	141	259	-	259
Net accounting write-offs	(79)	(1)	(94)	(174)	(1)	(175)
Adjustments from translation of financial statements	14	1	-	15	-	15
Balance of allowance for credit losses, as at June 30, 2023	**2,822**	**302**	**908**	**4,032**	**36**	**4,068**
Of which: For off-balance sheet credit instruments	354	19	88	461	5	466

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

2. Movement in the balance of allowance for credit losses (continued)

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[2]	Total
	In NIS millions					
	Six months ended June 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application[2]	183	(32)	-	151	9	160
Expenses (expenses release) for credit loss	(41)	34	79	72	(1)	71
Accounting write-offs	(170)	(7)	(181)	(358)	-	(358)
Collection of debts written-off in previous years	129	-	131	260	-	260
Net accounting write-offs	(41)	(7)	(50)	(98)	-	(98)
Adjustments from translation of financial statements	31	1	1	33	-	33
Balance of allowance for credit losses, as at June 30, 2022	**2,390**	**254**	**803**	**3,447**	**30**	**3,477**
Of which: For off-balance sheet credit instruments	296	21	85	402	1	403

Footnotes:

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

(2) The effect of the initial implementation of US GAAP regarding allowances for current expected credit losses (CECL) is presented in Note 1(c)(5) to the financial statements as of December 31, 2022.

7. Deposits from the public

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

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	64,958	(1)95,522	(1)79,535
Interest bearing	33,110	(1)34,300	(1)37,944
Total demand deposits	**98,068**	**129,822**	**117,479**
Time deposits	158,146	117,204	139,379
Total deposits in Israel*	**256,214**	**247,026**	**256,858**
* Of which:			
Private individuals deposits	119,237	115,216	116,356
Institutional bodies deposits	31,404	30,321	29,655
Corporations and others deposits	105,573	101,489	110,847
Outside Israel			
Demand deposits:			
Non-interest bearing	5,073	7,853	6,622
Interest bearing	22,985	21,057	20,968
Total demand deposits	**28,058**	**28,910**	**27,590**
Time deposits	8,384	7,487	7,845
Total deposits outside Israel	**36,442**	**36,397**	**35,435**
Total deposits from the public	**292,656**	**283,423**	**292,293**

Footnote:

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

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

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	96,325	95,068	96,125
Over 1 up to 10	69,627	70,317	69,671
Over 10 up to 100	43,495	44,192	43,702
Over 100 up to 500	36,438	29,614	34,338
Over 500	46,771	44,232	48,457
Total	**292,656**	**283,423**	**292,293**

8. Employee Benefits

A. Details on the benefits

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
	in NIS millions		
Severance pay, retirement and pension:			
The liability amount	2,692	2,756	2,644
Fair value of the plan's assets	1,264	1,253	1,219
Excess liabilities over the plan's assets included in the item "other liabilities"	**1,428**	**1,503**	**1,425**
Amounts included in the other liabilities item:			
Post retirement benefits to retirees	557	554	562
Vacation	160	166	142
Illness	7	7	7
Total Excess liabilities of the program included in the item "other liabilities"	**2,152**	**2,230**	**2,136**
Of which – for benefits to employees abroad	32	33	30

B. Defined benefit plan

1. Commitment and financing status

1.1 Change in commitment for anticipated benefits

	Unaudited								Audited	
	For the three months ended June 30,				For the six months ended June 30,				For the year ended December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022	2022	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Commitment for anticipated benefits at the beginning of the period	2,645	2,975	553	619	2,644	3,180	562	677	3,180	677
Cost of service	24	28	2	2	48	59	3	4	117	8
Cost of interest	28	20	6	4	55	34	12	8	81	13
Actuarial (profit) loss	10	(227)	1	(66)	3	(460)	(6)	(122)	(542)	(106)
Changes in foreign currency exchange rates	-	-	-	2	-	-	1	3	-	3
Benefits paid	(15)	(20)	(5)	(7)	(58)	(37)	(15)	(16)	(172)	(33)
Other	-	(20)	-	-	-	(20)	-	-	(20)	-
Commitment at the end of the period for anticipated benefits	**2,692**	**2,756**	**557**	**554**	**2,692**	**2,756**	**557**	**554**	**2,644**	**562**
Commitment at the end of the period for accumulated benefits(1)	**2,326**	**2,352**	**557**	**554**	**2,326**	**2,352**	**557**	**554**	**2,272**	**562**

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

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited				Audited
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	Severance pay, retirement and pension payments in NIS millions				
Fair value of the plan's assets at the beginning of the period	1,234	1,338	1,219	1,384	1,384
Actual return on the plan's assets	26	(73)	40	(110)	(135)
Deposits to the plan	7	6	13	13	26
Benefits paid	(3)	(15)	(8)	(31)	(53)
An addition stemming from the merger of Municipal Bank	-	(3)	-	(3)	(3)
Fair value of the plan's assets at the end of the period	**1,264**	**1,253**	**1,264**	**1,253**	**1,219**
Financing status – net liability recognized at the end of the period	**(1,428)**	**(1,503)**	**(1,428)**	**(1,503)**	**(1,425)**

1.3 Amounts recognized in the consolidated balance sheet

	Unaudited				Audited	
	June 30				December 31	
	2023	2022	2023	2022	2022	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other liabilities"	(1,428)	(1,503)	(557)	(554)	(1,425)	(562)
Net liability at the end of the period	**(1,428)**	**(1,503)**	**(557)**	**(554)**	**(1,425)**	**(562)**

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

	Unaudited				Audited	
	June 30				December 31	
	2023	2022	2023	2022	2022	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Net actuarial loss	(632)	(761)	(18)	(4)	(665)	(22)
Net cost for prior service	-	-	(1)	-	-	(1)
Closing balances of accumulated other comprehensive loss	**(632)**	**(761)**	**(19)**	**(4)**	**(665)**	**(23)**

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

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

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for cumulative benefits	2,205	2,233	2,154
Fair value of the plan's assets	1,104	1,094	1,068

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

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for anticipated benefits	2,692	2,756	2,644
Fair value of the plan's assets	1,264	1,253	1,219

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period

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

	Unaudited				Audited
	For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Severance pay, retirement and pension payments					
Cost of service	24	28	48	59	117
Cost of interest	28	20	55	34	81
Anticipated return on assets of the plan	(15)	(18)	(30)	(37)	(73)
Cost of prior service	-	(20)	-	(20)	(20)
Amortization of unrecognized amounts:					
Net actuarial loss	14	17	26	38	67
Total amortization of unrecognized amounts	**14**	**17**	**26**	**38**	**67**
Other, including loss from reduction or settlement	-	-	-	-	46
Total net cost of benefits	**51**	**27**	**99**	**74**	**218**
Total expense regarding defined deposits pension plans	**62**	**45**	**116**	**96**	**210**
Total expenses included for Severance pay, retirement and pension payments	**113**	**72**	**215**	**170**	**428**
Of which: expenses included in salaries and related expenses	86	73	164	155	327
Of which: expenses included in other expenses	27	(1)	51	15	101
Post retirement retiree benefits					
Cost of service	2	2	3	4	8
Cost of interest	6	4	12	8	13
Amortization of unrecognized amounts:					
Net actuarial (income) loss	(1)	-	(2)	1	(1)
Cost of prior service	-	-	-	-	(1)
Total amortization of unrecognized amounts	**(1)**	**-**	**(2)**	**1**	**(2)**
Total net cost of benefits	**7**	**6**	**13**	**13**	**19**
Of which: expenses included in salaries and related expenses	2	2	3	4	8
Of which: expenses included in other expenses	5	4	10	9	11

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

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

	Unaudited								Audited	
	For the three months ended June 30,				For the six months ended June 30,				For the year ended December 31,	
	2023	2022	2020	2023	2022	2022	2023	2022	2022	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Net actuarial (income) loss for the year	(1)	(133)	1	(66)	(7)	(310)	(6)	(122)	(331)	(106)
Amortization of actuarial income (loss)	(14)	(17)	1	-	(26)	(38)	2	(1)	(67)	1
Amortization of credit for prior service	-	-	-	-	-	-	-	-	-	1
Other, including loss from reduction or settlement	-	-	-	-	-	-	-	-	(46)	-
Total recognized in other comprehensive income (loss)	**(15)**	**(150)**	**2**	**(66)**	**(33)**	**(348)**	**(4)**	**(123)**	**(444)**	**(104)**
Total net cost of benefits[1]	**51**	**27**	**7**	**6**	**99**	**74**	**13**	**13**	**218**	**19**
Total amount recognized in net cost of benefits and in other comprehensive income (loss)	**36**	**(123)**	**9**	**(60)**	**66**	**(274)**	**9**	**(110)**	**(226)**	**(85)**

Footnote:
(1) See item 2.1 above.

3. Assumptions

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

3.1.1 Principal assumptions used in determining the commitment for the benefit

	Unaudited		Audited	Unaudited		Audited
	June 30		December 31	June 30		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.72%-1.88%	1.07%-1.66%	1.64%-1.83%	1.84%-2.05%	0.59%-1.79%	1.76%-2.00%

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

	Unaudited		Audited	Unaudited		Audited
	June 30		December 31	June 30		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.68%-1.85%	-0.40%-0.80%	0.46%-1.29%	1.80%-2.02%	-0.93% -1.08%	0.04%-1.49%

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions (continued)

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

	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
	Increase of one percentage point						Decrease of one percentage point					
	Severance pay, retirement and pension payments			Post retirement retiree benefits			Severance pay, retirement and pension payments			Post retirement retiree benefits		
	June 30		December 31	June 30		December 31	June 30		December 31	June 30		December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
	in NIS millions											
Discount rate	(220)	(236)	(237)	(40)	(48)	(43)	228	244	228	40	48	43

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

4. Cash flow

4.1 Deposits

	Unaudited					Audited
	Forecast[1]	Actual deposits				
		For the three months ended June 30,		For the six months ended June 30,		For the year ended December 31,
	2023	2023	2022	2023	2022	2022
	Severance pay, retirement and pension payments					
	in NIS millions					
Deposits	13	7	6	13	13	26

Footnote:

(1) Assessment of expected deposits with defined benefit pension plans the remainder of 2023.

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

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

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

B. **Additional capital requirements for housing loans.** On September 28, 2014 the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329, in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the total capital target by a rate which expresses 1% of the outstanding housing loans. The said requirement increased the minimum equity capital requirement by approx. 0.19%. It is noted that in accordance to the Provisional Instruction from April 27, 2020, the said requirement shall not apply to housing loans approved as from March 19, 2020 and until date of expiry of the Provisional Instruction (December 31, 2021). Housing loans approved as from the effective date of the provisional instruction, and for which, the additional capital requirement does not apply, as stated, amounted at June 30, 2023 to NIS 17,576 million.
On December 27, 2021, within the framework of updating Proper Conduct of Banking Business Directive No. 329, "Limitations on granting Housing Loans", it was prescribed that the aforesaid additional capital requirement would apply solely to loans for the purpose of housing and would not apply to a housing loan not for the purpose of acquiring a land right and a housing pledge ("an 'any purpose' loan").

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

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

C. Relief regarding the retirement plan

(1) **Relief regarding the retirement plan 2018.** The Supervisor of Banks granted the Bank a relief regarding its 2018 efficiency plan. Costs in a total amount of approx. NIS 145 million (before taxes; an amount of NIS 95 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2018, and are gradually amortized, as from the third quarter of 2018, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 95 million have been amortized to June 30, 2023.

(2) **Relief regarding the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 257 million (before taxes; an amount of NIS 169 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2020, and are gradually amortized, as from the third quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 101 million have been amortized to June 30, 2023.

(3) **Relief regarding the expanding of the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding the expanding of its 2020 retirement plan. Costs in a total amount of approx. NIS 238 million (before taxes; an amount of NIS 157 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2020, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 86 million have been amortized to June 30, 2023.

(4) **Relief regarding the retirement plan 2020 - MDB.** The Supervisor of Banks granted MDB a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 60 million (before taxes; an amount of NIS 40 million net of tax) have been eliminated in computing capital adequacy in the 2020 annual report, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 22 million have been amortized to June 30, 2023.

D. Capital for calculating ratio of capital

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	in NIS millions		
Common equity tier 1 after regulatory adjustments and deductions	(1)27,448	(1)23,939	(1)25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	27,448	23,939	25,353
Tier 2 capital after deductions	7,434	6,275	6,878
Total capital	**34,882**	**30,214**	**32,231**

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

E. Weighted risk assets balance

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	in NIS millions		
Credit risk[1]	238,713	213,829	225,052
Market Risk	5,200	4,690	3,633
CVA risk	2,430	1,526	2,077
Operational risk	18,884	15,490	16,685
Total weighted risk assets balance	**265,227**	**235,535**	**247,447**

Footnote:
(1) The total weighted balances of the risk assets have been reduced by NIS 203 million (June 30, 2022: NIS 301 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated for the purchase of land (December 31, 2022: NIS 555 million).

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

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

F. Ratio of capital risk assets

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.35	10.16	10.25
Ratio of total capital to risk assets	13.15	12.83	13.03
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(3)	9.19	9.18	9.19
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	11.86	10.74	11.07
Ratio of total capital to risk assets	14.31	13.62	13.66
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(4)	9.22	9.20	9.22
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
2. Discount Bancorp Inc. (1)			
Ratio of common equity tier 1 to risk assets	14.75	13.01	14.12
Ratio of total capital to risk assets	15.70	13.83	15.05
Ratio of minimum common equity tier 1 required according to local regulation(2)	4.50	4.50	4.50
Minimum total capital adequacy ratio required according to local regulation(2)	8.00	8.00	8.00
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	13.00	12.80	12.40
Ratio of total capital to risk assets	14.10	13.90	13.50
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.00	8.00	8.00
Minimum total capital adequacy ratio required by the Supervisor of Banks	11.5	11.5	11.5

Footnotes:

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

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

(3) With an addition of 0.19% (June 30, 2022: 0.18%, December 31, 2022: 0.19%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(4) With an addition of 0.22% (June 30, 2022: 0.20%, December 31, 2022: 0.22%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

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

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

G. Capital components for calculating ratio of capital

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	in NIS millions		
A. Common Equity Tier 1			
Common equity	27,682	24,093	25,478
Difference between common equity and common equity tier 1	(310)	(248)	(262)
Total common equity tier 1 before supervisory adjustments and deductions	**27,372**	**23,845**	**25,216**
Supervisory adjustments and deductions			
Goodwill and other intangible assets	175	260	175
Supervisory adjustments and other deductions	22	28	25
Total supervisory adjustments and deductions before effect of adjustments for the efficiency plan and before effect of adjustment for expected credit losses	**197**	**288**	**200**
Total adjustments in respect to the efficiency plan	156	248	202
Total adjustments for expected credit losses	117	134	135
Total common equity tier 1 after supervisory adjustments and deductions	**27,448**	**23,939**	**25,353**
B. Additional tier 1 capital			
Additional tier 1 capital before supervisory adjustments and deductions	-	-	-
Total additional tier 1 capital after supervisory adjustments and deductions	**-**	**-**	**-**
C. Tier 2 capital			
Instruments before deductions	4,315	3,487	3,942
Allowance for credit losses before deductions	3,014	2,692	2,839
Minority interests in a subsidiary	105	96	97
Total tier 2 capital before deductions	7,434	6,275	6,878
Deductions	-	-	-
Total tier 2 capital	**7,434**	**6,275**	**6,878**

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

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	In %		
Ratio of Common Equity Tier 1 to risk items before effect of adjustments	10.24	9.99	10.07
Effect of the adjustments in respect to the efficiency plan(1)	0.07	0.11	0.11
Effect of adjustments for expected credit losses(2)	0.04	0.06	0.05
Effect of adjustments for increased risk loans for the purchase of land(3)	-	-	0.02
Ratio of common equity tier 1 to risk assets after the effect of the adjustments	10.35	10.16	10.25

Footnote:

(1) See items "C" and "G" above.

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

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

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

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

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

Temporary directive for a relaxation in relation to leverage in light of the Corona crisis. On November 15, 2020, the Banking Supervision Department issued an update to Proper Conduct of Banking Business Directive No. 250. The update deals with the relaxation in the leverage ratio for a banking corporation, so that it will amount to 4.5% for a banking corporation whose market share is smaller than 24%. This was done in order to prevent a situation where the leverage ratio would constitute an obstacle to extending bank credit. The temporary directive has been extended from time to time. In a circular dated May 15, 2022, the relief stipulated in this matter was extended so that it will be valid until June 30, 2024, provided that the leverage ratio is not less than the rate on December 31, 2023 or from the minimum leverage ratio required from a banking corporation prior to the temporary directive, the lower of the two.

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	27,448	23,939	25,353
Total exposures	430,278	397,698	412,180
	In %		
Leverage ratio	6.4	6.0	6.2
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	6.8	5.6	5.9
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
2. Discount Bakcorp Inc.			
Leverage ratio	10.6	9.6	10.3
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.6	9.4	9.2
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5

Footnote:

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

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

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

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

	Unaudited		Audited
	For the three months ended		
	June 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Liquidity coverage ratio	134.5	121.3	130.5
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	156.3	133.8	145.4
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries[(1)]			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	131.7	126.1	134.2
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

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

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

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

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

	Unaudited		Audited
	June 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Net stable funding ratio (NFSR)	122.7	124.7	124.8
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Net stable funding ratio (NFSR)	127.0	122.9	125.6
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0

10. Contingent liabilities and special commitments

Contingent liabilities and other special commitments

	Unaudited		Audited
	June 30		December 31
	2023	2022	2022
	in NIS millions		
1. Commitment to acquire buildings and equipment[(1)]	319	727	515
2. Commitment to invest in private investment funds and in venture capital funds	834	800	847

Footnote:

(1) Mainly due to the Discount campus establishment, see item 5.

Contingent liabilities and other special commitments - continued

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

As detailed in Note 26 C 10 to the financial statements as at December 31, 2022, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and applications to approve actions as class action suits. In the opinion of the Bank's Management, which is based, inter alia, on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based upon the opinion of their legal counsels, respectively, as the - case may be, adequate provisions have been included in the financial statements, where required.

The total exposure with respect to claims filed against the Bank and its consolidated subsidiaries, whose prospects of materializing, in whole or in part, have been assessed as reasonably possible, amounted to approx. NIS 722 million as of June 30, 2023.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 10-11 to the financial statements as at December 31, 2022. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 16 to the financial statements as at December 31, 2022.

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

3.1 Note 26 C 10.1 to the financial statements as of December 31, 2022, described a lawsuit together with an application for its approval as a class action suit, filed on April 28, 2014 with the District Court Central Region against ICC and other credit card companies. The above application raises the allegation for two binding arrangements in the field of immediate debit cards ("debit") and pre-paid cards ("pre-paid"). A new application was filed on June 8, 2016, which assessed the damage for all defendants at approx. NIS 7 billion.

With the recommendation of the Court, the parties conducted negotiations in an effort to bring the case to an agreed conclusion. An application for approval of a compromise arrangement was filed with the Court on July 9, 2023.

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

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

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

10. Contingent liabilities and special commitments (continued)

3.3 Note 26 C 10.8 to the financial statements as of December 31, 2022, described a lawsuit filed on November 16, 2020, together with an application for approval of the action as a class action suit with the Jerusalem District Court against the Bank, MDB and five additional banks. The Claimants argue that the banks are not acting according to the provisions of the Credit Data Law and the Regulations enacted under it, by incorrectly reporting data relating to cases where they have no authority to do so. It is also argued that the banks report legal proceedings for a debt even after a ruling had been given at the conclusion thereof, and this until repayment of the debt had been made in full, or until after a debt arrangement had been signed, date of granting exemption, or any other date following the rendering of a ruling.

It is further argued that the banks report also claims in determined amounts submitted to the Debt Execution Office, and this despite the fact that no legal proceedings had been instituted with a Court of Law. The Claimants claim a monetary damage of different amounts for the different class members and a nonmonetary damage for damaged autonomy in the amount of NIS 50,000, with no proof of damage.

A compromise agreement was submitted on December 15, 2022, for approval of the Court. A hearing of the application for approval of the compromise agreement took place on March 5, 2023, and on March 9, 2023, a ruling was issued approving the compromise arrangement.

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

4.1 Note 26 C 11.1 to the financial statements as of December 31, 2022, described a statement of claim together with a plea for deferment of the payment of Court fees, filed on December 19, 2019, with the Tel Aviv-Yaffo District Court against the Bank and against five additional defendants. The claim had been filed by a commercial bank in the Ukraine, the Joint Stock Company Commercial Bank, Privat Bank, and the cause of action being fraud, embezzlement and deceit perpetrated by former controlling stockholders of the Plaintiff who are being sued in the statement of claim.

As argued in the statement of claim, the controlling stockholders of the Plaintiff had acted for the granting of loans by the Plaintiff to entities under their control, such loan monies being later transferred through bank accounts in order to hide their source, and finally usurped for the personal benefit of the controlling stockholders. It is further argued that as part of the fraud and embezzlement perpetrated according to the instructions of the controlling stockholders, an amount of US$1.2 billion was smuggled to Israel by way of monetary transfers from a bank account in Cyprus belonging to a company owned by the controlling stockholders to its account with the Bank. As described in the statement of claim, the said monetary transfers were made in the years from 2007 to 2011. According to the allegations of the Plaintiff by allowing these monetary transfers to and from the Bank, the Bank has caused damage to the Plaintiff, and this, as argued by the Plaintiff, is in contradiction to the duties applying to him under the Prohibition of Money Laundering Law in Israel.

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

Since the filing of the action, the hearing of the case concentrates mostly on preliminary issues. Included in the above, inter alia, proceedings continued during February to April 2023, regarding applications denying authority submitted by certain of the defendants. In its decision of May 28, 2023, the Court admitted the applications for refuting authority, stating that Israel does not constitute the proper forum for the hearing of the action against the Appellants.

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

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

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

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

The argued amount of the class damage (in respect of all the Defendants) exceeds NIS 5 billion.

10. Contingent liabilities and special commitments (continued)

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

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

5. **Discount Campus.** Details on the project are presented in Note 26 C 13 to the annual financial statements as of December 31, 2022. The investment in the project amounted at June 30, 2023, to NIS 1,598 million. The balance of the commitment for this project amounted at that date to NIS 230 million (all amounts do not include VAT).

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

   The Insurance Policy will be in effect from April 1, 2023 through March 31, 2024 (hereinafter: "the Insurance Period"). The liability limit insured within the framework of the Insurance Policy is US$175 million per claim and in aggregate for the Insurance Period. In the event of a claim against any of the officers, no deductible shall be applicable to the officers themselves. The Bank bears deductibles in amounts and under terms stated in the insurance policy.

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

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	June 30, 2023			June 30, 2022			December 31, 2022		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions								
Interest rate contracts									
Forward and Futures contracts	7,850	14,788	22,638	6,025	29,105	35,130	7,022	28,910	35,932
Options written	-	3,354	3,354	12	1,970	1,982	1	1,152	1,153
Options purchased	-	2,244	2,244	12	1,620	1,632	1	1,011	1,012
Swaps(1)	37,819	186,341	224,160	25,942	140,147	166,089	35,073	153,515	188,588
Total(2)	**45,669**	**206,727**	**252,396**	**31,991**	**172,842**	**204,833**	**42,097**	**184,588**	**226,685**
Of which: Hedging derivatives(5)	13,623	-	13,623	5,751	-	5,751	10,109	-	10,109
Foreign currency contracts									
Forward and Futures contracts(3)	2,198	53,369	55,567	1,523	51,102	52,625	1,387	42,502	43,889
Options written	-	16,062	16,062	-	12,988	12,988	-	10,218	10,218
Options purchased	1,358	16,908	18,266	-	13,181	13,181	-	11,044	11,044
Swaps	43,302	96,347	139,649	31,488	91,680	123,168	34,032	105,180	139,212
Total	**46,858**	**182,686**	**229,544**	**33,011**	**168,951**	**201,962**	**35,419**	**168,944**	**204,363**
Contracts on shares									
Options written	9	12,302	12,311	80	10,396	10,476	27	7,661	7,688
Options purchased(4)	9	12,302	12,311	82	10,396	10,478	28	7,661	7,689
Swaps	-	3,686	3,686	-	889	889	-	925	925
Total	**18**	**28,290**	**28,308**	**162**	**21,681**	**21,843**	**55**	**16,247**	**16,302**
Commodities and other contracts									
Forward and Futures contracts	-	10	10	-	1,015	1,015	-	839	839
Options written	-	-	-	-	4	4	-	-	-
Options purchased	-	-	-	-	4	4	-	-	-
Total	**-**	**10**	**10**	**-**	**1,023**	**1,023**	**-**	**839**	**839**
Total stated amount	**92,545**	**417,713**	**510,258**	**65,164**	**364,497**	**429,661**	**77,571**	**370,618**	**448,189**

Footnotes:

(1) Of which: swaps on which the Bank pays a fixed interest	31,821	30,250	30,891
(2) Of which: shekel/CPI swaps	17,234	16,156	18,610
(3) Of which: spot foreign currency swap contracts	3,701	4,813	2,272
(4) Of which: traded on the Stock Exchange	12,311	(6)10,478	(6)7,689

(5) The Bank conducts accounting hedge by way of IRS transactions.
(6) Reclassified – improvement in the classes of derivatives presented in this line.

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

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

2. Gross fair value of derivative instruments

	Gross amount of assets for derivative instruments			Gross amount of liabilities for derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	June 30, 2023					
Interest rate contracts	844	4,687	5,531	682	4,425	5,107
Of which: Hedging	567	-	567	228	-	228
Foreign currency contracts	2,149	3,037	5,186	448	2,900	3,348
Contracts on shares	1	1,683	1,684	1	1,682	1,683
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**2,994**	**9,407**	**12,401**	**1,131**	**9,007**	**10,138**
Balance sheet balance	2,994	9,407	12,401	1,131	9,007	10,138
Of which: not subject to net settlement arrangement or similar arrangements	40	1,562	1,602	22	1,573	1,595
	Unaudited					
	June 30, 2022					
Interest rate contracts	512	3,605	4,117	606	3,488	4,094
Of which: Hedging	349	-	349	124	-	124
Foreign currency contracts	1,583	4,759	6,342	439	4,213	4,652
Contracts on shares	2	566	568	2	565	567
Commodities and other contracts	-	1	1	-	1	1
Total assets/liabilities for derivatives gross(1)	**2,097**	**8,931**	**11,028**	**1,047**	**8,267**	**9,314**
Balance sheet balance	2,097	8,931	11,028	1,047	8,267	9,314
Of which: not subject to net settlement arrangement or similar arrangements	67	549	616	16	568	584
	Audited					
	December 31, 2022					
Interest rate contracts	947	4,986	5,933	671	4,930	5,601
Of which: Hedging	606	-	606	158	-	158
Foreign currency contracts	1,074	3,394	4,468	53	2,680	2,733
Contracts on shares	1	1,021	1,022	1	1,021	1,022
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**2,022**	**9,401**	**11,423**	**725**	**8,631**	**9,356**
Balance sheet balance	2,022	9,401	11,423	725	8,631	9,356
Of which: not subject to net settlement arrangement or similar arrangements	55	516	571	21	969	990

Footnote:

(1) Of which: NIS 1 million (June 30, 2022: NIS 5 million, December 31, 2022: NIS 3 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 14 million (June 30, 2022: NIS 11 million, December 31, 2022: NIS 8 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

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

B. Accounting hedge

1. Effect of fair value hedge

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Interest income (expenses)				
	In NIS millions				
Profit (loss) on fair value hedge					
Interest rate contracts					
Hedged items	(9)	(106)	125	(227)	(465)
Hedging derivatives	23	101	(108)	217	454

2. Items hedged by fair value hedge

	Unaudited						Audited		
	June 30, 2023			June 30, 2022			December 31, 2022		
	Book value	Cumulative fair value adjustments increasing the book value		Book value	Cumulative fair value adjustments increasing the book value		Book value	Cumulative fair value adjustments increasing the book value	
		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations
	In NIS millions								
Securities	7,560	(352)	-	2,740	(186)	-	6,606	(407)	-
Deposits from the public	2,914	-	-	2,166	(85)	-	2,296	(109)	-
Bonds and subordinated debt notes	2,953	76	-	-	-	-	-	-	-

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

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

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	(1)	(6)	4	(19)	(27)

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

B. Accounting hedge (continued)

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

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

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	6	-	10	(1)	4

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

	Unaudited				Audited
	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[1]				
	In NIS millions				
Interest rate contracts	111	(138)	11	(261)	(289)
Foreign currency contracts	1,233	2,376	2,787	2,842	3,402
Contracts on shares	-	1	-	1	2
Total	**1,344**	**2,239**	**2,798**	**2,582**	**3,115**

Footnote:

(1) Included in the item Non-interest financing income (expenses)

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

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

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	Unaudited						
	In NIS millions						
	June 30, 2023						
Balance sheet balance of assets for derivative instruments(3)	76	3,657	50	-	2,030	6,588	12,401
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments(6)	-	(2,015)	-	-	(178)	(3,393)	(5,586)
Credit risk mitigation for cash collateral received	-	(1,034)	(41)	-	(1,235)	(545)	(2,855)
Adjusting net balance sheet with balance sheet credit risk	-	61	-	-	5	(1,061)	(995)
Balance sheet credit risk for derivative instruments	**76**	**669**	**9**	**-**	**622**	**1,589**	**2,965**
Off-balance sheet credit risk for financial instruments(2)	1,849	1,625	55	39	1,359	2,032	6,959
Total credit risk for derivative instruments(5)	**1,925**	**2,294**	**64**	**39**	**1,981**	**3,621**	**9,924**
Balance sheet balance of liabilities for financial instruments(4)	1,533	3,497	1	211	394	4,502	10,138
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,015)	-	-	(178)	(3,393)	(5,586)
Pledged cash collateral	-	(977)	-	(174)	(124)	(127)	(1,402)
Net amount of liabilities for derivative instruments	**1,533**	**505**	**1**	**37**	**92**	**982**	**3,150**

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	Unaudited						
	June 30, 2022						
Balance sheet balance of assets for derivative instruments(3)	100	3,259	29	-	3,171	4,469	11,028
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments(6)	-	(2,184)	-	-	(351)	(2,885)	(5,420)
Credit risk mitigation for cash collateral received	-	(868)	(19)	-	(1,712)	(75)	(2,674)
Net amount of assets for derivative instruments	**100**	**207**	**10**	**-**	**1,108**	**1,509**	**2,934**
Off-balance sheet credit risk for derivative instruments(1)	318	218	67	49	178	663	1,493
Total credit risk for derivative instruments(5)	**418**	**3,477**	**96**	**49**	**3,349**	**5,132**	**12,521**
Balance sheet balance of liabilities in respect of derivative instruments(4)	466	3,798	3	143	509	4,395	9,314
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,184)	-	-	(351)	(2,885)	(5,420)
Pledged cash collateral	-	(1,319)	-	(95)	(69)	(491)	(1,974)
Net amount of liabilities in respect of derivative instruments	**466**	**295**	**3**	**48**	**89**	**1,019**	**1,920**

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

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

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

Footnotes:

(1) The difference, if positive, between the total amount for derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, before credit risk mitigation, and between the balance sheet amount of assets for derivative instruments of the borrower.

(2) The difference, if positive, between the total amount regarding derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, after credit risk mitigation, and between the balance sheet credit risk regarding derivative instruments of the borrower.

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS12,400 million included in the item assets for derivative instruments (June 30, 2022: NIS 11,023 million, December 31, 2021: NIS 11,420 million).

(4) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 10,124 million included in the item liabilities for derivative instruments (June 30, 2022: NIS 9,303 million, December 31, 2021: NIS 9,348 million).

(5) The amount does not include the above deductions.

(6) The fair value of derivative instruments subject to netting agreements is in the amount of NIS 5,586 million (June 30, 2022: NIS 5,363 million, December 31, 2021: NIS 5,659 million).

(7) Reclassified due to changes in the data.

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

D. Due dates - Par value: consolidated period end balances

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
			In NIS millions		
			Unaudited		
			June 30, 2023		
Interest rate contracts					
Shekel/CPI	2,663	3,629	8,287	2,655	17,234
Other	33,152	78,966	83,345	39,699	235,162
Foreign currency contracts	117,370	87,665	18,565	5,944	229,544
Contracts on shares	25,126	3,116	66	-	28,308
Commodities and other contracts	10	-	-	-	10
Total	**178,321**	**173,376**	**110,263**	**48,298**	**510,258**
			Unaudited		
			June 30, 2022		
Total	**142,823**	**128,875**	**100,802**	**57,161**	**429,661**
			Audited		
			December 31, 2022		
Total	**164,753**	**121,580**	**107,975**	**53,881**	**448,189**

12. Regulatory Operating Segments

A. Details on the regulatory segments were brought in Note 29 A to the financial statements as of December 31, 2022. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2022.

For details on administrative segments recognized by the Bank were brought in Note 30 A to the financial statements as of December 31, 2022.

Whereas, with respect to a part of the customers, the Bank did not have the complete information required for the classification to regulatory operating segment, according to the new instructions, in particular information on their business turnover, various actions were taken to obtain such information, and in certain cases, in the absence of information, decisions had been made on the basis of evaluations and estimates. The Bank is acting to complete the improvement of the information, and accordingly, such improvements may in future reporting periods require the reclassification of customers to the operating segments. It is noted however, that the volume of classified customers, based on an estimate, continues to decline over the years.

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the three months ended June 30, 2023				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,501	936	217	6	887
Interest expenses To external sources	327	-	-	181	231
Net interest income from external sources	1,174	936	217	(175)	656
Net interest income Intersegmental	94	(700)	(2)	279	79
Total net Interest income	1,268	236	215	104	735
Non-interest financing income from external sources	293	3	372	(257)	(56)
Non-interest financing income Intersegmental	206	-	-	280	213
Total Non-interest financing income	499	3	372	23	157
Total income	**1,767**	**239**	**587**	**127**	**892**
Credit loss expenses	104	10	56	1	41
Operating and other expenses	888	62	379	31	353
Profit before taxes	**775**	**167**	**152**	**95**	**498**
Provision for taxes on profit	264	57	60	32	166
Profit after taxes	**511**	**110**	**92**	**63**	**332**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	511	110	92	63	332
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(21)	-	(21)	-	(6)
Net profit Attributed to the bank's shareholders	**490**	**110**	**71**	**63**	**326**
Balance of average Assets	97,934	66,410	16,265	541	42,826
Of which - Investment in associates	-	-	-	-	-
Of which - Balance of average credit to the public(3)	97,123	66,597	15,751	471	42,676
Balance of credit to the public at the period end(3)	(4)100,533	67,225	18,835	(4)465	42,534
Balance of impaired non-accruing	416	239	136	-	620
Balance of debts in arrear for over ninety days	47	-	-	-	67
Balance of average Liabilities	99,944	80	3,009	22,920	52,120
Of which - Balance of average Deposits from the public	95,560	-	11	22,805	45,962
Balance of deposits from the public at the period end	95,274	-	11	23,963	47,637
Balance of average Risk-assets(1)	72,992	38,361	17,628	992	42,885
Balance of Risk-assets at the period end (1)	72,615	38,139	17,703	943	42,664
Balance of average assets under management(2)	35,855	388	-	25,831	8,309
Net interest income:					
Margin from credit activity to the public	626	236	215	1	440
Margin from deposits activity from the public	642	-	-	103	295
Other	-	-	-	-	-
Total net interest income	**1,268**	**236**	**215**	**104**	**735**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 4,097 million.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
352	1,009	5	922	4,682	652	5,334
138	468	356	351	2,052	348	2,400
214	541	(351)	571	2,630	304	2,934
(23)	(124)	372	(677)	–	–	–
191	417	21	(106)	2,630	304	2,934
(60)	(43)	(126)	1,351	1,102	49	1,151
98	153	131	(1,081)	–	–	–
38	110	5	270	1,102	49	1,151
229	**527**	**26**	**164**	**3,732**	**353**	**4,085**
60	95	–	2	303	9	312
72	194	16	121	1,675	264	1,939
97	**238**	**10**	**41**	**1,754**	**80**	**1,834**
33	86	5	2	588	38	626
64	**152**	**5**	**39**	**1,166**	**42**	**1,208**
–	–	–	(9)	(9)	–	(9)
64	152	5	30	1,157	42	1,199
(2)	(6)	–	23	(12)	–	(12)
62	**146**	**5**	**53**	**1,145**	**42**	**1,187**
18,947	64,080	493	121,931	346,752	44,734	391,486
–	–	–	494	494	–	494
18,985	62,563	467	–	222,285	29,608	251,893
18,864	63,967	428	–	226,791	29,977	256,768
198	824	–	–	2,058	85	2,143
–	–	–	850	964	26	990
17,371	50,365	31,440	49,002	323,162	39,694	362,856
15,891	45,183	31,411	–	256,812	37,285	294,097
16,170	41,766	31,404	–	256,214	36,442	292,656
19,448	73,791	1,273	22,540	233,921	35,664	269,585
18,911	72,399	1,202	20,855	229,589	35,638	265,227
9,447	45,811	114,095	477	239,825	18,585	258,410
136	350	2	–	1,555	198	1,753
55	67	19	–	1,181	113	1,294
–	–	–	(106)	(106)	(7)	(113)
191	**417**	**21**	**(106)**	**2,630**	**304**	**2,934**

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the three months ended June 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	(6)1,070	(6)703	175	3	(6)458
Interest expenses To external sources	(6)83	(6)-	-	(6)19	(6)36
Net interest income from external sources	(6)987	(6)703	175	(6)(16)	(6)422
Net interest income Intersegmental	(6)(344)	(6)(527)	(4)	(6)49	(6)5
Total net Interest income	643	176	171	33	427
Non-interest financing income from external sources	(94)	3	341	(709)	(495)
Non-interest financing income Intersegmental	564	-	-	731	643
Total Non-interest financing income	470	3	341	22	148
Total income	**1,113**	**179**	**512**	**55**	**575**
Credit loss expenses (expenses release)	83	20	33	-	18
Operating and other expenses	821	63	372	27	320
Profit (Loss) before taxes	**209**	**96**	**107**	**28**	**237**
Provision for taxes on profit	77	34	41	10	86
Profit (Loss) after taxes	**132**	**62**	**66**	**18**	**151**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit (Loss) from ordinary operations before Attributed to the non-controlling interests	132	62	66	18	151
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(13)	-	(13)	-	(2)
Net profit (loss) Attributed to the bank's shareholders	**119**	**62**	**53**	**18**	**149**
Balance of average Assets	87,679	57,685	14,081	528	40,153
Of which - Investment in associates	-	-	-	-	-
Of which - Balance of average credit to the public(3)	86,484	57,898	13,546	486	39,702
Balance of credit to the public at the period end(3)	91,747	(4)60,054	16,417	(4)521	41,349
Balance of impaired non-accruing	408	243	119	-	603
Balance of debts in arrear for over ninety days	44	-	-	-	52
Balance of average Liabilities	97,673	123	2,913	18,602	53,669
Of which - Balance of average Deposits from the public	93,413	-	11	18,497	48,865
Balance of deposits from the public at the period end	94,315	-	12	20,901	48,554
Balance of average Risk-assets(1)	64,526	33,108	15,839	626	39,630
Balance of Risk-assets at the period end (1)	65,884	34,077	16,107	645	40,278
Balance of average assets under management(2)	(5)36,892	365	-	(5)23,581	(5)33,945
Net interest income:					
Margin from credit activity to the public	509	176	171	-	359
Margin from deposits activity from the public	134	-	-	33	68
Other	-	-	-	-	-
Total net interest income	**643**	**176**	**171**	**33**	**427**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,675 million.

(5) Improvement of the classification of managed assets in the different segments.

(6) Reclassification of interest income/expense from external sources and Intersegmental.

Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
(6)166	(6)426	3	(6)129	2,255	318	2,573
(6)18	(6)60	(6)54	(6)186	456	44	500
(6)148	(6)366	(6)(51)	(6)(57)	1,799	274	2,073
(6)(36)	(6)(107)	(6)67	(6)366	-	-	-
112	259	16	309	1,799	274	2,073
(394)	(339)	(572)	3,355	752	72	824
427	454	575	(3,394)	-	-	-
33	115	3	(39)	752	72	824
145	**374**	**19**	**270**	**2,551**	**346**	**2,897**
3	28	3	4	139	(8)	131
65	170	14	99	1,516	200	1,716
77	**176**	**2**	**167**	**896**	**154**	**1,050**
27	61	-	62	323	48	371
50	**115**	**2**	**105**	**573**	**106**	**679**
-	-	-	14	14	-	14
50	115	2	119	587	106	693
(1)	(2)	-	5	(13)	-	(13)
49	**113**	**2**	**124**	**574**	**106**	**680**
15,884	54,183	510	111,516	310,453	40,551	351,004
-	-	-	452	452	-	452
16,086	53,475	476	-	196,709	26,626	223,335
17,303	53,520	590	-	205,030	30,480	235,510
275	516	-	-	1,802	89	1,891
-	-	-	796	892	3	895
15,722	43,490	24,157	36,523	289,836	36,481	326,317
14,648	39,663	24,112	-	239,198	35,262	274,460
14,401	38,534	30,321	-	247,026	36,397	283,423
16,716	55,731	793	18,268	196,290	33,706	229,996
17,166	57,137	911	18,522	200,543	34,992	235,535
(5)9,810	(5)53,762	91,490	378	249,858	(5)13,268	(5)263,126
99	237	2	-	1,206	179	1,385
13	22	14	-	284	74	358
-	-	-	309	309	21	330
112	**259**	**16**	**309**	**1,799**	**274**	**2,073**

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the six months ended June 30, 2023				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,863	1,757	441	11	1,671
Interest expenses To external sources	572	-	-	328	426
Net interest income from external sources	2,291	1,757	441	(317)	1,245
Net interest income Intersegmental	134	(1,312)	(9)	518	162
Total net Interest income	2,425	445	432	201	1,407
Non-interest financing income from external sources	510	5	725	(568)	(222)
Non-interest financing income Intersegmental	478	-	-	614	531
Total Non-interest financing income	988	5	725	46	309
Total income	**3,413**	**450**	**1,157**	**247**	**1,716**
Credit loss expenses (expenses release)	172	25	111	-	114
Operating and other expenses	1,813	124	813	63	704
Profit before taxes	**1,428**	**301**	**233**	**184**	**898**
Provision for taxes on profit	484	103	85	63	308
Profit after taxes	**944**	**198**	**148**	**121**	**590**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	944	198	148	121	590
Net Profit from ordinary operations Attributed to the non-controlling interests	(31)	-	(31)	-	(9)
Net Profit Attributed to the bank's shareholders	**913**	**198**	**117**	**121**	**581**
Balance of Average Assets	97,014	65,599	16,072	547	42,157
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	96,381	65,945	15,603	478	41,820
Balance of credit to the public at the period end(3)	100,533	(4)67,225	18,835	(4)465	42,534
Balance of impaired non-accruing	416	239	136	-	620
Balance of debts in arrear for over ninety days	47	-	-	-	67
Balance of Average Liabilities	99,275	90	2,983	22,642	53,718
Of which - Balance of Average Deposits from the public	95,006	-	11	22,519	47,776
Balance of deposits from the public at the period end	95,274	-	11	23,963	47,637
Balance of Average Risk-assets(1)	71,893	37,770	17,404	914	41,991
Balance of Risk-assets at the period end(1)	72,615	38,139	17,703	943	42,664
Balance of Average assets under management(2)	35,561	384	-	24,891	31,067
Net interest income:					
Margin from credit activity to the public	1,215	445	432	3	837
Margin from deposits activity from the public	1,210	-	-	198	570
Other	-	-	-	-	-
Total net interest income	**2,425**	**445**	**432**	**201**	**1,407**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 4,097 million.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
646	1,875	11	1,696	8,773	1,254	10,027
250	886	639	640	3,741	612	4,353
396	989	(628)	1,056	5,032	642	5,674
(35)	(218)	670	(1,231)	-	-	-
361	771	42	(175)	5,032	642	5,674
(125)	(68)	(253)	3,292	2,566	102	2,668
201	297	258	(2,379)	-	-	-
76	229	5	913	2,566	102	2,668
437	**1,000**	**47**	**738**	**7,598**	**744**	**8,342**
61	169	-	6	522	(6)	516
144	381	33	262	3,400	501	3,901
232	**450**	**14**	**470**	**3,676**	**249**	**3,925**
80	165	6	197	1,303	86	1,389
152	**285**	**8**	**273**	**2,373**	**163**	**2,536**
-	-	-	(4)	(4)	-	(4)
152	285	8	269	2,369	163	2,532
(3)	(10)	-	(23)	(76)	-	(76)
149	**275**	**8**	**246**	**2,293**	**163**	**2,456**
18,259	62,289	516	122,687	343,469	43,741	387,210
-	-	-	488	488	-	488
18,304	61,393	486	-	218,862	29,456	248,318
18,864	63,967	428	-	226,791	29,977	256,768
198	824	-	-	2,058	85	2,143
-	-	-	850	964	26	990
17,198	51,767	28,138	47,643	320,381	38,822	359,203
15,779	46,835	28,101	-	256,016	36,265	292,281
16,170	41,766	31,404	-	256,214	36,442	292,656
18,609	70,820	1,132	21,040	226,399	35,202	261,601
18,911	72,399	1,202	20,855	229,589	35,638	265,227
8,755	47,409	90,267	507	238,457	17,405	255,862
254	638	3	-	2,950	360	3,310
107	133	39	-	2,257	280	2,537
-	-	-	(175)	(175)	2	(173)
361	**771**	**42**	**(175)**	**5,032**	**642**	**5,674**

12. Regulatory Operating Segments (continued)

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

	Unaudited				
	For the six months ended June 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	(5)1,909	(5)1,195	340	6	(5)854
Interest expenses To external sources	(5)126	(5)-	-	(5)28	(5)50
Net interest income from external sources	(5)1,783	(5)1,195	340	(5)(22)	(5)804
Net interest income Intersegmental	(5)(583)	(5)(849)	(9)	(5)72	(5)(4)
Total net Interest income	1,200	346	331	50	800
Non-interest financing income from external sources	228	6	657	(821)	(480)
Non-interest financing income Intersegmental	685	-	-	863	779
Total Non-interest financing income	913	6	657	42	299
Total income	**2,113**	**352**	**988**	**92**	**1,099**
Credit loss expenses (expenses release)	112	33	33	1	14
Operating and other expenses	1,628	132	718	48	653
Profit before taxes	**373**	**187**	**237**	**43**	**432**
Provision for taxes on profit	107	62	86	14	140
Profit after taxes	**266**	**125**	**151**	**29**	**292**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	266	125	151	29	292
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(31)	-	(31)	-	(3)
Net Profit Attributed to the bank's shareholders	**235**	**125**	**120**	**29**	**289**
Balance of Average Assets	85,783	56,298	13,757	522	40,021
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	84,606	56,375	13,292	476	39,454
Balance of credit to the public at the period end(3)	91,747	(4)60,054	16,417	(4)521	41,349
Balance of impaired non-accruing	408	243	119	-	603
Balance of debts in arrear for over ninety days	44	-	-	-	52
Balance of Average Liabilities	96,422	124	2,852	19,104	53,662
Of which - Balance of Average Deposits from the public	92,156	-	12	18,998	48,703
Balance of deposits from the public at the period end	94,315	-	12	20,901	48,554
Balance of Average Risk-assets(1)	63,169	32,137	15,569	608	38,982
Balance of Risk-assets at the period end (1)	65,884	34,077	16,107	645	40,278
Balance of Average assets under management(2)	36,648	364	-	25,005	33,805
Net interest income:					
Margin from credit activity to the public	998	346	331	2	700
Margin from deposits activity from the public	202	-	-	48	100
Other	-	-	-	-	-
Total net interest income	**1,200**	**346**	**331**	**50**	**800**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,675 million.
(5) Reclassification of interest income/expense from external sources and Intersegmental.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	(5)289	(5)732	3	(5)291	4,084	573	4,657
	(5)26	(5)84	(5)72	(5)333	719	65	784
	(5)263	(5)648	(5)(69)	(5)(42)	3,365	508	3,873
	(5)(50)	(5)(178)	(5)91	(5)652	-	-	-
	213	470	22	610	3,365	508	3,873
	(437)	(334)	(615)	4,450	1,991	119	2,110
	506	553	621	(4,007)	-	-	-
	69	219	6	443	1,991	119	2,110
	282	**689**	**28**	**1,053**	**5,356**	**627**	**5,983**
	(5)	(19)	(3)	-	100	(29)	71
	135	328	28	220	3,040	383	3,423
	152	**380**	**3**	**833**	**2,216**	**273**	**2,489**
	49	123	-	296	729	89	818
	103	**257**	**3**	**537**	**1,487**	**184**	**1,671**
	-	-	-	19	19	-	19
	103	257	3	556	1,506	184	1,690
	(1)	(3)	-	11	(27)	-	(27)
	102	**254**	**3**	**567**	**1,479**	**184**	**1,663**
	16,134	51,546	668	109,931	304,605	39,550	344,155
	-	-	-	456	456	-	456
	16,193	50,886	631	-	192,246	26,959	219,205
	17,303	53,520	590	-	205,030	30,480	235,510
	275	516	-	-	1,802	89	1,891
	-	-	-	796	892	3	895
	15,238	42,281	22,218	36,121	285,046	35,637	320,683
	14,214	38,585	22,172	-	234,828	34,856	269,684
	14,401	38,534	30,321	-	247,026	36,397	283,423
	16,267	54,325	675	18,016	192,042	32,416	224,458
	17,166	57,137	911	18,522	200,543	34,992	235,535
	9,589	56,780	90,008	341	252,176	13,285	265,461
	194	439	3	-	2,336	351	2,687
	19	31	19	-	419	114	533
	-	-	-	610	610	43	653
	213	**470**	**22**	**610**	**3,365**	**508**	**3,873**

12. Regulatory Operating Segments (continued)

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

	Audited				
	For the year ended December 31, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	4,151	2,533	725	18	2,094
Interest expenses To external sources	380	-	-	176	246
Net interest income from external sources	3,771	2,533	725	(158)	1,848
Net interest income Intersegmental	(690)	(1,784)	(17)	359	107
Total net Interest income	3,081	749	708	201	1,955
Non-interest financing income from external sources	1,086	12	1,373	(854)	(269)
Non-interest financing income Intersegmental	799	-	-	933	869
Total Non-interest financing income	1,885	12	1,373	79	600
Total income	**4,966**	**761**	**2,081**	**280**	**2,555**
Credit loss expenses (expenses release)	222	60	95	1	89
Operating and other expenses	3,393	259	1,482	111	1,371
Profit) before taxes	**1,351**	**442**	**504**	**168**	**1,095**
Provision for taxes on profit	435	148	179	56	368
Profit after taxes	**916**	**294**	**325**	**112**	**727**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit(Loss) from ordinary operations before Attributed to the non-controlling interests	916	294	325	112	727
Net Profit from ordinary operations Attributed to the non-controlling interests	(67)	-	(67)	-	(6)
Net Profit(Loss) Attributed to the bank's shareholders	**849**	**294**	**258**	**112**	**721**
Balance of Average Assets	89,445	59,251	14,704	614	40,563
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	88,604	59,389	14,450	546	40,085
Balance of credit to the public at the period end(3)	97,457	(4)64,593	17,917	(4)490	41,185
Balance of impaired non-accruing	310	229	42	-	600
Balance of debts in arrear for over ninety days	45	-	-	-	67
Balance of Average Liabilities	97,253	167	2,935	19,631	54,086
Of which - Balance of Average Deposits from the public	93,478	-	12	19,503	48,853
Balance of deposits from the public at the period end	94,036	-	11	22,319	47,752
Balance of Average Risk-assets(1)	65,601	33,758	16,130	665	39,641
Balance of Risk-assets at the period end (1)	70,055	36,773	17,105	772	40,541
Balance of Average assets under management(2)	36,229	368	-	23,664	33,570
Net interest income:					
Margin from credit activity to the public	2,115	749	708	8	1,471
Margin from deposits activity from the public	966	-	-	193	484
Other	-	-	-	-	-
Total net interest income	**3,081**	**749**	**708**	**201**	**1,955**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,992 million.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	710	1,946	9	1,250	10,178	1,522	11,700
	141	558	445	686	2,632	375	3,007
	569	1,388	(436)	564	7,546	1,147	8,693
	(66)	(263)	501	52	–	–	–
	503	1,125	65	616	7,546	1,147	8,693
	(411)	(62)	(527)	5,087	4,050	201	4,251
	556	513	539	(4,209)	–	–	–
	145	451	12	878	4,050	201	4,251
	648	**1,576**	**77**	**1,494**	**11,596**	**1,348**	**12,944**
	35	70	(2)	–	415	(8)	407
	281	703	59	465	6,383	834	7,217
	332	**803**	**20**	**1,029**	**4,798**	**522**	**5,320**
	110	270	6	387	1,632	174	1,806
	222	**533**	**14**	**642**	**3,166**	**348**	**3,514**
	–	–	–	27	27	–	27
	222	533	14	669	3,193	348	3,541
	(1)	(5)	–	33	(46)	–	(46)
	221	**528**	**14**	**702**	**3,147**	**348**	**3,495**
	16,400	53,485	630	117,756	318,893	40,776	359,669
	–	–	–	466	466	–	466
	16,432	52,872	599	–	199,138	28,146	227,284
	17,224	58,407	416	–	215,179	29,109	244,288
	190	339	–	–	1,439	81	1,520
	1	–	–	664	777	2	779
	15,908	45,147	26,545	39,769	298,339	36,562	334,901
	14,775	41,171	26,515	–	244,295	35,024	279,319
	15,093	48,002	29,655	–	256,857	35,436	292,293
	16,549	57,782	767	18,279	199,284	33,370	232,654
	17,082	65,667	886	17,950	212,953	34,494	247,447
	9,276	54,756	87,877	461	245,833	14,252	260,085
	405	988	4	–	4,991	727	5,718
	98	137	61	–	1,939	384	2,323
	–	–	–	616	616	36	652
	503	**1,125**	**65**	**616**	**7,546**	**1,147**	**8,693**

13. Managerial Operating Segments

	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the three months ended June 30, 2023									
Net interest income	1,722	263	493	(96)	10	329	203	10	-	2,934
Non-interest income	298	36	105	229	16	50	447	19	(49)	1,151
Total income	**2,020**	**299**	**598**	**133**	**26**	**379**	**650**	**29**	**(49)**	**4,085**
Credit loss expenses	87	9	154	1	-	7	53	-	1	312
Operating and other expenses	853	81	178	81	10	264	483	37	(48)	1,939
Income (loss) before taxes	1,080	209	266	51	16	108	114	(8)	(2)	1,834
Provision for taxes on income	357	70	89	24	5	36	42	4	(1)	626
Income (loss) after taxes	723	139	177	27	11	72	72	(12)	(1)	1,208
Bank's share in profits of Associates, net of tax effect	-	-	-	2	(12)	-	1	-	-	(9)
Net income (loss) before attributed to the non-controlling interests	723	139	177	29	(1)	72	73	(12)	(1)	1,199
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(23)	10	1	(12)
Net income (loss) attributed to the Bank's shareholders	**723**	**139**	**177**	**29**	**(1)**	**72**	**50**	**(2)**	**-**	**1,187**
Balance of Assets	113,041	31,734	76,068	128,597	2,600	45,230	19,634	15,102	(40,191)	391,815
Balance of credit to the public	111,753	31,863	70,486	-	96	29,977	18,489	-	(5,896)	256,768
Balance of deposits from the public	166,579	25,914	64,412	12,982	-	36,451	11	534	(14,227)	292,656
	For the three months ended June 30, 2022									
Net interest income	833	185	296	311	3	273	171	1	-	2,073
Non-interest income	295	40	123	(93)	19	69	444	22	(95)	824
Total income	**1,128**	**225**	**419**	**218**	**22**	**342**	**615**	**23**	**(95)**	**2,897**
Credit loss expenses	105	11	(5)	-	1	(8)	27	-	-	131
Operating and other expenses	785	92	146	71	10	202	476	31	(97)	1,716
Income (loss) before taxes	238	122	278	147	11	148	112	(8)	2	1,050
Provision for taxes (tax saving) on income	99	43	97	34	5	48	41	3	1	371
Income (loss) after taxes	139	79	181	113	6	100	71	(11)	1	679
Bank's share in profits of Associates, net of tax effect	-	-	-	2	12	-	1	-	(1)	14
Net income (loss) before attributed to the non-controlling interests	139	79	181	115	18	100	72	(11)	-	693
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(22)	9	-	(13)
Net income (loss) attributed to the Bank's shareholders	**139**	**79**	**181**	**115**	**18**	**100**	**50**	**(2)**	**-**	**680**
Balance of Assets	111,460	30,121	65,812	117,654	2,412	44,114	17,697	14,532	(39,381)	364,421
Balance of credit to the public	105,190	30,454	59,292	-	95	30,480	16,577	-	(6,578)	235,510
Balance of deposits from the public	160,852	28,808	57,942	12,656	-	36,402	12	379	(13,628)	283,423

Footnote:

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

13. Managerial Operating Segments (continued)

	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the six months ended June 30, 2023									
Net interest income	3,291	510	912	(121)	21	646	397	17	1	5,674
Non-interest income	606	72	253	470	54	102	1,171	39	(99)	2,668
Total income	**3,897**	**582**	**1,165**	**349**	**75**	**748**	**1,568**	**56**	**(98)**	**8,342**
Credit loss expenses (expenses release)	127	9	290	1	-	(6)	94	-	1	516
Operating and other expenses	1,679	173	342	179	24	503	1,025	73	(97)	3,901
Income(loss) before taxes	2,091	400	533	169	51	251	449	(17)	(2)	3,925
Provision for taxes on income	704	136	181	69	16	85	191	8	(1)	1,389
Income (loss) after taxes	1,387	264	352	100	35	166	258	(25)	(1)	2,536
Bank's share in profits of Associates, net of tax effect	1	-	-	3	(8)	-	1	-	(1)	(4)
Net income (loss) before attributed to the non-controlling interests	1,388	264	352	103	27	166	259	(25)	(2)	2,532
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(97)	19	2	(76)
Net income (loss) attributed to the Bank's shareholders	**1,388**	**264**	**352**	**103**	**27**	**166**	**162**	**(6)**	**-**	**2,456**
Balance of Assets	113,041	31,734	76,068	128,597	2,600	45,230	19,634	15,102	(40,191)	391,815
Balance of credit to the public	111,753	31,863	70,486	-	96	29,977	18,489	-	(5,896)	256,768
Balance of deposits from the public	166,579	25,914	64,412	12,982	-	36,451	11	534	(14,227)	292,656
	For the six months ended June 30, 2022									
Net interest income	1,525	351	543	608	5	507	332	1	1	3,873
Non-interest income	597	74	231	(37)	117	116	837	278	(103)	2,110
Total income	**2,122**	**425**	**774**	**571**	**122**	**623**	**1,169**	**279**	**(102)**	**5,983**
Credit expenses (loss expenses)	127	(8)	(46)	-	1	(29)	26	-	-	71
Operating and other expenses	1,512	179	295	155	29	385	915	57	(104)	3,423
Income before taxes	483	254	525	416	92	267	228	222	2	2,489
Provision for taxes on income	130	83	172	168	33	89	85	57	1	818
Income) after taxes	353	171	353	248	59	178	143	165	1	1,671
Bank's share in profits of Associates, net of tax effect	1	-	-	3	16	-	1	-	(2)	19
Net income (loss) before attributed to the non-controlling interests	354	171	353	251	75	178	144	165	(1)	1,690
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(45)	17	1	(27)
Net income attributed to the Bank's shareholders	**354**	**171**	**353**	**251**	**75**	**178**	**99**	**182**	**-**	**1,663**
Balance of Assets	111,460	30,121	65,812	117,654	2,412	44,114	17,697	14,532	(39,381)	364,421
Balance of credit to the public	105,190	30,454	59,292	-	95	30,480	16,577	-	(6,578)	235,510
Balance of deposits from the public	160,852	28,808	57,942	12,656	-	36,402	12	379	(13,628)	283,423

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

13. Managerial Operating Segments (continued)

	Audited									
	In NIS millions									
	Retail banking(2)	Middle market banking	Corporate banking	Financial management	Discount Capital(1)	Discount Bancorp(1)	Israel Credit Cards(1)	other	Adjustments	Total
	For the year ended December 31, 2022									
Net interest income	4,089	809	1,287	651	16	1,151	680	5	5	8,693
Non-interest income	1,192	152	463	256	138	199	1,753	317	(219)	4,251
Total income	**5,281**	**961**	**1,750**	**907**	**154**	**1,350**	**2,433**	**322**	**(214)**	**12,944**
Credit (expenses) loss expenses	183	90	44	-	1	(8)	97	-	-	407
Operating and other expenses	3,197	370	623	329	54	837	1,895	126	(214)	7,217
Income before taxes	1,901	501	1,083	578	99	521	441	196	-	5,320
Provision for taxes on income	601	168	361	238	36	174	166	62	-	1,806
Income after taxes	1,300	333	722	340	63	347	275	134	-	3,514
Bank’s share in profits of Associates, net of tax effect	1	-	-	5	22	-	2	-	(3)	27
Net income (loss) before attributed to the non-controlling interests	1,301	333	722	345	85	347	277	134	(3)	3,541
Net income(loss) attributed to the non-controlling interests	-	-	-	-	-	-	(87)	38	3	(46)
Net income attributed to the Bank's shareholders	**1,301**	**333**	**722**	**345**	**85**	**347**	**190**	**172**	**-**	**3,495**
Balance of Assets	110,962	31,144	68,081	125,777	2,572	44,031	18,546	13,671	(38,030)	376,754
Balance of credit to the public	109,647	31,278	62,953	-	94	29,109	17,421	-	(6,214)	244,288
Balance of deposits from the public	163,533	29,652	64,238	11,562	-	35,436	11	534	(12,673)	292,293

footnote:

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

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

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

A. Change in the balance of the allowance for credit losses

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[(2)]	Total
	In NIS millions					
	Three months ended June 30, 2023					
Balance of allowance for credit losses, as at March 31, 2023	2,642	292	869	3,803	34	3,837
Expenses for credit loss	206	11	93	310	2	312
Accounting write-offs	(77)	(1)	(121)	(199)	-	(199)
Collection of debts written-off in previous years	44	-	67	111	-	111
Net accounting write-offs	(33)	(1)	(54)	(88)	-	(88)
Adjustments from translation of financial statements	7	-	-	7	-	7
Balance of allowance for credit losses, as at June 30, 2023	**2,822**	**302**	**908**	**4,032**	**36**	**4,068**
Of which: For off-balance sheet credit instruments	354	19	88	461	5	466
	Three months ended June 30, 2022					
Balance of allowance for credit losses, as at March 31, 2022	2,332	231	770	3,333	27	3,360
Expenses for credit loss	43	23	62	128	3	131
Accounting write-offs	(88)	(1)	(99)	(188)	-	(188)
Collection of debts written-off in previous years	78	-	69	147	-	147
Net accounting write-offs	(10)	(1)	(30)	(41)	-	(41)
Adjustments from translation of financial statements	25	1	1	27	-	27
Balance of allowance for credit losses, as at June 30, 2022	**2,390**	**254**	**803**	**3,447**	**30**	**3,477**
Of which: For off-balance sheet credit instruments	296	21	85	402	1	403
	Six months ended June 30, 2023					
Balance of allowance for credit losses, as at December 31, 2022 (audited)	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application[(1)]	16	-	34	50	-	50
Expenses for credit loss	346	17	147	510	6	516
Accounting write-offs	(197)	(1)	(235)	(433)	(1)	(434)
Collection of debts written-off in previous years	118	-	141	259	-	259
Net accounting write-offs	(79)	(1)	(94)	(174)	(1)	(175)
Adjustments from translation of financial statements	14	1	-	15	-	15
Balance of allowance for credit losses, as at June 30, 2023	**2,822**	**302**	**908**	**4,032**	**36**	**4,068**
Of which: For off-balance sheet credit instruments	354	19	88	461	5	466
	Six months ended June 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application[(2)]	183	(32)	-	151	9	160
Expenses (expense release) for credit loss	(41)	34	79	72	(1)	71
Accounting write-offs	(170)	(7)	(181)	(358)	-	(358)
Collection of debts written-off in previous years	129	-	131	260	-	260
Net accounting write-offs	(41)	(7)	(50)	(98)	-	(98)
Adjustments from translation of financial statements	31	1	1	33	-	33
Balance of allowance for credit losses, as at June 30, 2022	**2,390**	**254**	**803**	**3,447**	**30**	**3,477**
Of which: For off-balance sheet credit instruments	296	21	85	402	1	403

Footnotes:
(1) ICC initially implemented the US GAAP with respect to allowances for current expected credit losses (CECL) as from January 1, 2023, see Note 1(e).
(2) The effect of the initial implementation of US GAAP regarding allowances for current expected credit losses (CECL) is presented in Note 1(c)(5) to the financial statements as of December 31, 2022.

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

B. Credit to the public

1. Credit quality and arrears

	Unaudited					
	June 30, 2023					
		Problematic[1]			Accruing debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[2]	In Arrears of 30 to 89 Days[3]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	24,408	204	726	25,338	12	27
Construction and Real Estate - Real Estate Activity	14,465	70	390	14,925	2	13
Financial Services	16,307	25	2	16,334	-	1
Commercial - Other	62,601	1,631	467	64,699	52	96
Total Commercial	**117,781**	**1,930**	**1,585**	**121,296**	**66**	**137**
Private Individuals - Housing Loans	67,170	88	239	67,497	-	356
Private Individuals - Other Loans	32,812	421	177	33,410	47	136
Total Public - Activity in Israel	**217,763**	**2,439**	**2,001**	**222,203**	**113**	**629**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,550	1,574	24	13,148	-	26
Commercial - Other	18,098	1,637	118	19,853	27	3
Total Commercial	**29,648**	**3,211**	**142**	**33,001**	**27**	**29**
Private Individuals	1,273	291	-	1,564	-	-
Total Public - Activity Abroad	**30,921**	**3,502**	**142**	**34,565**	**27**	**29**
Total public	**248,684**	**5,941**	**2,143**	**256,768**	**140**	**658**

For footnotes see p. 166.

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

B. Credit to the public (continued)

1. Credit quality and arrears (continued)

	Unaudited					
	June 30, 2022					
		Problematic[(1)]			Unimpaired debts – additional information	
	Performing	Accruing[(4)]	Non-accruing[(4)]	Total	In Arrears of 90 Days or More[(4)]	In Arrears of 30 to 89 Days[(5)(4)]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	21,243	193	381	21,817	9	29
Construction and Real Estate - Real Estate Activity	13,015	122	234	13,371	-	22
Financial Services	14,190	65	-	14,255	1	1
Commercial - Other	57,381	1,292	601	59,274	42	88
Total Commercial	**105,829**	**1,672**	**1,216**	**108,717**	**52**	**140**
Private Individuals - Housing Loans	60,081	75	239	60,395	-	314
Private Individuals - Other Loans	31,175	361	85	31,621	44	175
Total Public - Activity in Israel	**197,085**	**2,108**	**1,540**	**200,733**	**96**	**629**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,040	614	75	11,729	-	-
Commercial - Other	19,531	1,499	192	21,222	3	19
Total Commercial	**30,571**	**2,113**	**267**	**32,951**	**3**	**19**
Private Individuals	1,813	9	4	1,826	-	1
Total Public - Activity Abroad	**32,384**	**2,122**	**271**	**34,777**	**3**	**20**
Total public	**229,469**	**4,230**	**1,811**	**235,510**	**99**	**649**

For footnotes see next page.

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

B. Credit to the public (continued)

1. Credit quality and arrears (continued)

	Audited					
	December 31, 2022					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[4]	In Arrears of 30 to 89 Days[5]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	21,741	872	240	22,853	10	25
Construction and Real Estate - Real Estate Activity	13,731	100	218	14,049	2	15
Financial Services	14,139	4	1	14,144	-	5
Commercial - Other	59,761	1,397	622	61,780	56	227
Total Commercial	**109,372**	**2,373**	**1,081**	**112,826**	**68**	**272**
Private Individuals - Housing Loans	64,578	84	229	64,891	-	309
Private Individuals - Other Loans	32,388	397	81	32,866	45	151
Total Public - Activity in Israel	**206,338**	**2,854**	**1,391**	**210,583**	**113**	**732**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,446	941	26	12,413	-	-
Commercial - Other	18,172	1,348	103	19,623	2	7
Total Commercial	**29,618**	**2,289**	**129**	**32,036**	**2**	**7**
Private Individuals	1,629	40	-	1,669	-	-
Total Public - Activity Abroad	**31,247**	**2,329**	**129**	**33,705**	**2**	**7**
Total public	**237,585**	**5,183**	**1,520**	**244,288**	**115**	**739**

Footnotes:

(1) Substandard or special mention non-accruing credit to the public.

(2) Classified as problematic debts accruing interest income.

(3) Accruing interest income. Debts in arrears for 30 to 89 days amounting to NIS 242 million, were classified as problematic debts (June 30, 2022 - NIS 255 million, December 31, 2022 - NIS 229 million).

(4) Reclassified following improvement of data.

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit

	Unaudited								
	June 30, 2023								
	Recorded amount of fixed-time credit to the public								
	2023	2022	2021	2020	2019	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
1.1 Credit quality according to years of granting the credit									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**11,054**	**10,621**	**6,659**	**2,011**	**1,317**	**1,548**	**7,053**	**-**	**40,263**
Credit performance rating	11,042	10,451	5,955	1,841	1,254	1,456	6,629	-	38,628
Non problematic credit having no credit performance rating	7	19	32	29	21	22	115	-	245
Accruing problematic credit	5	30	89	18	20	38	74	-	274
Non-accruing credit	-	121	583	123	22	32	235	-	1,116
Total commercial - Other	**16,045**	**13,746**	**8,604**	**5,664**	**3,048**	**7,495**	**26,431**	**-**	**81,033**
Credit performance rating	15,829	13,100	7,882	5,384	2,893	7,159	25,406	-	77,653
Non problematic credit having no credit performance rating	199	266	153	115	55	74	393	-	1,255
Accruing problematic credit	13	240	527	107	64	179	526	-	1,656
Non-accruing credit	4	140	42	58	36	83	106	-	469
Total private Individuals - Housing Loans	**4,605**	**16,706**	**15,763**	**8,321**	**5,598**	**16,504**	**-**	**-**	**67,497**
LTV up to 60%	2,846	8,572	9,437	5,243	3,651	11,021	-	-	40,770
LTV over 60% up to 75%	1,756	8,105	6,257	3,007	1,914	4,980	-	-	26,019
LTV over 75%	3	29	69	71	33	503	-	-	708
Credit not in arrears and in credit performance rating	4,555	16,594	15,617	8,233	5,524	16,069	-	-	66,592
Credit not in arrears and not in credit performance rating	28	43	65	32	24	118	-	-	310
In arrears of 30 to 89 days	21	60	61	39	28	147	-	-	356
Non-accruing credit	1	9	20	17	22	170	-	-	239
Total private Individuals - Other Loans	**10,678**	**7,401**	**3,330**	**1,175**	**779**	**404**	**9,643**	**-**	**33,410**
Credit not in arrears and in credit performance rating	10,256	6,746	2,982	1,046	689	330	8,799	-	30,848
Credit not in arrears and not in credit performance rating	342	572	306	113	81	56	732	-	2,202
In arrears of 30 to 89 days	19	35	18	7	4	5	48	-	136
In arrears of 90 days or over	1	8	4	2	1	1	30	-	47
Non-accruing credit	60	40	20	7	4	12	34	-	177
Total Credit to the public - Activity in Israel	**42,382**	**48,474**	**34,356**	**17,171**	**10,742**	**25,951**	**43,127**	**-**	**222,203**
Total Credit to the public - Activity Abroad	**4,624**	**4,839**	**5,138**	**1,948**	**1,940**	**2,778**	**12,734**	**564**	**34,565**
Non-problematic credit	4,399	4,629	4,892	1,504	1,319	2,511	11,198	469	30,921
Accruing problematic credit	225	185	246	431	549	267	1,504	95	3,502
Non-accruing credit	-	25	-	13	72	-	32	-	142
Total Credit to the public	**47,006**	**53,313**	**39,494**	**19,119**	**12,682**	**28,729**	**55,861**	**564**	**256,768**

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit (continued)

	Unaudited								
	June 30, 2022								
	Recorded amount of fixed-time credit to the public								
	2022	2021	2020	2019	2018	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
1.1 Credit quality according to years of granting the credit[(1)(2)]									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**10,835**	**11,094**	**3,498**	**1,905**	**816**	**1,334**	**5,706**	**-**	**35,188**
Credit performance rating	10,589	10,856	3,400	1,844	792	1,271	5,345	-	34,097
Non problematic credit having no credit performance rating	57	35	20	8	4	10	27	-	161
Accruing problematic credit	72	23	43	36	15	39	87	-	315
Non-accruing credit	117	180	35	17	5	14	247	-	615
Total commercial - Other	**18,293**	**12,749**	**8,250**	**5,157**	**2,716**	**7,478**	**21,220**	**-**	**75,863**
Credit performance rating	17,721	12,028	7,738	4,903	2,487	7,230	20,236	-	72,343
Non problematic credit having no credit performance rating	253	368	185	111	50	81	524	-	1,572
Accruing problematic credit	244	289	173	97	161	102	288	-	1,354
Non-accruing credit	75	64	154	46	18	65	172	-	594
Total private Individuals - Housing Loans	**10,941**	**16,746**	**8,749**	**5,761**	**4,381**	**13,817**	**-**	**-**	**60,395**
LTV up to 60%	6,642	10,241	5,618	3,857	2,953	9,299	-	-	38,610
LTV over 60% up to 75%	4,272	6,430	3,073	1,870	1,411	3,967	-	-	21,023
LTV over 75%	27	75	58	34	17	551	-	-	762
Credit not in arrears and in credit performance rating	10,829	16,660	8,669	5,682	4,311	13,400	-	-	59,551
Credit not in arrears and not in credit performance rating	44	44	25	40	28	110	-	-	291
In arrears of 30 to 89 days	63	30	43	23	23	132	-	-	314
Non-accruing credit	5	12	12	16	19	175	-	-	239
Total private Individuals - Other Loans	**3,721**	**4,429**	**1,882**	**1,376**	**612**	**422**	**6,374**	**-**	**18,816**
Credit not in arrears and in credit performance rating	3,488	4,150	1,707	1,204	532	351	6,115	-	17,547
Credit not in arrears and not in credit performance rating	221	237	148	154	71	62	191	-	1,084
In arrears of 30 to 89 days	9	19	10	8	4	5	40	-	95
In arrears of 90 days or over	2	7	3	3	1	-	28	-	44
Non-accruing credit	1	16	14	7	4	4	-	-	46
Total Credit to the public - Activity in Israel	**43,790**	**45,018**	**22,379**	**14,199**	**8,525**	**23,051**	**33,300**	**-**	**190,262**
Total Credit to the public - Activity Abroad	**3,844**	**6,562**	**2,667**	**2,944**	**1,006**	**2,761**	**14,398**	**595**	**34,777**
Non-problematic credit	3,467	6,247	2,502	2,355	855	2,466	13,897	595	32,384
Accruing problematic credit	253	315	139	528	133	256	498	-	2,122
Non-accruing credit	124	-	26	61	18	39	3	-	271
Total Credit to the public	**47,634**	**51,580**	**25,046**	**17,143**	**9,531**	**25,812**	**47,698**	**595**	**225,039**

Footnotes:

(1) The data does not include the subsidiary ICC, which initially applied the new rules as from January 1, 2023.

(2) Reclassified following improvement of data.

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

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit (continued)

	Audited								
	December 31, 2022								
	Recorded amount of fixed-time credit to the public								
	2022	2021	2020	2019	2018	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
1.1 Credit quality according to years of granting the credit[(1)(2)]									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**15,667**	**8,917**	**2,547**	**1,588**	**690**	**1,173**	**6,320**	**-**	**36,902**
Credit performance rating	15,510	8,245	2,412	1,523	664	1,046	5,899	-	35,299
Non problematic credit having no credit performance rating	37	33	21	15	8	16	43	-	173
Accruing problematic credit	-	585	86	39	11	91	160	-	972
Non-accruing credit	120	54	28	11	7	20	218	-	458
Total commercial - Other	**24,153**	**10,069**	**6,919**	**3,607**	**2,112**	**6,414**	**24,724**	**-**	**77,998**
Credit performance rating	23,356	9,439	6,523	3,422	1,912	6,187	23,504	-	74,343
Non problematic credit having no credit performance rating	433	183	150	69	40	55	713	-	1,643
Accruing problematic credit	156	432	149	75	145	78	366	-	1,401
Non-accruing credit	208	15	97	41	15	94	141	-	611
Total private Individuals - Housing Loans	**16,522**	**16,278**	**8,576**	**5,818**	**4,423**	**13,274**	**-**	**-**	**64,891**
LTV up to 60%	8,426	9,855	5,431	3,822	2,936	8,991	-	-	39,461
LTV over 60% up to 75%	8,070	6,360	3,074	1,962	1,470	3,775	-	-	24,711
LTV over 75%	26	63	71	34	17	508	-	-	719
Credit not in arrears and in credit performance rating	16,412	16,170	8,503	5,751	4,337	12,814	-	-	63,987
Credit not in arrears and not in credit performance rating	60	55	27	21	28	175	-	-	366
In arrears of 30 to 89 days	46	45	31	30	41	116	-	-	309
Non-accruing credit	4	8	15	16	17	169	-	-	229
Total private Individuals - Other Loans	**5,688**	**3,376**	**1,385**	**952**	**397**	**265**	**6,911**	**-**	**18,974**
Credit not in arrears and in credit performance rating	5,178	3,027	1,222	834	346	213	6,362	-	17,182
Credit not in arrears and not in credit performance rating	480	316	146	104	47	41	476	-	1,610
In arrears of 30 to 89 days	19	17	8	7	2	2	43	-	98
In arrears of 90 days or over	6	5	2	2	-	-	30	-	45
Non-accruing credit	5	11	7	5	2	9	-	-	39
Total Credit to the public - Activity in Israel	**62,030**	**38,640**	**19,427**	**11,965**	**7,622**	**21,126**	**37,955**	**-**	**198,765**
Total Credit to the public - Activity Abroad	**5,955**	**5,635**	**2,443**	**2,304**	**862**	**2,419**	**13,559**	**528**	**33,705**
Non-problematic credit	5,745	5,340	2,300	1,515	755	2,184	12,972	436	31,247
Accruing problematic credit	183	287	118	757	107	235	550	92	2,329
Non-accruing credit	27	8	25	32	-	-	37	-	129
Total Credit to the public	**67,985**	**44,275**	**21,870**	**14,269**	**8,484**	**23,545**	**51,514**	**528**	**232,470**

Footnotes:
(1) The data does not include the subsidiary ICC, which initially applied the new rules as from January 1, 2023.
(2) Reclassified following improvement of data.

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

B. Credit to the public (continued)

3. Additional information on non-accruing debts

	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	Unaudited					
	In NIS millions					
	June 30, 2023					
Lending Activity in Israel						
Construction and Real Estate	1,047	136	69	1,116	1,778	8
Commercial - Other	336	137	133	469	2,076	3
Total Commercial	**1,383**	**273**	**202**	**1,585**	**3,854**	**11**
Private Individuals - Housing Loans	239	12	-	239	280	1
Private Individuals - Other Loans	177	90	-	177	214	-
Total Public - Activity in Israel	**1,799**	**375**	**202**	**2,001**	**4,348**	**12**
Lending Activity Abroad						
Total Public - Activity Abroad	**79**	**9**	**63**	**142**	**318**	**-**
Total public	**1,878**	**384**	**265**	**2,143**	**4,666**	**12**
Of which:						
Measured specifically according to present valued of cash flows	345	136	58	403	542	
Measured specifically according to fair value of collateral	1,065	135	206	1,271	3,547	
Measured on a group basis	468	113	1	469	577	
	June 30, 2022					
Lending Activity in Israel						
Construction and Real Estate	521	38	94	615	1,482	1
Commercial - Other	516	173	85	601	2,200	4
Total Commercial	**1,037**	**211**	**179**	**1,216**	**3,682**	**5**
Private Individuals - Housing Loans	203	8	36	239	289	-
Private Individuals - Other Loans	(5)85	(5)28	-	85	(5)110	-
Total Public - Activity in Israel	**1,325**	**247**	**215**	**1,540**	**4,081**	**5**
Lending Activity Abroad						
Total Public - Activity Abroad	**169**	**5**	**102**	**271**	**460**	**2**
Total public	**1,494**	**252**	**317**	**1,811**	**4,541**	**7**
Of which:						
Measured specifically according to present valued of cash flows	503	166	52	555	723	
Measured specifically according to fair value of collateral	647	40	229	876	3,338	
Measured on a group basis	(5)344	(5)46	36	380	(5)480	

For footnotes see next page.

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

B. Credit to the public (continued)

3. Additional information on non-accruing debts (continued)

	Audited					
	December 31, 2022					
	Balance(1) of non-accruing debts for which allowance exists	Balance of allowance	Balance(1) of non-accruing debts for which no allowance exists	Total balance(1) of non-accruing debts(3)(4)	Balance of contractual principal sum of non-accruing debts	Recorded interest income(2)
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	394	40	64	458	1,339	10
Commercial - Other	514	164	109	623	2,263	10
Total Commercial	**908**	**204**	**173**	**1,081**	**3,602**	**20**
Private Individuals - Housing Loans	229	13	-	229	273	1
Private Individuals - Other Loans	81	30	-	81	121	-
Total Public - Activity in Israel	**1,218**	**247**	**173**	**1,391**	**3,996**	**21**
Lending Activity Abroad						
Total Public - Activity Abroad	**33**	**1**	**96**	**129**	**313**	**3**
Total public	**1,251**	**248**	**269**	**1,520**	**4,309**	**24**
Of which:						
Measured specifically according to present valued of cash flows	591	140	82	673	871	
Measured specifically according to fair value of collateral	304	57	187	491	2,965	
Measured on a group basis	356	51	-	356	473	

Footnotes:
(1) Recorded amount.
(2) The amount of interest income recorded in the reported period for the average balance of non-accruing debts, in the period of time in which the debts had been classified as non-accruing.
(3) Had the non-accruing debts accrue interest according to the original terms, interest income of NIS 56 million would have been recorded for the period of six months ended June 30, 2023 (June 30, 2022 - NIS 25 million, December 31, 2022 - NIS 60 million).
(4) Additional information: the total average recorded amount of the debt of non-accruing debts in the period of six months ended June 30, 2023, amounts to NIS 2,322 million (June 30, 2022 - NIS 2,022 million, December 31, 2022 - NIS 2,020 million).
(5) Reclassified following improvement of data.

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

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings

	Unaudited				
	June 30, 2023				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	188	-	-	16	204
Commercial - Other	165	-	3	106	274
Total Commercial	**353**	**-**	**3**	**122**	**478**
Private Individuals - Housing Loans	3	-	2	11	16
Private Individuals - Other Loans	72	-	1	55	128
Total Public - Activity in Israel	**428**	**-**	**6**	**188**	**622**
Lending Activity Abroad					
Total Public - Activity Abroad	**69**	**-**	**-**	**210**	**279**
Total	**497**	**-**	**6**	**398**	**901**

Footnotes:
(1) Accruing interest income.
(2) As at June 30, 2023, restructured troubled debts amounting to NIS 805 million, were classified as problematic debts

Commitment to grant additional credit to borrowers, for which a troubled debt restructurings was performed, within the framework of which the credit terms had been changed, amounts at June 30, 2023, to NIS 6 million (June 30, 2022 - NIS 6 million; December 31, 2022 – NIS 21 million).

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

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Unaudited				
	June 30, 2022				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	186	-	1	23	210
Commercial - Other	243	-	3	150	396
Total Commercial	**429**	**-**	**4**	**173**	**606**
Private Individuals - Housing Loans	10	-	1	7	18
Private Individuals - Other Loans	50	-	1	96	147
Total Public - Activity in Israel	**489**	**-**	**6**	**276**	**771**
Lending Activity Abroad					
Total Public - Activity Abroad	**189**	**-**	**-**	**206**	**395**
Total	**678**	**-**	**6**	**482**	**1,166**

Footnotes:
(1) Accruing interest income.
(2) As at June 30, 2022, restructured troubled debts amounting to NIS 1,093 million, were classified as problematic debts

	Audited				
	December 31, 2022				
	Recorded amount				
	Not accruing interest income	Accruing debts[1],in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	161	-	1	27	189
Commercial - Other	198	-	2	133	333
Total Commercial	**359**	**-**	**3**	**160**	**522**
Private Individuals - Housing Loans	4	-	-	11	15
Private Individuals - Other Loans	42	-	2	92	136
Total Public - Activity in Israel	**405**	**-**	**5**	**263**	**673**
Lending Activity Abroad					
Total Public - Activity Abroad	**91**	**-**	**-**	**195**	**286**
Total	**496**	**-**	**5**	**458**	**959**

Footnotes:
(1) Accruing interest income.
(2) As at December 31, 2022, restructured troubled debts amounting to NIS 863 million, were classified as problematic debts

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

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Unaudited					
	Three months ended June 30					
	2023			2022		
	Debt restructuring performed					
	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	62	11	11	40	130	130
Commercial - Other	212	24	24	161	23	23
Total Commercial	**274**	**35**	**35**	**201**	**153**	**153**
Private Individuals - Housing Loans	6	-	-	10	1	1
Private Individuals - Other Loans	1,101	22	22	1,065	23	23
Total Public - Activity in Israel	**1,381**	**57**	**57**	**1,276**	**177**	**177**
Lending Activity Abroad						
Total Public - Activity Abroad	**1**	**7**	**7**	**2**	**51**	**51**
Total	**1,382**	**64**	**64**	**1,278**	**228**	**228**
	Six months ended June 30					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	128	45	45	97	155	155
Commercial - Other	429	40	40	363	63	62
Total Commercial	**557**	**85**	**85**	**460**	**218**	**217**
Private Individuals - Housing Loans	10	-	-	13	3	3
Private Individuals - Other Loans	2,255	46	44	2,664	49	49
Total Public - Activity in Israel	**2,822**	**131**	**129**	**3,137**	**270**	**269**
Lending Activity Abroad						
Total Public - Activity Abroad	**1**	**7**	**7**	**3**	**51**	**51**
Total	**2,823**	**138**	**136**	**3,140**	**321**	**320**

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

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Unaudited			
	Three months ended June 30			
	2023		2022	
	Failure of restructured debts[1]			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	27	4	20	-
Commercial - Other	79	4	41	3
Total Commercial	**106**	**8**	**61**	**3**
Private Individuals - Housing Loans	1	-	2	-
Private Individuals - Other	385	4	556	3
Total Public - Activity in Israel	**492**	**12**	**619**	**6**
Lending Activity Abroad				
Total Public - Activity Abroad	**-**	**-**	**-**	**-**
Total	**492**	**12**	**619**	**6**
	Six months ended June 30			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	50	8	34	1
Commercial - Other	152	20	108	8
Total Commercial	**202**	**28**	**142**	**9**
Private Individuals - Housing Loans	2	-	2	-
Private Individuals - Other	731	6	1,099	7
Total Public - Activity in Israel	**935**	**34**	**1,243**	**16**
Lending Activity Abroad				
Total Public - Activity Abroad	**1**	**-**	**-**	**-**
Total	**936**	**34**	**1,243**	**16**

Footnote:

(1) Debts, which in the reported year turned into debts in arrears for 30 days or over, which had been restructured under troubled debt restructurings during the period of twelve months prior to their having become debts in arrears.

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

B. Credit to the public (continued)

5. Additional information on non-accruing credit in arrears

	In arrears for up to 89 days	In arrears of 90 to 180 days	In arrears for over 180 days to one year	In arrears for over one year to three years	In arrears of over three to five years	In arrears of over five to seven years	In arrears of over seven years	Total non-accruing debts in arrears	Non-accruing debts not in arrears	Total non-accruing
	Unaudited									
	June 30, 2023									
	In NIS millions									
Commercial	25	298	83	128	28	54	14	630	1,097	1,727
Private Individuals - Housing Loans	1	119	57	31	9	10	12	239	-	239
Private Individuals - Other Loans	4	44	-	-	-	-	-	48	129	177
Total	**30**	**461**	**140**	**159**	**37**	**64**	**26**	**917**	**1,226**	**2,143**
	Unaudited									
	June 30, 2022									
Commercial	16	23	52	154	31	46	16	338	1,145	1,483
Private Individuals - Housing Loans	-	96	60	50	15	10	12	243	-	243
Private Individuals - Other Loans[(1)]	4	36	-	-	-	-	-	40	45	85
Total	**20**	**155**	**112**	**204**	**46**	**56**	**28**	**621**	**1,190**	**1,811**
	Audited									
	December 31, 2022									
Commercial	93	78	24	116	32	48	14	405	805	1,210
Private Individuals - Housing Loans	-	96	63	32	16	7	13	227	2	229
Private Individuals - Other Loans	3	39	-	-	-	-	-	42	39	81
Total	**96**	**213**	**87**	**148**	**48**	**55**	**27**	**674**	**846**	**1,520**

Footnote:
(1) Reclassified following improvement of data.

6. Additional disclosure on the quality of credit

(A) Risk characteristics according to credit segments

(1) Commercial credit

- Sensitivity to the domestic economic cycle in Israel. In addition, in view of material overseas investments by large Israeli corporations, the level of exposure to global crises increased;
- Sensitivity to changes in private consumption;
- Rising interest rates, on the background of a high inflationary environment, both in Israel and globally, make it difficult for households and the business sector to access financing sources, and weigh heavily on the performance of the economy;
- Geopolitical tension, both in Europe and in US-China relations, might lead to a decline in scope of production and in global trading and to the continuation of the rise in prices of finished goods.

The said macro-economic and geo-political events increase the level of risk in the short-medium term.

(2) Credit to private individuals – housing loans

- Loans having a high financing rate coupled with a high repayment to free income ratio comprise a risk center upon a decline in value of the collateral below the loan balance, and upon rising unemployment rates. The Bank's underwriting policy limits the rate of exposure upon the granting of the credit;

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

B. Credit to the public (continued)

6. Additional disclosure on the quality of credit (continued)

- High exposure to variable interest may increase the risk of repayment ability of borrowers, in view of the rising cost of interest in the economy. The Bank's underwriting policy coupled with regulation hedge against such risk.

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors;
- The growth in competition in recent years, whether within the banking industry or against off-banking institutions, may lead to erosion of the spreads, to a decline in the quality of borrowers, and as a result thereof to increased credit risk. The present credit policy examines thoroughly the risk involved in the underwriting of loans to existing and new customers using models and tools developed for sales points, thus reducing such risk.

(B) Indication of credit quality

	Unaudited				Audited			
	June 30, 2023				December 31, 2022			
		Private Individuals				Private Individuals		
	Commercial	Housing Loans	Other Loans	Total	Commercial	Housing Loans	Other Loans	Total
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	95.6%	99.5%	97.5%	96.9%	96.0%	99.5%	98.5%	97.3%
Ratio of accruing credit to balance of credit to the public	3.3%	0.1%	2.0%	2.3%	3.2%	0.1%	1.3%	2.1%
Ratio of non-accruing credit to balance of credit to the public	1.1%	0.4%	0.5%	0.8%	0.8%	0.4%	0.2%	0.6%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of credit to the public	1.6%	0.4%	2.4%	1.4%	1.5%	0.4%	2.1%	1.3%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	33.6%	86.5%	90.7%	41.6%	34.9%	85.0%	138.2%	44.7%

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs.

A central indication on the quality of the credit portfolio is the ratio of problematic debts to the performing debts at the Bank.

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

B. Credit to the public (continued)

7. Additional information on housing loans

Balances for the year end, according to Loan-to-Value (LTV)[1] ratio, manner of repayment and type of interest

		Balance of housing loans			
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	Total Off-Balance Sheet Credit Risk
		In NIS millions			
		Unaudited			
		June 30, 2023			
First degree pledge: financing ratio	Up to 60%	40,971	473	23,783	726
	Over 60%	25,413	152	14,961	402
Second degree pledge or without pledge		1,541	112	769	7,411
Total		**(2)67,925**	**737**	**39,513**	**8,539**
		Unaudited			
		June 30, 2022			
First degree pledge: financing ratio	Up to 60%	37,389	338	22,021	702
	Over 60%	21,912	143	12,978	458
Second degree pledge or without pledge		1,488	158	724	8,754
Total		**(2)60,789**	**639**	**35,723**	**9,914**
		Audited			
		December 31, 2022			
First degree pledge: financing ratio	Up to 60%	39,677	365	23,305	554
	Over 60%	24,076	144	14,263	370
Second degree pledge or without pledge		1,572	151	787	7,425
Total		**(2)65,325**	**660**	**38,355**	**8,349**

Footnotes:

(1) The ratio between the authorized credit line at the time the credit line was granted and the value of the asset, as confirmed by the Bank at the time the credit line was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.

(2) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 107 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 (June 30, 2022 - NIS 282 million, December 31, 2022 - NIS 218 million).

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

C. Information on the purchase and sale of debts

Details on the consideration paid or received for the acquisition or sale of loans

	Unaudited									
	Credit to the public					Credit to the public				
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total
	In NIS millions									
	For the three months ended June 30, 2023					For the three months ended June 30, 2022				
Loans acquired	4,240	-	-	1,000	5,240	3,015	-	-	731	3,746
Loans sold	8	-	-	-	8	386	-	-	-	386
	For the six months ended June 30, 2023					For the six months ended June 30, 2022				
Loans acquired	7,894	-	-	1,661	9,555	5,383	-	-	1,033	6,416
Loans sold	15	-	-	-	15	442	953	-	-	1,395

D. Off balance Sheet Financial Instruments[3]

	Unaudited		Unaudited		Audited	
	Balance[1]	Provision[2]	Balance[1]	Provision[2]	Balance[1]	Provision[2]
	June 30, 2023		June 30, 2022		December 31, 2022	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	1,264	5	1,320	4	1,437	4
Credit guarantees	3,038	42	2,669	35	2,846	37
Guarantees for home purchasers	17,697	5	18,113	4	18,426	6
Other guarantees and obligations	14,605	42	12,579	48	14,163	51
Unutilized facilities for transactions in derivative instruments	4,961	-	4,287	-	5,755	-
Unutilized facilities credit line for credit cards	41,411	72	36,585	66	39,402	70
Unutilized current loan account facilities and other credit facilities in on-call accounts	10,402	68	10,142	67	10,370	65
Irrevocable commitments to extend credit approved but not yet granted[3]	36,297	223	33,460	175	30,850	184
Commitment to issue guarantees	17,779	9	12,677	4	15,095	7

Footnotes:
(1) Contract balance or their stated amounts at period end before of allowance for credit loss.
(2) Balance of allowance for credit losses at period end.
(3) Including commitments to customers for granting credit within the framework of "an approval in principle and maintaining interest rates" according to Proper Management Directive No. 451 "Procedures for the granting of housing loans".

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	June 30, 2023						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	50,027	20	5,805	459	385	-	56,696
Securities	27,915	4,977	18,692	1,122	1	1,830	54,537
Securities borrowed or purchased under agreements to resell	1,024	-	-	-	-	-	1,024
Net credit to the public	187,149	27,717	34,657	2,972	702	-	253,197
Credit to the Government	728	205	1,214	889	-	-	3,036
Investments in Associates	2	-	-	-	-	481	483
Buildings and equipment	-	-	-	-	-	4,245	4,245
Intangible assets and goodwill	-	-	-	-	-	162	162
Assets for derivative instruments	2,056	469	7,697	445	148	1,585	12,400
Other assets	2,459	47	1,392	75	102	1,960	6,035
Total assets	**271,360**	**33,435**	**69,457**	**5,962**	**1,338**	**10,263**	**391,815**
Liabilities							
Deposits from the public	191,405	5,620	86,435	7,333	1,863	-	292,656
Deposits from banks	11,656	1	2,448	67	36	-	14,208
Deposits from the Government	45	-	91	-	-	-	136
Securities lent or sold under agreements to repurchase	1,144	-	9,584	-	-	-	10,728
Bonds and Subordinated debt notes	3,338	10,188	2,953	-	-	-	16,479
Liabilities for derivative instruments	2,248	497	5,203	472	120	1,584	10,124
Other liabilities	17,294	710	1,497	29	27	245	19,802
Total liabilities	**227,130**	**17,016**	**108,211**	**7,901**	**2,046**	**1,829**	**364,133**
Difference	44,230	16,419	(38,754)	(1,939)	(708)	8,434	27,682
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(43,691)	(450)	41,543	1,776	822	-	-
Net options in the money (in terms of underlying asset)	(399)	-	343	105	(49)	-	-
Net options out of the money (in terms of underlying asset)	(909)	-	845	80	(16)	-	-
Total	**(769)**	**15,969**	**3,977**	**22**	**49**	**8,434**	**27,682**
Net options in the money (discounted par value)	(126)	-	259	(60)	(73)	-	-
Net options out of the money (discounted par value)	(4,445)	-	3,834	685	(74)	-	-

Footnote:

(1) Includes those linked to foreign currency.

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

	Unaudited						
	June 30, 2022						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	57,215	23	4,974	834	403	-	63,449
Securities	21,437	2,375	17,234	1,033	1	1,846	43,926
Securities borrowed or purchased under agreements to resell	1,330	-	-	-	-	-	1,330
Net credit to the public	169,588	23,251	36,956	1,986	684	-	232,465
Credit to the Government	514	228	1,254	611	-	-	2,607
Investments in Associates	2	-	-	-	-	491	493
Buildings and equipment	-	-	-	-	-	3,573	3,573
Intangible assets and goodwill	-	-	-	-	-	163	163
Assets for derivative instruments	1,774	480	7,850	252	113	554	11,023
Other assets	2,276	22	1,303	64	100	1,627	5,392
Total assets	**254,136**	**26,379**	**69,571**	**4,780**	**1,301**	**8,254**	**364,421**
Liabilities							
Deposits from the public	189,034	4,400	81,986	6,105	1,898	-	283,423
Deposits from banks	12,550	1	2,074	117	18	-	14,760
Deposits from the Government	35	1	88	-	-	-	124
Bonds and Subordinated debt notes	5,591	8,268	-	4	-	-	13,863
Liabilities for derivative instruments	1,892	604	5,907	235	111	554	9,303
Other liabilities	15,108	809	642	13	29	308	16,909
Total liabilities	**224,210**	**14,083**	**92,643**	**6,474**	**2,056**	**862**	**340,328**
Difference	29,926	12,296	(23,072)	(1,694)	(755)	7,392	24,093
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(23,923)	(3,211)	24,782	1,547	805	-	-
Net options in the money (in terms of underlying asset)	(995)	-	1,066	(72)	1	-	-
Net options out of the money (in terms of underlying asset)	(546)	-	387	194	(35)	-	-
Total	**4,462**	**9,085**	**3,163**	**(25)**	**16**	**7,392**	**24,093**
Net options in the money (discounted par value)	(1,274)	-	1,383	(107)	(2)	-	-
Net options out of the money (discounted par value)	(4,314)	-	3,641	894	(221)	-	-

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

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

	Audited						
	December 31, 2022						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	59,087	18	5,827	367	414	-	65,713
Securities	21,961	2,494	17,484	1,061	1	1,793	44,794
Securities borrowed or purchased under agreements to resell	857	-	-	-	-	-	857
Net credit to the public	179,846	24,334	34,013	2,362	524	-	241,079
Credit to the Government	596	222	1,172	609	-	-	2,599
Investments in Associates	2	-	-	-	-	484	486
Buildings and equipment	-	-	-	-	-	3,904	3,904
Intangible assets and goodwill	-	-	-	-	-	162	162
Assets for derivative instruments	2,180	430	7,102	625	83	1,000	11,420
Other assets	2,305	27	1,357	74	99	1,878	5,740
Total assets	**266,834**	**27,525**	**66,955**	**5,098**	**1,121**	**9,221**	**376,754**
Liabilities							
Deposits from the public	196,945	4,188	82,869	6,512	1,779	-	292,293
Deposits from banks	13,622	-	1,646	83	25	-	15,376
Deposits from the Government	28	1	88	-	-	-	117
Securities lent or sold under agreements to repurchase	-	-	3,739	-	-	-	3,739
Bonds and Subordinated debt notes	4,050	8,258	-	-	-	-	12,308
Liabilities for derivative instruments	2,377	546	4,886	465	74	1,000	9,348
Other liabilities	15,661	761	1,387	12	25	249	18,095
Total liabilities	**232,683**	**13,754**	**94,615**	**7,072**	**1,903**	**1,249**	**351,276**
Difference	34,151	13,771	(27,660)	(1,974)	(782)	7,972	25,478
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(31,603)	(1,525)	30,354	1,846	928	-	-
Net options in the money (in terms of underlying asset)	(56)	-	119	(32)	(31)	-	-
Net options out of the money (in terms of underlying asset)	(491)	-	388	124	(21)	-	-
Total	**2,001**	**12,246**	**3,201**	**(36)**	**94**	**7,972**	**25,478**
Net options in the money (discounted par value)	246	-	(113)	(85)	(48)	-	-
Net options out of the money (discounted par value)	(2,936)	-	2,509	494	(67)	-	-

Footnotes:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	June 30, 2023				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	56,696	23,088	-	33,366	56,454
Securities[2]	54,537	36,369	15,105	1,704	53,178
Securities borrowed or purchased under agreements to resell	1,024	-	-	1,024	1,024
Net credit to the public	253,197	3,800	-	245,531	249,331
Credit to Governments	3,036	-	-	3,007	3,007
Assets for derivative instruments	12,400	1,614	6,335	4,451	12,400
Other financial assets	1,928	4	1	1,923	1,928
Total financial assets	**[3]382,818**	**64,875**	**21,441**	**291,006**	**377,322**
Financial liabilities					
Deposits from the public	292,656	32,609	177,064	82,436	292,109
Deposits from banks	14,208	1,509	5,976	6,493	13,978
Deposits from the Government	136	-	67	69	136
Securities lent or sold under agreements to repurchase	10,728	-	-	10,598	10,598
Bonds and Subordinated debt notes	16,479	12,221	103	3,235	15,559
Liabilities for derivative instruments	10,124	1,612	7,997	515	10,124
Other financial liabilities [4]	16,015	1,503	14	14,498	16,015
Total financial liabilities	**[3]360,346**	**49,454**	**191,221**	**117,844**	**358,519**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	169	-	-	169	169

Footnotes:
(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.
(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.
(3) Of which: assets and liabilities in the amount of NIS 76,483 million and NIS 149,515 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.
(4) Not including liabilities for leasing.

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

A. Composition - consolidated (continued)

	Unaudited				
	June 30, 2022				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	63,449	22,193	-	41,499	63,692
Securities[(2)]	43,926	[(5)]28,447	13,129	[(5)]1,695	43,271
Securities borrowed or purchased under agreements to resell	1,330	-	-	1,330	1,330
Net credit to the public	232,466	4,835	-	226,697	231,532
Credit to Governments	2,607	-	-	2,619	2,619
Assets for derivative instruments	11,023	579	5,388	5,056	11,023
Other financial assets	1,694	89	5	1,600	1,694
Total financial assets	**[(3)]356,495**	**56,143**	**18,522**	**280,496**	**355,161**
Financial liabilities					
Deposits from the public	283,423	32,072	203,059	48,129	283,260
Deposits from banks	14,760	822	2,911	10,823	14,556
Deposits from the Government	124	-	34	92	126
Securities lent or sold under agreements to repurchase	1,946	-	-	1,946	1,946
Bonds and Subordinated debt notes	13,863	12,614	424	392	13,430
Liabilities for derivative instruments	9,303	574	8,118	611	9,303
Other financial liabilities[(4)]	13,247	1,382	11	11,854	13,247
Total financial liabilities	**[(3)]336,666**	**47,464**	**214,557**	**73,847**	**335,868**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	153	-	-	153	153

Footnotes:

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

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

(3) Of which: assets and liabilities in the amount of NIS 68,409 million and NIS 175,580 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

(4) Not including liabilities for leasing.

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

A. Composition - consolidated (continued)

	Audited				
	December 31, 2022				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	65,713	28,753	-	36,779	65,532
Securities[2]	44,794	29,006	12,839	1,696	43,541
Securities borrowed or purchased under agreements to resell	857	-	-	857	857
Net credit to the public	241,079	4,211	-	234,091	238,302
Credit to Governments	2,599	-	-	2,592	2,592
Assets for derivative instruments	11,420	1,006	6,578	3,836	11,420
Other financial assets	1,669	20	3	1,646	1,669
Total financial assets	**[3]368,131**	**62,996**	**19,420**	**281,497**	**363,913**
Financial liabilities					
Deposits from the public	292,293	31,284	178,641	80,886	290,811
Deposits from banks	15,376	763	3,533	10,665	14,961
Deposits from the Government	117	-	29	88	117
Securities lent or sold under agreements to repurchase	3,739	-	-	3,747	3,747
Bonds and Subordinated debt notes	12,308	11,032	51	364	11,447
Liabilities for derivative instruments	9,348	1,004	7,779	565	9,348
Other financial liabilities [4]	14,500	690	8	13,802	14,500
Total financial liabilities	**[3]347,681**	**44,773**	**190,041**	**110,117**	**344,931**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	165	-	-	165	165

Footnotes:

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

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 12.

(3) Of which: assets and liabilities in the amount of NIS 72,065 million and NIS 159,904 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

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

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Audited				
	June 30, 2023				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	14,083	2,480	-	-	16,563
Foreign Governments bonds	4,205	222	-	-	4,427
Israeli financial institutions bonds	84	-	-	-	84
Foreign financial institutions bonds	-	1,022	-	-	1,022
Bonds backed by assets (ABS) or by mortgage (MBS)	-	6,214	-	-	6,214
Bonds of others in Israel	188	105	-	-	293
Bonds of others abroad	-	1,773	-	-	1,773
Shares not for trading	141	-	-	-	141
Total available-for-sale bonds and shares not for trading	**18,701**	**11,816**	**-**	**-**	**30,517**
Trading Securities					
Israeli Government bonds	8,536	41	-	-	8,577
Foreign Governments bonds	79	-	-	-	79
Israeli financial institutions bonds	1	-	-	-	1
Foreign financial institutions bonds	-	-	-	-	-
Bonds backed by assets (ABS) or by mortgage (MBS)	-	-	-	-	-
Bonds of others in Israel	12	-	-	-	12
Bonds of others abroad	-	-	-	-	-
Trading Shares	6	26	-	-	32
Total trading securities	**8,634**	**67**	**-**	**-**	**8,701**
Credit to the public for securities loaned	3,800	-	-	-	3,800
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	466	-	466
Other Interest Rate Contracts	3	4,683	379	-	5,065
Foreign Currency Contracts	27	1,552	3,606	-	5,185
Shares Contracts	1,584	100	-	-	1,684
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	1,614	6,335	4,451	-	12,400
Other	-	1	-	-	1
Assets for the "Maof" market operations	4	-	-	-	4
Total assets	**32,753**	**18,219**	**4,451**	**-**	**55,423**
Liabilities					
Deposits from the public for securities borrowed	4,541	-	-	-	4,541
Deposits from banks for securities borrowed	4	-	-	-	4
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	422	-	422
Other Interest Rate Contracts	1	4,684	-	-	4,685
Foreign Currency Contracts	27	3,220	93	-	3,340
Shares Contracts	1,584	93	-	-	1,677
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	1,612	7,997	515	-	10,124
Other	-	14	-	-	14
Commitments for the "Maof" market operations	4	-	-	-	4
Short sales of securities	1,499	-	-	-	1,499
Total liabilities	**7,660**	**8,011**	**515**	**-**	**16,186**

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

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

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

	Unaudited				
	June 30, 2022				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	10,480	2,133	-	-	12,613
Foreign Governments bonds	4,929	32	-	-	4,961
Israeli financial institutions bonds	87	3	-	-	90
Foreign financial institutions bonds	-	496	-	-	496
Bonds backed by assets (ABS) or by mortgage (MBS)	1	5,758	-	-	5,759
Bonds of others in Israel	(1)238	128	-	-	366
Bonds of others abroad	-	1,573	-	-	1,573
Shares not for trading	232	-	-	-	232
Total available-for-sale bonds and shares not for trading	**15,967**	**10,123**	**-**	**-**	**26,090**
Trading Securities					
Of the Israeli Government	1,269	69	-	-	1,338
Of foreign governments	71	-	-	-	71
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	13	-	-	-	13
Of others abroad	-	-	-	-	-
Shares	3	3	-	-	6
Total trading securities	**1,356**	**72**	**-**	**-**	**1,428**
Credit to the public for securities loaned	4,835	-	-	-	4,835
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	380	-	380
Other Interest Rate Contracts	5	3,600	132	-	3,737
Foreign Currency Contracts	19	1,774	4,544	-	6,337
Shares Contracts	554	14	-	-	568
Commodity and other Contracts	1	-	-	-	1
Total assets for derivative instruments	579	5,388	5,056	-	11,023
Other	-	5	-	-	5
Assets for the "Maof" market operations	89	-	-	-	89
Total assets	**22,826**	**15,588**	**5,056**	**-**	**43,470**
Liabilities					
Deposits from the public for securities borrowed	3,157	-	-	-	3,157
Deposits from banks for securities borrowed	173	-	-	-	173
CLN deposits	-	-	4	-	4
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	370	-	370
Other Interest Rate Contracts	-	3,724	-	-	3,724
Foreign Currency Contracts	19	4,385	241	-	4,645
Shares Contracts	554	9	-	-	563
Commodity and other Contracts	1	-	-	-	1
Total liabilities for derivative instruments	574	8,118	611	-	9,303
Other	-	11	-	-	11
Commitments for the "Maof" market operations	89	-	-	-	89
Short sales of securities	1,293	-	-	-	1,293
Total liabilities	**5,286**	**8,129**	**615**	**-**	**14,030**

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

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

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

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

	Audited				
	December 31, 2022				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	10,447	2,178	-	-	12,625
Foreign Governments bonds	5,306	69	-	-	5,375
Israeli financial institutions bonds	86	3	-	-	89
Foreign financial institutions bonds	-	549	-	-	549
Bonds backed by assets (ABS) or by mortgage (MBS)	-	5,155	-	-	5,155
Bonds of others in Israel	201	124	-	-	325
Bonds of others abroad	-	1,681	-	-	1,681
Shares not for trading	130	-	-	-	130
Total available-for-sale bonds and shares not for trading	**16,170**	**9,759**	**-**	**-**	**25,929**
Trading Securities					
Of the Israeli Government	2,136	70	-	-	2,206
Of foreign governments	76	-	-	-	76
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	14	-	-	-	14
Of others abroad	-	-	-	-	-
Shares	2	24	-	-	26
Total trading securities	**2,228**	**94**	**-**	**-**	**2,322**
Credit to the public for securities loaned	4,211	-	-	-	4,211
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	423	-	423
Other Interest Rate Contracts	2	5,355	153	-	5,510
Foreign Currency Contracts	4	1,201	3,260	-	4,465
Shares Contracts	1,000	22	-	-	1,022
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	1,006	6,578	3,836	-	11,420
Other	-	3	-	-	3
Assets for the "Maof" market operations	20	-	-	-	20
Total assets	**23,635**	**16,434**	**3,836**	**-**	**43,905**
Liabilities					
Deposits from the public for securities borrowed	3,693	-	-	-	3,693
Deposits from banks for securities borrowed	11	-	-	-	11
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	1	415	-	416
Other Interest Rate Contracts	-	5,185	-	-	5,185
Foreign Currency Contracts	4	2,574	150	-	2,728
Shares Contracts	1,000	19	-	-	1,019
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	1,004	7,779	565	-	9,348
Other	-	8	-	-	8
Commitments for the "Maof" market operations	20	-	-	-	20
Short sales of securities	670	-	-	-	670
Total liabilities	**5,398**	**7,787**	**565**	**-**	**13,750**

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

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

2. Items measured according to fair value not on a recurring basis

	Unaudited				
	June 30, 2023				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the thre months ended March 31, 2023
	In NIS millions				
Problematic credit ,the collection of which is collateral dependent	-	-	1,271	1,271	28
Not for trading shares	-	-	237	237	(37)

	Unaudited				
	June 30, 2022				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended March 31, 2022
	In NIS millions				
Problematic credit ,the collection of which is collateral dependent	-	-	876	876	(13)
Not for trading shares	-	-	112	112	(3)

	Audited				
	December 31, 2022				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended December 31, 2022
	In NIS millions				
Problematic credit ,the collection of which is collateral dependent	-	-	491	491	(21)
Not for trading shares	-	-	105	105	(14)

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

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

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
	in NIS millions								
	Unaudited								
	For the three months ended June 30, 2023								
Net Assets (Liabilities) for derivative instruments									
Shekel/CPI Interest Rate Contracts	35	[1] (25)	-	-	34	-	-	44	[1] (4)
Other Interest Rate Contracts	144	[1] (21)	-	-	122	1	133	379	[1] (23)
Foreign Currency Contracts	3,758	[1] 1,328	-	-	(1,582)	(2)	11	3,513	[1] 428
Total	**3,937**	**1,282**	**-**	**-**	**(1,426)**	**(1)**	**144**	**3,936**	**401**
Liabilities									
CLN Deposits	-	[2] -	-	-	-	-	-	-	[2] -
	For the three months ended June 30, 2022								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(1)	[1] (1)	-	-	12	-	-	10	[1] 9
Other Interest Rate Contracts	101	[1] (28)	-	-	94	(31)	(4)	132	[1] (28)
Foreign Currency Contracts	958	[1] 4,075	20	(65)	(678)	1	(8)	4,303	[1] 4,290
Total	**1,058**	**4,046**	**20**	**(65)**	**(572)**	**(30)**	**(12)**	**4,445**	**4,271**
Liabilities									
CLN Deposits	(4)	[2] -	-	-	-	-	-	(4)	[2] -
	For the six months ended June 30, 2023								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	8	[1] (18)	-	-	54	-	-	44	[1] 3
Other Interest Rate Contracts	153	[1] (13)	-	-	103	-	136	379	[1] (20)
Foreign Currency Contracts	3,110	[1] 3,918		(169)	(3,329)	(11)	(6)	3,513	[1] 2,835
Total	**3,271**	**3,887**	**-**	**(169)**	**(3,172)**	**(11)**	**130**	**3,936**	**2,818**
Liabilities									
CLN Deposits	-	[2] -	-	-	-	-	-	-	[2] -

Footnotes:

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

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

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

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

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
	in NIS millions								
	Unaudited								
	For the six months ended June 30, 2022								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	33	(1)(53)	-	-	30	-	-	10	(1)(42)
Other Interest Rate Contracts	125	(1)(24)	-	-	76	(54)	9	132	(1)(22)
Foreign Currency Contracts	827	(1)4,411	20	(150)	(796)	-	(9)	4,303	(1)4,699
Total	**985**	**4,334**	**20**	**(150)**	**(690)**	**(54)**	**-**	**4,445**	**4,635**
Liabilities									
CLN Deposits	(10)	(2)-	-	-	6	-	-	(4)	(2)-
	Audited								
	For the year ended December 31, 2022								
Net Assets (Liabilities) for derivative instruments									
Shekel/CPI Interest Rate Contracts	33	(1)(47)	-	-	22	-	-	8	(1)(26)
Other Interest Rate Contracts	125	(1)85	-	-	(9)	(87)	39	153	(1)104
Foreign Currency Contracts	827	(1)2,588	-	(173)	(125)	(2)	(5)	3,110	(1)2,957
Total	**985**	**2,626**	**-**	**(173)**	**(112)**	**(89)**	**34**	**3,271**	**3,035**
Liabilities									
CLN Deposits	(10)	(2)-	-	-	10	-	-	-	(2)-

Footnotes:
(1) Included in the statement of income in the item "Non-interest financing income".
(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first half of 2023, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

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

E. Additional details on significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information on the measurement of fair value at level 3

	Unaudited							
	Fair value as at June 30, 2023	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	1,271	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	237	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	44	Discounted cash flow	Inflationary expectations	From	2.31%	to	6.09%	(2.59%)
			Counterparty credit risk (CVA)	From	0.00%	to	22.67%	(4.25%)
Other Interest Rate Contracts	379	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	5.11%	(0.08%)
Foreign Currency Contracts	3,513	Discounted cash flow	Inflationary expectations	From	2.31%	to	6.09%	(2.45%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	31.12%	(0.12%)
Liabilities								
CLN Deposits	-	Discounted cash flow	Credit risk of the underlying asset					

	Unaudited							
	Fair value as at June 30, 2022	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	876	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	112	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	10	Discounted cash flow	Inflationary expectations	From	2.15%	to	11.09%	(2.66%)
			Counterparty credit risk (CVA)	From	0.00%	to	6.25%	(0.82%)
Other Interest Rate Contracts	132	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	2.18%	(0.16%)
Foreign Currency Contracts	4,303	Discounted cash flow	Inflationary expectations	From	2.15%	to	11.09%	(2.82%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	59.90%	(0.06%)
Liabilities								
CLN Deposits	4	Discounted cash flow	Credit risk of the underlying asset					

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

E. Additional details on significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information on the measurement of fair value at level 3 (continued)

	Fair value as at December 31, 2022	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	491	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	105	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	8	Discounted cash flow	Inflationary expectations	From	2.28%	to	4.84%	(2.74%)
			Counterparty credit risk (CVA)	From	0.00%	to	6.23%	(3.98%)
Other Interest Rate Contracts	153	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	33.33%	(0.20%)
Foreign Currency Contracts	3,110	Discounted cash flow	Inflationary expectations	From	2.28%	to	4.84%	(2.66%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	35.52%	(0.42%)
Liabilities								
CLN Deposits	-	Discounted cash flow	Credit risk of the underlying asset					

2. Qualitative information on the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). As much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). As much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. Existing arrangements between credit card companies and between such companies and the banks.

1. The arrangements were described in Note 36 A to the financial statements as of December 31, 2022.
2. **Reduction of the cross-commission rate.** The Governor of the Bank of Israel announced on February 25, 2018 a new outline with respect to the reduction of the cross-commission in deferred charge transactions, from the rate of 0.7% at that date to a rate of 0.5%, this in five phases.

The reduction in the issuer's fee to a level of 0.5% was implemented in stages, as follows:

- from January 1, 2019, the end of the current arrangement period, through December 31, 2019, the issuer's fee stood at an average rate that did not exceed 0.6%;
- from January 1, 2020, through December 31, 2020, the issuer's fee stood at an average rate that did not exceed 0.575%;
- from January 1, 2021, through December 31, 2021, the issuer's fee stood at an average rate that shall not exceed 0.55%;
- from January 1, 2022, through December 31, 2022, the issuer's fee stood at an average rate that shall not exceed 0.525%;
- from January 1, 2023, the issuer's fee stands at an average rate that shall not exceed 0.5%.

In addition, an outline was established with respect to the reduction of the cross-commission on immediate charge transactions, from the rate of 0.3% at that date, to a rate of 0.25%, in two phases. The aforementioned reduction was carried out in stages, as follows:

- from January 1, 2021 through December 31, 2022, the commission stands at an average rate of not more than 0.275%;
- from January 1, 2023, the commission stands at an average rate of not more than 0.25%.

On November 25, 2018, these rates were recognized in the Banking Order (Customer service) (Supervision over cross-clearing service for charge card transactions and for immediate debit transactions), 5779-2018.

B. 1. The separation of ICC. On January 31, 2017, the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, was published on the Official Gazette ("the Law"). Within the framework of implementation of the Law, in the first stage, the credit card companies, IsraCard and MAX (formerly LeumiCard) were separated from Hapoalim Bank and Bank Leumi, respectively, due to the fact that they held assets of a value exceeding 20%, and therefore defined as "a bank with Wide-Ranging Activity". Accordingly, at that stage, there was no duty to sell ICC.

With respect to ICC, on January 31, 2021, started a period of two years that ended on January 31, 2023, during which, the Minister of Finance, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, was empowered to instruct the separation of ICC from Discount Bank upon existence of certain terms stated in Section 11B(d) of the Banking Law (Licensing), 5741-1981 ("the Banking Law").

According to the provisions of Section 12(b)(3) of the Law, a committee had even been established, among the duties of which was recommending to the Minister in the matter of applying his authority to enforce the duty to sell ICC, as stated. On December 21, 2022, the committee published its recommendation to the Minister of Finance, as accepted by the majority of the committee members, which stated the position that the Minister should apply the said authority. The recommendation document contained also the minority opinion of the Supervisor of Banks, who was not a party to the opinion of the other committee members. On January 18, 2023, after obtaining the consent of the Governor of the Bank of Israel, the Minister applied to the Chairman of the Finance Committee of the Knesset, requesting approval of the Committee to the draft Banking Regulations (Licensing)(A bank with Wide-Ranging Activity), 5783-2023. As part of the application, the Minister referred also to the possibility of acquisition of a charge card company by institutional bodies, and noted that on the background of developments in the market and the provisions of Section 10 of the Law, he had instructed the formation of a designated team at the Ministry of Finance to study this issue.

On January 30, 2023, the Finance Committee of the Knesset approved the Banking Regulations (Licensing) (A bank with Wide-Ranging Activity), 5783-2023, ("the Regulations").

According to the Regulations, the Bank was bound to sell the means of control of Israel Credit Card Company Ltd., held by it, within a period of three years from the effective date (date of publication of the Regulations in the Official Gazette), or until the end of four years in certain circumstances, to the extent that a public offer outline would be decided upon. Furthermore, the provisions stated in the Law would apply with respect to the sale.

In addition, the following instructions, inter alia, apply:

- During the period from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank has to conduct the operation of issue of charge cards issued by it, by means of an operating company, and to enable it to be a party to the charge card agreement;
- As from the end of one year from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank is not permitted to conduct by means of one operating company, the issue of more than 52% of the total new credit cards issued to Bank customers;

17. Credit Card Activity (continued)

- A fixed mechanism for the distribution of income derived from the issue operation of charge cards and from use of charge cards by customers, between the Bank and the charge card company, so that the said distribution of income would be in accordance with an agreement signed by the parties in 2022;
- Restriction to approaches made to customers regarding renewal of credit cards.

It is noted that the restrictions relating to the duty to enable the credit card company to become a party to the agreement, the forbiddance to conduct through one operating company the issue operation of more than 52% of total new credit cards, and restrictions on approaches to customers regarding the renewal of credit cards, apply also to some of the other banks.

The Regulations entered into effect on January 31, 2023. It is noted that at that date the Minister of Finance issued an open call for the public's positions in which he announced, as part of his decision in the matter of amending the definition of a bank with Wide-Ranging Activity, the formation of a team at the Ministry of Finance headed by the Officer in Charge of Budgeting, the Legal Counsel of the Ministry of Finance and the Commissioner of the Capital Market, Insurance and Savings, for studying the issue of the differentiation existing in the Law between the acquisition of a charge card company from a bank with Wide-Ranging Activity (primary acquisition) and the acquisition of a charge card company from an entity which had purchased such a company from such a bank (secondary acquisition), and whether it is just and equitable to leave such a differentiation intact. The question of the possible effects of large institutional bodies controlling charge card companies is also supposed to be studied.

On May 11, 2023, the team for the examination of the holdings by institutional bodies of charge cards companies ("the Team") published its recommendations.

The central recommendation of the Team is the amendment of Section 10 of the Law, whereby a large institutional body shall no longer be debarred from acquiring means of control of a charge card company from a bank with wide-ranging activity (applying also to a primary acquisition). The practical significance of this recommendation, if implemented, is that the Bank would be able to sell its holdings in ICC also to a large institutional body. In addition, as a complementary act, the Team, inter alia, recommended a clear structural separation between the charge card company and the institutional body holding it, as well as stating restrictions in respect of material operational interfaces between institutional bodies and banks.

Following the decision of the Minister of Finance and approval of the Regulations, the Bank has decided to record a provision for the balance of taxes due on its share in the profits of ICC, which in accordance with accounting principles, had not been provided for in the past, in the amount of NIS 50 million. The said provision was included in the report for the first quarter of 2023.

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

Within the framework of a joint distribution agreement with El-Al Company, El-Al was, inter alia, granted a "phantom" type option, entitling it to economic rights in ICC (of a value equal to 8.75% of the appreciation in value of ICC, exceeding the amount of NIS 1,800 million). The option would be exercisable only in the event of sale or issuance of ICC, in accordance with the terms stated in the related agreement, and would be settled in cash. (The equity capital of ICC as of June 30, 2023, amounts to NIS 2,358 million).

According to an assessment in the hands of ICC, the fair value of the "phantom" option (within the meaning of the term in accepted accounting principles), based on data regarding transactions for the acquisition of the credit card companies Isracard and MAX (being published information only, regarding the agreement, within the framework of which, Harel Investments is expected to acquire all the shares in Isracard, and the agreement, within the framework of which, CLAL Insurance Enterprises Holdings acquired all the shares in MAX, based on their reports to the public), and on the assumption that ICC will utilize to the options of the distribution of dividends, according to the option agreement, within the framework of the future negotiations to formulate the terms of sale of the holdings in ICC at an amount of approx. NIS 58 million (approx. NIS 40 million after tax effect). ICC recognized in the first quarter of 2023 a liability in respect of the said option. Considering the tax effect and after deduction of the share of the First International Bank in the profit of ICC, the recording of the option in the said amount reduced the net profit of the Bank in the first quarter of 2023 by a net amount of approx. NIS 24 million.

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

For details regarding the data for the "ICC" segment, within the framework of Managerial Operating Segments, see above in Note 13.

17. Credit Card Activity (continued)

2. **Arrangements following the Strum Law.** The arrangements were described in Note 36 B to the financial statements as of December 31, 2022.

C. **A joint issuance agreement between ICC and Discount Bank.** The agreements for the joint issue of charge cards between ICC, Diners and Discount Bank and between ICC, Diners and MDB expired on December 31, 2022. At this stage, the joint activity of ICC and Diners with the Bank and with MDB continues according to the provisions of the agreements, which were in effect until December 31, 2022, while the parties have started negotiations for the renewal of the issuing agreements. According to the Regulations enacted under the "Strum Law", fixation applies to the income distribution mechanism between ICC and Discount, and the distribution of income shall be made according to the issue operating agreement that was in effect on January 1, 2022 until the end of three years from date of separation, or until the end of five years from date of publication of the Regulations (January 30, 2023), whichever is later.

D. **Acquisition of the minority interest in Diners.** A monetary action was filed against ICC on September 24, 2019, with the Tel Aviv-Jaffa District Court, by which the Court was plead to charge the company to pay to the Claimants (Alon Blue Square Israel Ltd. and Dor Alon Finance Ltd.) an amount of approx. NIS 21 million, in respect of the transaction for the sale of "Diners" shares to ICC. The Claimants have to submit principal evidence declarations until May 2, 2023, and ICC has to submit principal evidence declarations until November 12, 2023. A pretrial is set for February 21, 2024.

E. **Extension of the clearing license of ICC and Diners.** On March 15, 2023, the provisional clearing permit of ICC and Diners was extended to March 31, 2024, or until a permanent permit is obtained, the earlier of the two.

18. Share Based Payment Transactions and Dividends

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

(1) **Outline for the allocation of share options.** Note 24 D to the financial statements as of December 31, 2022, describes an outline allowing the granting of nonmarketable stock options to Officers and senior employees.

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

B. **Dividends**

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

Declaration date	Payment date	Total dividend paid	Rate from the profit	Dividend per share
		In NIS million	In percentage	In agorot (100 agorot = NIS 1)
March 8, 2022	March 30, 2022	105.8	20	9.09
May 22, 2022	June 9, 2022	196.6	20	15.89
August 11, 2022	August 30, 2022	135.9	20	10.99
November 23, 2022	December 13, 2022	178.6	20	14.44
March 13, 2023	March 30, 2023	187.8	20	15.18
May 16, 2023	June 6, 2023	380.7	30	30.78

On August 13, 2023 the Bank's Board of Directors decided to make a dividend distribution at the rate of 30% of the profits of the second quarter of 2023 (compared with 20% up until and including the fourth quarter of 2022), in an amount of approx. NIS 356 million, representing approx. 28.79 Agorot per ordinary A share of NIS 0.1 par value.

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

18. Share Based Payment Transactions and Dividends (continued)

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

19. Taxation

Note 8 D to the financial statements as of December 31, 2022, described appeal proceedings on VAT assessments, conducted at the Tel Aviv District Court in the matter of ICC and additional credit card companies. ICC is preparing to submit a summing-up brief in the case.

On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage differences. The issues in the aforesaid assessments are the same in principle as those in the assessments issued for the previous taxable periods.

ICC estimates the amount of exposure, for which no provision has been recorded in its financial statements, at approx. NIS 229 million.

20. Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel to the Discount Campus

As part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus, the following transactions, among others, were performed:

- On March 1, 2022, the Bank completed the sale transaction of two of its properties, located at 156 Herzl Street and 160 Herzl Street in Tel Aviv. In the first quarter of 2022 the Bank recorded a gain of approx. NIS 315 million, net of the tax effect. The property has been leased to the Bank until the planned relocation date to the Discount Campus.
- On March 23, 2022, ICC signed an agreement for the sale of the ICC Building in Givatayim, in consideration for NIS 336 million, with the addition of VAT and betterment levies. In view of the conclusion of the transaction, on March 30, 2023, ICC has recognized a net of tax gain of NIS 231 million (the Bank's share in this amount is approx. NIS 142 million).
- On August 8, 2022, MDB’s Board of Directors gave approval for the bank to enter into a transaction for the sale of space in The Jubilee Tower in Tel Aviv, which serves the bank’s Management and its central head office units. The closure of the transaction and transfer of possession of the property was expected by June 30, 2023. MDB has an option to defer the date of transferring possession by 180 days, until December 31, 2023 (including in the number of deferrals), and, after that date, the bank also has an option to rent the property for up to two years. On April 30, 2023, MDB informed the purchasers as to the exercise of the option for deferral of the delivery date, no later than August 15, 2023 and on July 12, 2023, the Bank sent a further notice to the purchasers regarding the exercise of the aforesaid option, stating that the date for the transfer of possession is expected to be by December 31, 2023. As assessed, MDB expects to recognize a gain of approx. NIS 80 million, net of the tax effect. The gain will be recognized in accordance with the date of completing the transfer of possession in the property.

21. Issue of Debt Instruments

- **Issue of debt instruments within the framework of an international private placement.** On January 26, 2023, the Bank completed an international private placement of US dollar bonds, issued to institutional investors. The gross proceeds of the issue amounted to approx. US$799.48 million.
- **Issue of subordinate debt notes having a loss absorption mechanism (Coco).** On June 15, 2023, the Bank, through Manpikim, completed an issue of subordinate debt notes having a loss absorption mechanism (expansion of Series "I"), in a total amount of approx. NIS 385 million.
- **Issue of bonds.** On June 15, 2023, the Bank, through Manpikim, completed an issue of bonds (expansion of Series "N"), in a total amount of approx. NIS 1,568 million.

22. Pledges, Restrictive Terms and Collateral

a. In the first quarter of 2023, the Bank registered in favor of the Bank of Israel, pledges on its rights with respect of mortgage backed loans (including all receipts and income derived there from). All this, within the framework and as part of a project pledging rights involving mortgages in favor of the Bank of Israel, in order to improve the Bank's liquidity (by releasing government bonds pledged to the Bank of Israel at the beginning of the Corona crisis). As part of the process, the Bank is required to abide by strict covenants (in connection with the pledged loan portfolio) as determined by the Bank of Israel procedures in the matter. The balance of the pledged assets within the framework of this pledge, as of June 30, 2023, amounted to NIS 7,833 million.

b. In the first quarter of 2023, the Bank deposited funds in a deposit account opened in the name of BCC in the RTGS system at the Bank of Israel and, in the second quarter, the Bank placed monetary deposits that are held in the name of ABS Charge Cards and in the name of ABS ATM in the Bank of Israel's clearinghouse account. This, in the framework of the clearing default arrangement, the purpose of which is to ensure the timely conclusion of the daily clearing operation (similar deposits were made by MDB). The balance of the funds deposited by the Bank, as stated above as of June 30, 2023, amounted to approx. NIS 341 million.

23. Shelf Prospectus

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

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

Corporate Governance and additional details - List of tables

Corporate governance and audit

Board of Directors and Management

Changes in the Board of Directors

Appointment of Directors. Mr. Danni Yamin, took office on February 1, 2023, as a Director of the Bank, replacing Ms. Miriam (Miri) Katz, who terminated her office on this date. All as detailed in immediate reports dated February 1, 2023 (Ref. Nos. 2023-01-013368 and 2023-01-013359) the information in the above matters detailed therein is presented hereby by way of reference.

The Chairman of the Board, the Board of Directors and the President & CEO thank Ms. Katz for her activity and contribution during her period of office at the Bank and wish Mr. Yamin success in fulfilling his office.

The Agenda of the Annual General Meeting of Shareholders, to convene on August 16, 2023, includes, inter alia, a proposal to elect two Directors holding the status of external director, as the term is defined in the Companies Law, 5759-1999 and a proposal to elect three Directors holding the status of external director as defined in the Directive No. 301 of Proper Conduct of Banking Business Directives. The election to be conducted in this General Meeting would be from among the candidates proposed by the committee for the appointment of directors in banking corporations. For additional details regarding the process and dates of beginning of office of the directors' candidate for election, including the process of electing the Chairman of the Board of Directors (the officiating Chairman, Mr. Shaul Kobrinsky, terminating his office in December 2023), see the immediate report dated July 12, 2023 (Ref No. 2023-01-079239).

Termination of office of the President & CEO

On April 15, 2023, the President & CEO, Mr. Uri Levin announced his intention to terminate her office, following nine years in which he had officiated in senior positions at the Bank and at the Group, of which some 3.5 years as President and CEO. On June 5, 2023, the Bank's Board of Directors decided to adopt the recommendations of the Search Committee, headed by the Chairman of the Board of Directors Mr. Shaul Kobrinsky, to appoint Mr. Avi Levy, Executive Vice President, to serve as President & CEO of the Bank. Mr. Levy took office as President & CEO of the Bank on July 9, 2023, in place of Mr. Uri Levin, who terminated his office on that date, all as stated in the immediate report dated June 5, 2023, and a complementary report dated June 21, 2023 (Ref. Nos. 2023-01-061773 and 2023-01-068328, respectively).

The Chairman and members of the Board of Directors wish to thank Mr. Uri Levin and appreciate his significant contribution to the development of the Bank, leading it to impressive achievements.

The Chairman of the Board and Board members wish Mr. Avi Levy success in his office.

Meetings of the Board of Directors and its committees

In the first half of 2023, the Board of Directors held 15 meetings. In addition, 41 meetings of committees of the Board of Directors were held.

Changes in Management and organizational changes

The meeting of the Board of Directors held on July 12, 2023, resolved to approve appointments and an organizational change, as stated below:

Mr. Barak Nardi, Executive Vice President, shall terminate his office as Head of the Strategy, Finance and Holdings Division and will assume office as Head of a new Division to be established – Discount Holdings Division. In addition, Mr. Nardi will replace Advocate Esther Deutsch, who had informed of her intention to terminate her office as Chairperson of Mercantile Discount Bank Ltd. and as Chairperson of Israel Credit Cards Ltd., and he would act as Director of a number of additional subsidiaries.

Mr. Assaf Eldar, Executive Vice President, shall terminate his office as Head of the Operations and Assets Division and shall take office as Head of the Banking Division, replacing Mr. Avi Levy, who on July 9, 2023, terminated his office as Head of this Division, and was appointed the Bank's President & CEO.

The effective date for the said appointments and organizational change will be decided at a later date and subject to obtaining approval by the Supervisor of Banks for these appointments.

The meeting of the Board of Directors, held on August 10, 2023, resolved to approve appointments to the Bank's Management, as detailed below:

Mr. Assaf Pasternak, Executive Vice President, will terminate his office as Head of the Financial Markets Division and will be appointed Head of the Strategy and Finance Division, replacing Mr. Barak Nardi.

Mr. Elad Fisher will be appointed member of Management with the title of Executive Vice President, and will head the Financial Markets Division, replacing Mr. Assaf Pasternak. In his present role at the Bank, Mr. Fisher serves as Manager of the Global Treasury Subdivision at the Financial Markets Division.

Ms. Efrat Keinan will be appointed member of Management with the title of Executive Vice President, and will head the Operations and Assets Division, replacing Mr. Assaf Eldar. In her present role at the Bank, Ms. Keinan serves as Manager of the Planning and IT Strategy Subdivision at the Technologies Division.

Date of entry into effect of the said appointments will be decided at a later date and subject to obtaining approval by the Supervisor of Banks to the said appointments.

The Internal Audit in the Group

Details on the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2022 Annual Report (pp. 328-331).

Updates. During the second quarter of 2023 the following periodic reports were submitted and discussed:

- The annual report on the activities of the internal audit in 2022 was submitted on March 21, 2023, discussed by the Audit Committee on March 29, 2023 and in the Board of Directors on May 14, 2023;
- The quarterly report on the activities of the internal audit in the first quarter of 2023 was submitted on April 23, 2023, and discussed by the Audit Committee on May 8, 2023.

Transactions with Interested and Related Parties

On April 1, 2023, the Bank purchased a collective insurance policy for Directors and Officers, officiating and who may officiate from time to time at the Bank, including for their office on behalf of the Bank in any other company in which the Bank has an interest. For additional details, see Note 10 section 6 to the condensed financial statements. The Agenda of the General Meeting of Shareholders, convened for August 16, 2023, includes a proposal for the determination of the terms of office and employment for the new President & CEO, all as detailed in the Immediate Report dated July 12, 2023 (Ref. No. 2023-01-079239).

Special and independent committee – proceedings in Australia

Different legal proceedings have been conducted in Australia and in Israel against the Bank and against MDB ("the banks"), relating to accounts held with the banks by certain Australian family members and by companies related to them. The essence of the said proceedings is civil lawsuits (fiscal) filed in Australia by Liquidators of the related companies, claiming damage caused to these companies due to amended tax assessments issued by the Australian Tax Authorities. The claims were based on the allegation (refuted) that the said banks had provided banking services to customers, assisting them in evading the payment of taxes in Australia.

On January 31, 2021, the banks signed compromise arrangements in relation to the aforementioned proceedings for the settlement of all claims and actions of the Plaintiffs against the Discount Group, including in relation to the proceedings, the family members and the related companies, with this being without any admission of liability. According to the aforesaid arrangements, the amount of the settlement totals approx. AUD 138 million, equivalent to approx. NIS 343 million.

Concurrently, the Bank has agreed to an arrangement whereby the insurers will pay the banks an amount of approx. US$ 55 million for which an amount of approx. US$ 47.5 million (approx. NIS 151 million) was recorded as income.

For further details, see Note 26 C 11.3 to the financial statements as of December 31, 2020 (pp. 230-231).

As required by the Supervisor of Banks, the Boards of the two banks have decided to establish a joint committee of the two Boards of Directors, which will be a special, independent committee that will be headed by her honor, Retired Judge Hila Gerstel. The committee will examine the administrative and control processes that allowed the conduct of the Banks that led to the proceedings for which the compromise arrangements were signed, while addressing, inter alia, to corporate governance aspects and the conduct of the Board of Directors and the senior Management including drawing conclusions and making general and personal recommendations with regard to officers and employees, where necessary, including in relation to compensation awards granted to the officers during the relevant period.

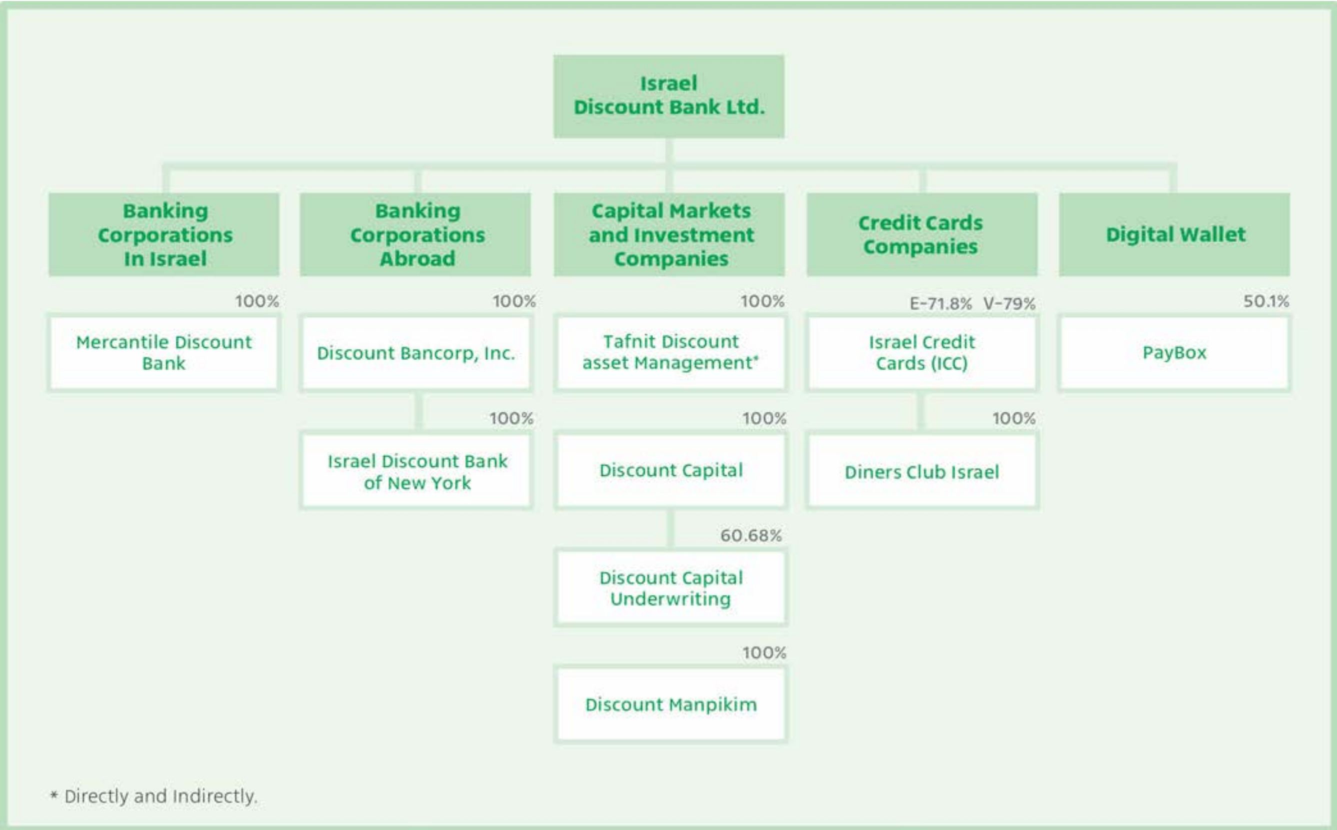
According to information in the hands of the Bank, the Committee had completed the gathering of material and the hearing of Officers and employees appearing before it, and is now forming its conclusions and recommendations.

The committee will present its conclusions and recommendations to the Boards of Directors of the banks.

The committee's conclusions and recommendations will be notified to the Supervisor of Banks, in response to the latter's request to the banks.

Additional details on the business of the banking corporation and management thereof

Discount Group Structure



Fixed Assets and Installations

Buildings and Equipment

Establishment of the Discount Campus. For details, see the 2022 Annual Report (p. 342-343) and Note 10 section 5 to the condensed financial statements.
Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus. For details, see Note 20 to the condensed financial statements.

Information and Computer Systems

For details, see the 2022 Annual Report (pp. 344-345).
ICC – Replacement of core system infrastructure. The project is now in advanced stages of handover testing and proceeding to focus on business testing, testing vis-à-vis various external factors and practicing the processes for putting the infrastructure into operation. Completion of the project is expected in the first half of 2024. The scope of the entire project, including the internal inputs to be invested therein, is estimated to amount to approx. NIS 230 million. For further details, see the 2022 Annual Report (p. 345).

The Human Capital

Principal Activities in the first half of 2023

Transfer to the Discount Campus. Completion of preparations from the aspect of human resources regarding the transfer to the Discount Campus location, including formation and integration of a culture and work environment intended to provide employees with a better and advanced work experience.

Environmental, Social and Governance (ESG)

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

Rating of Liabilities of the Bank and some of its Subsidiaries

For details on the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2022 Annual Report (p. 359).
Credit rating of the State of Israel. On August 1, 2022, the Fitch rating agency ratified the credit rating of the State of Israel at a level of A+, with a stable outlook. On November 24, 2022, the rating agency Moody's ratified the credit rating of the State of Israel at a level of A1 with a positive outlook. On May 11, 2022 S&P rating company ratified the State of Israel's credit rating at a level of AA- with a stable outlook.
In the beginning of March the Fitch rating agency has ratified the credit rating of the State of Israel at a level of "A+", with a "Stable" rating outlook. Fitch noted, inter alia, that a number of countries that had undergone a significant institutional reform, have reached even a decline in their credit rating, and that at this stage it is unclear whether the proposed reform in Israel will have a similar extensive effect.
On April 14, 2023, Moody's rating agency published the credit rating of the State of Israel, leaving it at "A1". On the other hand, Moody's graded down the rating outlook from "Positive" to "Stable" due to its estimates that the events related to the implementation of the Legal Reform indicate the weakening of the institutional solidity of Israel.
On May 12, 2023, the S&P rating agency published the credit rating of the State of Israel leaving it unchanged at "AA-" with a "Stable" rating outlook, on the background of the assumption that an agreement would be reached regarding the legal reform.
It is noted, that in recent months, discussions are being held at the State President's House, with a view of reaching a wide consent regarding the actions for changes in the legal system, though these discussions were unsuccessful.
On July 24, 2023, within the framework of the legal reform move, the Knesset passed the Reduction of the Reasonableness Cause Law. Moody's rating agency published on the next day a special report regarding Israel, following the passing of the Law. In this report, Moody's indicates the risks following the political and social tension in Israel and the impact on its economy that is becoming apparent.
On July 27, 2023, also the rating agency S&P published a special report following the passing of the said Law. S&P estimates that if the Government and the Opposition would not reach agreement, the political controversy in Israel will increase, burdening economic growth in the medium-range. In the short-range, the continuing political uncertainty combined with weaker economic performance as well as the tightening of the monetary policy would bring about a slowdown in the economic growth in Israel.
For details regarding the direct effect on the Bank's capital adequacy, in the event that the credit rating of the State of Israel would be reduced, see "Capital and Capital Adequacy" above.

Activity of the Group according to Regulatory Operating Segments - Additional Details

Household Segment (Domestic Operations) - Additional Details

Developments in the segment

Branches. At the end of the second quarter of 2023, the Discount Group has 173 branches in operation in Israel (100 branches of the Bank and 73 branches of MDB). An extension of the Nathaniya Branch was opened in Kfar Yonah in the first half of 2023 and an extension of the Ashkelon Branch in the Barnea Quarter in the city.

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

Mortgage Activity

At the present time, the Bank operates 74 branches, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	June 30,		
	2023	2022	
	in NIS millions		Change in %
Total housing loans granted by the banks, excluding internal recycling of loans	36,536	69,163	(47.2)
Loans from State funds	175	198	(11.9)

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

	For the six months ended June 30,			For the year ended December 31,
	2023	2022		2022
	In NIS millions		Change in %	In NIS millions
From bank funds[1]	5,355	10,616	(49.6)	17,765
From Treasury funds[2]	25	21	19.0	48
Total of new loans	5,380	10,637	(49.4)	17,813
Recycled loans	1,202	973	23.5	1,534
Total granted[3]	**6,582**	**11,610**	**(43.3)**	**19,347**

Footnotes:
(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 246 million in the first six months of 2023, compared to NIS 117 million as at March 31, 2022 and NIS 270 million in 2022.
(2) Including standing loans in the amount of NIS 8 million in the first six months of 2023, compared to NIS 10 million as at March 31, 2022 and NIS 19 million in 2022.
(3) At the Bank and MDB.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

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

The Economic Program Law (Legislation amendments for the implementation of the economic policy for the 2023-2024 budget years), 5783-2023. On June 6, 2023, the Arrangements Law was published on the Official Gazette, which, inter alia, established that a banking corporation has to deliver to the customer a monthly statement of the amounts of interest and commissions charged for the preceding month in respect of a mortgage loan. The effective date is set for June 2, 2024. For additional details, see below "Legislation and Supervision".

The Insurance Contract Law (Amendment – the transfer between banking corporations of a life assurance beneficiary), 5783-2022. On July 11, 2023 the Amendment was approved, the aim of which is to facilitate mortgage bearers in refinancing of a mortgage loan by means of another institutional body, without the borrower having to purchase a new life assurance policy in respect of the refinancing. According to the approved Amendment, the borrower may require the assurance company to change the beneficiary stated in the policy, from the first financing institution to the new financing institution within the framework of that same life assurance contract, in a refinancing of a mortgage transaction. Thus, would be abolished the barrier existing at the present time upon the refinancing of mortgages, whereby, due to the advancing age of the borrower or to changes in his medical condition the cost of the assurance premium increases, and even in certain cases, the purchase of a new assurance policy is not possible.

Large businesses Segment (Domestic Operations) - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of June 30, 2023, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as of June 30, 2023, there were no deviations from the limitations on "related persons". According to a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.

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

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of May 2023[5] to NIS 1,288 billion, an increase of approx. 5% compared with the end of December 2022 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

The growth in total debt is in the larger part derived from the increase in the debts to banks (7.4%). In addition, a moderate increase was recorded in the debt to institutional bodies (approx. 3%), due to an increase in the balance of

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

bonds held by institutional bodies and in the loan component by approx. 3%. Furthermore, an increase of approx. 2% was recorded in the indebtedness of the business sector to foreign residents, while stability was recorded in the indebtedness to households. The said trends have led to an increase in the weight of banks in the total indebtedness of the business sector from 53.9% to 55.2%.
During the first half the business segment, excluding banks and insurance companies, raised bonds in an amount of approx. NIS 16 billion (on the Tel-Aviv Stock Exchange and by means of non-listed bonds), compared to NIS approx. 21 billion in the corresponding period last year.
The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of June 2023 was 1.69%, compared with 1.78% at the end of 2022 and 1.32% at the end of the corresponding half last year.
The margin between corporate bonds (included in the shekel Tel-Bond) and government bonds as of the end of June 2023, was 2.1%, as compared to 1.58% at the end of 2022, and 1.4% at the end of the corresponding half last year. The rise in margins during the past year is in line with the steep rise in yields on government bonds, as well as with the decline in the equity market.

Developments in the Segments' Markets

Worsening economic conditions have led to a rise in the level of economic activity risk and to a decline in the value of marketable assets. Stability in the rate of unemployment was observed in recent months. However, the number of available positions recorded regression, particularly in the hi-tech sector.
Following our development directions in the principal economic sectors:
- The high-tech sector is coping with a substantial downturn in the scope of capital raisings. This has led, inter alia, to a reduction in manpower and to a reduction in the scope of employee recruitment;
- Commercial sector – The sector's performance aligns with consumer purchasing power, which is derived – inter alia – from the unemployment rate;
- Real estate sector – For details, see below "Construction and real estate activity".

Anticipated Developments in the Segments' Markets

In its last interest decision, the Bank of Israel raised the interest to 4.75%. Future changes in interest in Israel and abroad, are expected to have a significant impact on the economy's growth in the coming year.

For details on the "Large businesses Segment", see the 2022 Annual Report (pp. 371-374).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. On the background of the rise in interest rates and the high inflation, a slowdown has taken place in the residential property market in the past months. The rate of sales is slower than in the past and building contractors are offering different benefits as part of focused marketing campaigns.
Income producing office premises. No significant developments were recorded in this sector during the quarter.
Income producing commercial real estate. The growth potential is coordinated with the performance of retail trading, and within the larger circle, with the buying power of the Israeli consumer and may be exposed to impairment in a scenario of economic slowdown.

Legislative and regulatory limitations and special constraints applying to the activity

The limitations described above applying to the business segment also apply to construction and real-estate operations. In addition, it should be noted that as part of Proper Conduct of Banking Business Directives No. 315, a limitation applies to sectorial credit concentration, where that part of the credit being the responsibility of the banking corporation (including off-balance sheet credit) granted to a certain sector, as defined in the Directive, exceeds 20% of total credit to the public being the responsibility of the banking corporation. The Bank's sectorial credit concentration in the real estate sector was 16.99% as of June 30, 2023, compared with 17.03% at the end of 2022.
Requirement for a further allocation of capital. An Amendment to Proper Conduct of Banking Business Directive No. 203, was published on May 22, 2022, which states that to the list of debts averaged at the rate of 150% risk would be added loans intended to finance the purchase of land for development or building purposes at a rate exceeding 80% of the value of the purchased property (LTV). This, excludes loans financing the purchase of agricultural land having no planning horizon or intention to file a request for a change in zoning, and excluding loans financing the purchase of land for the personal use of a borrower who is not classified to the construction and real estate sector. The said Amendment took effect on June 30, 2022, though banking corporations may spread the effect of change in weight of the risk for the existing amount of loans at fixed quarterly installments until June 30, 2023.

For additional details, see the 2022 Annual Report (pp. 375-377).

Financial Management Segment (Domestic Operations) - Additional Details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

With respect to an immaterial investment in a corporation operating in the financial sector, made by a subsidiary of the Bank, the controlling shareholder of that corporation reported in March 2023, the crossing of the monetary upper limit relating to the classification of the controlling shareholder and corporations under its control as significant nonfinancial corporations. In accordance with the provisions of the Banking Law (Licensing), a banking corporation is not allowed to hold over 10% of the equity of more than one significant nonfinancial corporation and over 1% of a certain class of control means in additional significant nonfinancial corporations. On June 1, 2023, the Governor of the Bank of Israel instructed the Bank to sell its surplus holdings in the corporation within a year from the date of it becoming a significant non-financial corporation. Until the aforesaid sale date, the Governor has instructed the Bank not to make use of the voting or other rights conferred on it by virtue of the means of control held at a higher rate than that legally permitted (10%), other than the right to receive dividends.
As of June 30, 2023, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2022 Annual Report (p. 381-382).

Non-financial investments portfolio – principal data

Scope of the portfolio. The total value of the non-financial investments portfolio of Discount Capital amounted at June 30, 2023 to NIS 2,151 million. The outstanding investment commitments of Discount Capital amounted on March 31, 2023, to NIS 834 million (US$225.4 million) most of which in Funds the investment period of which has not yet expired.
Income. Discount Capital recorded in the first half of 2023 net income from non-financial investments in a total amount of approx. NIS 42 million. This, compared to net income in a total amount of approx. NIS 111 million in the first half of 2022.

For additional details, see the 2022 Annual Report (pp. 380-382).

International Operations Segment - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. According to guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel. On June 30, 2023, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 13.44% of total risk assets, as compared with 13.91% on December 31, 2022. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group (restriction of the exposure rate, as stated, was 25% on December 31, 2022). The Bank monitors the development of the risks assets for its operations in overseas extensions.

IDB Bank – Risk Based and Leverage Capital Ratios. Beginning on January 1, 2015, IDB Bank became subject to new Basel III capital rules based on the final rules published by the FRB in July 2013 (the "Basel III Capital Rules"). The new rules establish a new comprehensive capital framework for U.S. banking organizations.

The rules apply to all depository institutions and banks holding companies with total consolidated assets of $500 million or more, Among other things, the new rules establish a new common equity tier 1 ("CET1") minimum capital requirement and a higher minimum tier 1 capital requirement, and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real estate. The rules also limit dividend distributions by certain banking organizations as well as discretionary bonus payments if the banking organization does not hold a "capital conservation buffer", consisting of a specified amount of common equity tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer came into effect in 2016.

The Basel III Capital Rules became effective on January 1, 2015, subject to a phase-in period. The minimum capital ratios required as of January 1, 2016 are as follows:

- 4.5% CET1 to risk assets;
- 6.0% Tier 1 capital to risk assets;
- 8.0% Total capital to risk assets; and
- 4.0% Leverage ratio.

IDB Bank complies with the requirements.

U.S. legislation. Following the crossing of the US$10 billion threshold of total assets in 2020, IDB Bank has been defined as a "Large bank" to which different regulatory requirements apply. With the crossing of the threshold, the activity of IDB Bank is also subject to supervision by the Consumer Financial Protection Bureau, the authority of which relates to compliance and to different instructions intended for the protection of customers. In addition, there is a change in the frequency and intensity of the regulatory reviews of IDB Bank, performed by the FDIC and the NYDFS (collectively, the "US Regulators"), making them more extensive and sequential in a way that presents a higher supervisory anticipation. The US regulators have the authority to adopt public and non-public enforcement measures, in different circumstances, including in cases of identifying financial or operating weaknesses, deficiencies in corporate governance or other deficiencies, as well as cases of violation of Regulations. Within the framework of these enforcement measures, US Regulators may order different measures, including measures to correct deficiencies or the discontinuation of certain practices, as well as increasing capital, limiting growth, restricting profit distributions, termination of office of Officers, and assessing civil fines or penalties.

BSA/AML. As required under the USA PATRIOT Act and the Bank Secrecy Act (the "BSA"), Israel Discount Bank of New York ("IDB Bank") has adopted a BSA compliance program, which includes policies, procedures and controls for the prevention of money laundering and terrorist financing. As a result of the identification of certain issues regarding IDB Bank's BSA compliance program as part of ongoing oversight by the US Regulators, IDB Bank signed on May 24,

2023, parallel consent orders with the US Regulators (collectively, the "Consent Order"). Such Consent Order requires IDB Bank, among other things, to make further enhancements and adjustments in its policies, procedures, controls and in the staffing levels, and a review of prior transactions.
IDB Bank is already in the process of taking the actions and enhancing the processes that it is required under the Consent Order. As a result, there has been an increase in IDB Bank's staffing levels and operational costs.
The Consent Order does not include fines or penalties and does not require additional capital or any other restrictions on IDB Bank's ongoing business activity or on the implementation of its strategic plan. However, the Consent Order may limit IDB Bank's ability to obtain regulatory approvals for new business initiatives that require such approval and could negatively influence reputation. Non-compliance with the Consent Order could subject IDB Bank to enforcement actions. Once issued, the Consent Order will remain in effect and be enforceable until it is modified, suspended, terminated or set aside by the US Regulators.
The Bank believes that the Consent Order will not have a material financial impact on the Bank's results.
Forward looking information. Part of the above information forms forward looking information constituting an assessment based on existing information at the hands of the Bank at date of publication of these reports. Such information includes, inter alia, reference to future events, the materialization of which is uncertain, based on assessments and data at the hands of Management of the Bank, and is conditional upon the existence of different factors, which existence is uncertain, inter alia, in relation to the content, timing and potential implications of the Consent Order.

For additional details, see the 2022 Annual Report (pp. 382-384).

Additional Segments

For additional details on the Private Banking Segment (Domestic operations), see the 2022 Annual Report (pp. 365-367). For additional details on the Small and minute businesses segment (Domestic operations), see the 2022 Annual Report (pp. 367-369). For additional details on the Medium businesses segment (Domestic operations), see the 2022 Annual Report (pp. 369-370). For additional details on the Institutional bodies segment (Domestic operations), see the 2022 Annual Report (p. 377-378).

Credit Card Operations

Developments in Operations

An agreement for cooperation with Electra Consumer Products and Hapoalim Bank. On August 9, 2022, ICC signed a tripartite agreement with Electra Consumer Products (1970) Ltd. ("ECP") and with Bank Hapoalim, for cooperation in connection with the activity of a customer club based on an off-banking credit card issued by ICC, intended for BIT customers and for customers of the retail stores chains of ECP, in which customers of the BIT-CAL ub and customers of the Family 365 Club would be included ("the Club"), for a period of twelve years from date of fulfillment of the conditions precedent according to the agreement.
On April 30, 2023, approval of the Competition Authority was received for the merger of the consumer clubs of BIT-ICC and of Electra, also issued was a conditional exemption from the duty to obtain approval of the Court for the agreement (including a condition instructing the parties to verify that the essence of the agreement is not to reduce competition and that it would not limit or significantly impair competition). The exemption is granted for the period of the agreement, but the Competition Commissioner may terminate it on a date determined by her. In continuation of the discussions held with the Competition Authority and of the terms determined in the exemption, including with respect to credit, the parties negotiated the updating of certain of the commercial consents stated in the agreement. The remaining conditions precedent were fulfilled on August 7, 2023, and the transaction was consummated. Within this framework, inter alia, the parties signed an amendment to the agreement updating a part of the agreed commercial clauses, including with respect to payments by ICC and the accountability between the parties regarding

expenses. The parties intend to launch the activity of the Club in the coming weeks.

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

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

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

For additional details see the 2022 Annual Report (p. 386).

Technological Improvements and Innovation

General. Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and increasing customer experience.

Open banking. The open banking field has been defined by the Bank as a strategic field and accordingly, the Bank continues to develop the partners avenue for private and business customers, as well as adding business partners that have added value services for our customers, and would also expand the services provided within the framework of the platform.

Strategic cooperation for the establishment of a new fintech company granting digital credit. For details see "Management's handling of current material issues" above.

For additional details see the 2022 Annual Report (p. 394).

Direct Channels

The following innovations and updates took place during the current activity in the second quarter of 2023:

Current accounts and foreign currency

Similar entries. Expanding the search power for an entry according to the name and time period, in the Hebrew and English private and business websites, allowing the customer to watch all entries similar to the entry he is looking for in the current account, transfers and foreign currency sections.

Digital for business

Signing on transactions of several companies. An option has been added to the business website for signing in a single operation, on transactions of several companies.

Payment of invoices. An option for changing a company has been added to the procedure of invoice payment through the website.

Confirmation of reservation on the foreign trade website. An option has been added to the foreign trade section of the website for the confirmation of a reservation applying to an import documentary credit.

Customer experience

My approaches tracker – "Follow Up". Customers using the Private Application will receive upgraded notices regarding changes in the status of their approaches:

- "Push notices" were added to their appliance regarding any change in the status of their approach;
- Indication was added upon entering the Application regarding central changes in the status of the approach (designed for customers who had not noticed the SMS notices and the "Push").

Deposit of funds in a foreign currency deposit – through correspondence with a banker. Customers who wish to deposit funds in a foreign currency deposit would be immediately referred to correspondence with a banker, who would offer them the deposit most suitable to their requirements, and would carry out the deposit of the funds through the Application.

Floating button in respect of complaints. A new floating button for submission of complaints was added to the Discount Application, immediately transferring the customer to correspondence with a banker. Customers pushing the button outside business hours would receive a "pop-up" notice showing business hours.

Check menu. A new field on the website – a check menu showing all information and operations relating to this matter.

Ordering home delivery of new checkbooks – blocking of customers with a wrong address. Since the addition of the option of ordering home delivery by mail of checkbooks through the website or the Private Application, a problem arose in cases where the mail address on the Bank's records was incorrect. To give these customers an answer as well, they may collect the checkbooks from the Bank branch.

Customers not having an up-to-date "strong telephone number" on record with the Bank would not be able to deposit checks by means of the Private Application until updating the telephone number. Following new data protection guidelines, customers would not be able to freely submit a telephone number, but only select a phone number that is already linked to their identity card ("strong number"). Without a strong number, customers would not be able to continue the process of depositing a check.

Transacting business at Bank extensions – appointments with a banker. The possibility to set an appointment with a banker by means of the Private Application also at the extension and not only at the parent branch was added.

Pension consulting – encouraging customers to sign a power of attorney to the bank. A possibility was added of remotely obtaining the signature of customers receiving pension consultation services with no need for them to visit the Bank. Customers receiving pension consultation services, whose power of attorney is about to expire during the coming year, will receive a notice (on the website and on the Private Application) inviting them to renew their signature on the Bank power of attorney in order to continue receiving pension consultation services. Upon confirmation of the notice, the customer will receive a SMS notice inviting him to digitally sign the documents.

Capital market

Summary of semi-annual commissions – in accordance with proper Conduct of Banking Business Directive No. 460. A new link on the website and on the Application in the capital market section allows customers trading in securities to observe the summary of semi-annual commissions on the "portfolio yield" page.

Added tools for the management of an investment portfolio – presentation on the Private Application of the value and percentage of investment of the total securities in Israel and abroad. Customers managing a diversified portfolio (which includes Israeli and foreign securities) may observe the total monetary value and percentage of investment in relation to the total value of the portfolio, divided to Israeli and foreign securities.

Credit cards

Increasing the amount for charging a 2GO card. The amount for charging through the Private Application of 2GO cards has been increased. In accounts of young persons over age of 16 or with respect to a third party card (such as a card ordered under the account of the parent though the actual user thereof is a son or daughter) – it is now possible to charge the card with amounts of up to NIS 1,000, instead of NIS 450, as hitherto.

Mortgages

Operations relating to an existing mortgage. The possibility of updating a life assurance policy or the property by means of a digital request has been added to the website and to the Private Application.

Credit

Improving the presentation of commission in the process of obtaining a loan. The final screen has been redesigned so that it is now possible to see clearly on the Private Application the commission to be charged in connection with the loan (relevant only to loans in amounts exceeding NIS 100,000).
Skipping repayments of a loan – also without an approved addition. Customers not having an approved addition as well as business customers would now be able to skip repayment of the loan using the Private Application, with no need to visit the Bank branch.

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

Developments in the Global Economy

General. The global economy continues to expand, despite anticipation that high inflation and steep rise in interest rate would harm the economy. Notwithstanding that, significant differentiation exists between countries. While the United States leads the economic growth in the developed countries, the economic growth in the Eurozone is slow. Inflation is slowing down worldwide, following the decline in prices of energy and commodities; however, it still remained at a higher level than that targeted by the central banks, this in view of the increase in prices of services. Therefore, pressure of prices remained significant.
A crisis broke out in the first quarter in the US banking system, with the collapse of two US regional banks. In reaction thereto, the FED rescued deposit holders and supplied liquidity to the banking system. However, despite concerns regarding financial stability and the high uncertainty, central banks around the world continued to hike the interest rate, in order to revert inflation to the targeted range, though, concurrently they have succeeded in stabilizing the condition of banks, avoiding a more intense crisis. The Fed raised the interest to 5%-5.25%, and the ECB raised it to 3.5%.
Financial markets. Equity indices throughout the world in the first half were traded at higher prices in light of the economic recovery and investors' expectations that the period of interest hikes was nearing its end, and the interest rates would fall rapidly.

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

Index	2023	2022
500 S&P	16.4%	(20.6%)
DAX	14.8%	(20.2%)
MSCI Emerging Markets	3.5%	(18.8%)

Concerns regarding impairment of the financial stability following the collapse of banks in the US, and the calm that followed, has led to fluctuations in yields on US government bonds. Furthermore, the bond market was affected by investors' concern regarding entry into recession, concerns that have subsided. In consequence of the above, yield on ten year US government bonds rose again during the second quarter, after declining during the first quarter. Thus, yield at the end of the first half amounted to 3.84%, similarly to its level at the beginning of the year. In Germany, yields for ten years remained identical to its level at the beginning of the year, being traded at a level of 2.53%.

The returns on government bonds

10Y Government Bond Yields	June 30, 2023	December 31, 2022
U.S.A.	3.8%	3.87%
Germany	2.53%	2.56%

The Dollar basket ("Dollar Index") weakened during the first half of the year at a rate of 1.5%, as a result of expectations for the termination of the rising interest process and reduction in the interest gap.

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

Exchange rate	2023	2022
EUR	2.33%	7.80%
JPY	10.34%	17.90%
GBP	5.5%	10.0%

In total for the first half of the year, prices of oil and of commodities declined, on the background of expectations for a global economic slowdown. On the other hand, the price of gold rose, it being a hedge against inflation.

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

	2023	2022
The commodities index - GSCI	(8.5%)	26.4%
The oil price (BRENT)	(12.8%)	47.6%
The oil price (WTI)	(8.2%)	40.6%
Gold	4.4%	(1.0%)

Main Developments in the Israeli Economy

General

Economic data indicate a slow growth in the domestic economy. The integrated Index of the Bank of Israel rose in the first half of 2023 at an annual rate of approx. 1%, compared with the second half of 2022. This compared with an increase of 4% in the first half of last year as against its preceding period. Notwithstanding the above, the labor market continued to demonstrate strength, while the unemployment rate in June amounted to 3.6%, reflecting decline when compared with December (4.2%). On the other hand, the rate and volume of available positions continued to decline, with a steep decrease in the Hi-Tech industry.

Developments in the activity of the Israeli economy with overseas markets

A sharp decline was recorded in the months of January-May 2023[6], in direct investments in Israel (through banks) by foreign residents, as compared to the first half of the previous year, as well as a significant regression took place in financial investments by foreign residents in marketable securities. During the first half of 2023, foreign investors

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

realized short-term loans (MAKAM) in very large volumes, at the same time investing in government bonds at smaller volumes. This, compared with the investment in MAKAM in large volume in the first half of 2022. At the same time, investment in shares declined significantly. On the other hand, Israeli residents increased their investments in equities abroad at a sharp rate.

Changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-May 2023	January-June 2022
	US$ million	
Total direct investments through banking system	5,982	10,234
Total financial investments	621	7,952
Of which: Government bonds and MAKAM	(1,226)	4,982
Shares	619	2,957

Investments abroad by Israeli residents	January-May 2023	January-June 2022
	US$ million	
Total direct investments through banking system	476	345
Total financial investments	2,006	(3,891)

Developments in inflation and foreign exchange rates

Similar to the global trend, inflation in Israel is at a slowing down trend, though it is still higher than the targeted range, amounting to 4.2%, while the core inflation amounts to 4.5%. A decrease in the short-term inflationary expectations was recorded in the second quarter of the year, from approx. 3.1% to 2.8% at the end of this half.
During the same half, the shekel weakened against the dollar and the currencies basket by 5.1% and 3.5%, respectively. This, on the background of the progress made during this period in the implementation of the legal reform.

Fiscal and monetary policy

Fiscal policy. In the last twelve months ended in June, the State's budgetary deficit increased to a level of 0.9% of the GDP, compared to a balanced budget in March and a surplus of 0.6% of GDP in December. In the first half of 2023, tax revenues recorded a real term decline of approx. 8%, as compared with the corresponding period last year, of which, direct tax revenues declined by approx. 10%. As from the second half of 2022, tax revenues are declining at an annual rate of 6%, as compared with the climax of the first half.
Monetary policy. Similarly to central banks around the world, the Bank of Israel continued to raise the interest at a fast rate, raising it during the first half of the year from 3.25% to 4.75%. The grossed-up interest for an additional year amounted to approx. 4.1% at the end of the first half of the year.
Change in the monetary base. During the first half of 2023, a decline of approx. 15% was recorded in the M1 money supply (cash at hand of the public, and shekel current account deposits) as compared with a growth of approx. 2.3% in this item in the corresponding period last year. The decline derives from decrease in current account deposits of approx. 19%, on the background of the continuing monetary reduction and the rise of interest rates. At the same time, a steep decline of approx. NIS 4 billion was recorded in the monetary base, stemming from a wide absorption by the Government alongside the supply of liquidity by the Bank of Israel.

Sources for the change in the monetary base

	First half of	
	2023	2022
	In NIS billion	
Operations on the Capital Market	(68.0)	(19.9)
The Shekel deposits tender	109.0	55.0
Monetary loan	(4.6)	-
Foreign currency conversion	-	1.1
Government activity	(43.3)	(37.4)

Capital market

In contrast to the global trend, the local capital market recorded a decline in prices, with the real estate sector negatively conspicuous, while the Banks Index and the TA Global-BlueTech Index recorded a moderate increase. In total for the first half, the TA 125 Index dropped by approx. 2%.

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

Index	2023	2022
TA 35	(2.7%)	(75.0%)
TA 125	(2.1%)	(8.4%)
TA banks	1.9%	(5.7%)
TA Global-BlueTech	5.0%	(25.8%)
Real-estate	(4.7%)	(17.3%)

Trading in government bonds in Israel was affected by the global trend, alongside the progress made by the legal reform. Thus, while during the first quarter of 2023, ten year bonds recorded a moderate rise in yields of approx. 20 basis points, these maintained stability during the second quarter, at a level of approx. 3.8%. As a result, the gap in yields as against US bonds, which was negative at a level of approx. 30 basis points at the beginning of the year, and rose to approx. +30 at the end of March 2023, zeroed out at the end of the first half.

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

Index	2023	2022
General bonds	2.4%	(5.6%)
General Government bonds	0.9%	(6.6%)
Shekel Government bonds	0.5%	(6.5%)
Linked Government bonds	1.5%	(6.8%)
General Corporate bonds	3.6%	(4.2%)
Linked Corporate bonds	3.9%	(5.0%)
Shekel Tel-Bond	1.1%	(4.9%)

During the first half of 2023, the corporate bond market recorded an increase of approx. 1% in the shekel Tel-Bond with a certain rise in the margin, and of approx. 3% on the Tel-Bond 60, concurrently with a marginal decrease in the margin.

In the first half, the scope of Israeli companies' bond issuances (on the Tel Aviv Stock Exchange and by means of non-marketable bonds) amounted to approx. NIS 23 billion, of which: the business sector – excluding the banks and insurance companies, issued approx. NIS 16 billion. This compared to approx. NIS 41 billion and approx. NIS 21 billion, in the corresponding quarter last year, respectively.

The asset portfolio held by the public

During the period from January to May[7] 2023, the value of the financial assets portfolio held by the public increased by 1%, as compared to that of December 2022, amounting at the end of the period to approx. NIS 4.93 trillion. The increase in the value of the portfolio is explained by a sharp rise in the value of the overseas equities component (approx. 12%) a rise in the foreign currency-linked component (approx. 7%) and a moderate rise in the CPI-linked component (approx. 2%), and on the other hand, a decrease in the Israeli equities component and in the shekel components.

Distribution of the asset portfolio held by the public

	May 30, 2023	December 31, 2022
Shares	23.9%	23.8%
Non-linked assets	38.0%	39.1%
CPI linked assets	25.5%	25.3%
Foreign currency linked assets	12.6%	11.8%

Principal Economic Developments in July and August 2023[8]

US labor market data for July indicates a slowdown in the number of jobs added, although the rate of unemployment has fallen to 3.5% and wages have continued to rise at an annual rate of 4.4%.
The Fitch rating agency made a surprise announcement that it had downgraded the USA's credit rating from AAA to AA+ due to growth in the debt burden and a predicted worsening of the fiscal position in the coming three years, and due to the harm caused to governance caused by the repeated disputes over the debt ceiling.
The Fed has hiked interest by 25 basis points to 5.25%-5.5%, noting that further rises depend on data. In addition, the Fed continue to note that inflation remains high and that the fall in inflation stems from a drop in commodity prices; hence, the Fed is interested in seeing a fall in core inflation and the Fed members are expecting a further weakening of the labor market. The ECB has raised interest to 3.75%.
The budgetary deficit in Israel continues to rise and reached a level of 1% of GDP in the twelve months ended in July, compared to 0.9% of GDP in June. Tax collection data from the beginning of the year indicate a decrease of approx. 9% in direct tax collections (compared to the corresponding period last year), with real estate taxes having fallen sharply, and a decrease of approx. 4% in indirect tax collections, caused to a great extent by the contraction in real estate activity and the downturn in private consumption.
10-year US government bond yields have risen in the wake of strong data coming out of the USA, and recently against the background of Fitch's rating downgrade of the USA and the US Treasury Department's announcement regarding an increase in bond issuances, primarily in the long portions. In addition, the rise in yields has been supported by the decision of Japan's central bank to allow the yield on 10-year Japanese government bonds to reach 1%, a fact that diminishes the attractiveness of the American bonds in Japanese investors' eyes. As a result, yields reached a level of 4.2% although, subsequently, they fell back to 4.02% – approx. 20 basis points above the level at the end of June. On the other hand, Israeli government bonds had risen since the beginning of the quarter by approx. 10 basis points to approx. 3.9%, but then fell back to be traded at a negative yield gap against the US bonds.
Since the beginning of the quarter, trade in the shekel has been characterized by high volatility, but, at the end of the period, the rate (against the dollar and against the basket) stood at the same rate as at its start.
In the same period, price increases were recorded in the equity markets, with the TA-125 Index rising by approx. 7%, while the S&P500 Index rising by approx. 3%.

7 The most updated data available at the time of submitting the report to print.
8 All data relate to the period from July 1, 2023 and until August 8, 2023.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.

Legislation for increasing competition in banking and financial services

Increase in Competition and Reduction in Concentration in the Banking Market in Israel (legislation amendments) Law, 5777-2017

The recommendations of the Committee for the increase in competition in banking and financial services ("the Strum Committee") were published on September 1, 2016. In continuation thereof, the Increase in Competition and Reduction in Concentration in the Banking Market in Israel Law (legislation amendments), 5777-2017, ("the Law" or "the Strum Law") was published on the Official Gazette on January 31, 2017. The major part of its provisions is based upon the recommendations of the Strum Committee.
The Law enters into effect on date of its publication ("the beginning date"); however, certain of the provisions have later effective dates.
Following are the principal issues of the Law:

1.1 Prohibiting of a bank, the value of its balance sheet assets on a consolidated basis exceeds 20% of the total balance sheet assets of the banking industry ("a bank with Wide-Ranging Activity"), from engaging in operating the issue of debit cards, from clearing of transactions made by debit cards and from controlling or holding means of control in a corporation engaged in the said operations. This instruction does not derogate from the possibility of a bank having a Wide-Ranging Activity to engage with another entity for the purpose of operating the issue of debit cards or to engage with a clearing agent as a supplier. The prohibition takes effect at the end of three years from the beginning date, and with respect to a large banking corporation, which had sold at least 60% of the shares held by it in a credit card company and on condition that at least 25% of its shares had been offered to the public – at the end of four years from the beginning date. At the time of publishing the Strum Law, the Bank was not defined as a "Bank with wide-ranging activity", as this term was defined in the law.

1.2 In the period that began on February 1, 2021 and ending on January 31, 2023, the Minister of Finance is authorized to determine, with the consent of the Governor of the Bank of Israel and with the approval of the Finance Committee of the Knesset, that, restrictions shall apply also to a banking corporation which holds less than 20%, though not under 10%, and this taking into consideration, inter alia, the state of competition existing in the credit market.
In accordance with this, the Banking Licensing (Bank with Wide-Ranging Activity) Regulations, 5783-2023 were published in the Official Gazette on January 31, 2023 ("the Bank with Wide-Ranging Activity Regulations" or "the Regulations"), which reduced the assets value percentage in the definition of a "Bank with wide-ranging activity" to a rate in excess of 10% of the value. Therefore, the Bank is subject to an obligation to sell the means of control that it holds in ICC, with this to be done by the end of three years from the publication date of the Regulations or by the end of four years in certain circumstances, should an outline for a public offering be decided upon.

1.3 Various instructions applying to banking corporations were set, with the aim of ensuring increased competition in the granting of financial services, as detailed below:

1.3.1 A banking corporation shall not change to the worse the terms of engagement with a customer, only due to the fact that the customer has engaged or intends to engage with another financial body in an agreement for the provision of financial services.

1.3.2 A banking corporation is prohibited from preventing, either by an act of commission or omission, from a financial body engaged in operating the issue of debit cards issued by the banking corporation ("an operating body"), the granting of financial services, including the granting of credit, to customers of the banking corporation. A banking corporation shall also not restrict an operating body in providing of services, as stated above.

1.3.3 A banking corporation shall not prevent, either by commission or omission an operating body which is supervised under statutory provisions, the making use of information reaching the operating body while issuing or conducting the issue operation of debit cards, for the purpose of granting services as an issuer, for the purpose of granting credit, and for the purpose of operations related to the granting of services as an issuer or for the granting of credit, this on condition that the customer gave his consent in advance to the said use.

1.3.4 Starting with the end of two years from the beginning date, the banking corporation shall, at the request of the customer, present, on a daily basis or at longer intervals, the balance of the current account of the customer to a financial body supervised by law.

For the implementation of this directive, on December 25, 2017, the Amendment of Proper Conduct of Banking Business Directive No. 367 regarding online banking was published, deals with the transmission of information regarding the current account balance of a customer by a banking corporation to a financial body for the purpose of granting credit, made at the request of the customer. The Amendment took effect on July 31, 2018.

1.3.5 Starting with the end of two years from the beginning date, where a customer approached a banking corporation requesting entry into an agreement for the issue of a credit card, or where the banking corporation has approached a customer offering to engage in a credit card agreement, the banking corporation shall be required to distribute also credit cards of issuers engaged with the banking corporation in a distribution agreement (for details regarding the draft Proper Conduct of Banking Business Directive in the matter of distribution, see below).

1.3.6 A banking corporation shall not unreasonably refuse to engage with an issuer in a distribution agreement. In this respect it is proposed that stating unreasonable terms would be considered an unreasonable refusal.

1.3.7 Starting with the end of two years from the beginning date, the banking corporation shall present, at the request of the customer, starting with the end of two years from the beginning date, the banking corporation shall present, at the request of the customer, information regarding transactions made by means of a debit card of the customer (including transactions made using debit cards issued by another issuer, which is not the banking corporation) and that the payment therefore is settled by way of charging the current account of the customer at the banking corporation. On January 31, 2019, an order was published that deferred the application date of the aforesaid directive to January 31, 2020.

On November 13, 2018, an amendment to Proper Conduct of Banking Business Directive No. 470, "Debit Cards", was published, within the framework of which provisions regarding the presentation of the aforesaid information were added. In addition, on February 3, 2019 the Banking Regulations (Customer Service) (Transfer of Information from an Issuer to a Banking Corporation), 2019 were published which prescribe the obligations to which issuers are subject in relation to the types of information and the dates for transferring the information from the issuers to the banking corporations.

1.3.8 Starting with the end of two months from the beginning date, a banking corporation is not permitted to unreasonably refuse a request of the borrower for consent to register an additional pledge on an asset, a subordinate pledge on an asset, in favor of another creditor. It is also determined that the realization of a pledge in favor of another creditor shall be effected only with the consent of the banking corporation. The banking corporation shall not withhold such consent, unless on reasonable grounds.

These instructions do not apply to a pledge registered prior to the termination of two months from the beginning date.

1.4 It was established that during a transitional period beginning on the beginning date and ending at the end of five years from the said date, and with respect to a bank having a Wide-Ranging Activity – until the end of three years from date of separation or until the end of five years from the beginning date, whichever is later ("the transitional period"), restrictions shall apply to a bank issuing debit cards and which immediately prior to date of publication of the Law had controlled or held means of control in a debit card company. Under the Bank with Wide-Ranging Activity Regulations, an additional transition period is prescribed that will commence on the publication date of the Regulations and will terminate at the end of five years from the aforesaid date and, with regard to a bank with wide-ranging activity – by the end of three years from the separation date or by the end of five years from the date of the Regulations taking effect, whichever is the later ("the Additional Transition Period"). With regard to the transition periods, the following restrictions have been prescribed:

1.4.1 A bank shall conduct the issuance operation of charge cards issued by it by means of an operating company, and shall allow the operating company to become a part to the charge card agreement.

1.4.2 As from the termination of a period of two years from date of publication of the Law and until the end of the transitional period and also from the end of one year from the publication date of the Regulations through to the end of the additional transition period, the bank shall not conduct, by means of one operating company, the issuance operation of more than 52% of the total new credit cards issued by the bank to its customers. The Minister of Finance is authorized to change the said rate at any time during the transitional period under the terms prescribed in the Law. The engagement of a bank with an operating company, for the purpose of conducting the issue operation of new credit cards issued by the bank to its customers shall be made only after conducting a process which allows every operating company the proper and fair opportunity to offer its services.

1.5 During the transitional period and the additional transition period, the following instructions will apply to a bank having a Wide-Ranging Activity which issues charge cards, additional instructions, inter alia, with respect to the division of income derived from issue operations of charge cards and from the activity of customers using charge cards, between a bank, as stated, and the charge card company; to the date of approach to the customer regarding the renewal of the Credit card; to restrictions regarding the total of credit facilities in charge cards of its customers (see below).

1.6 From the termination of one year from the beginning date and until a date to be determined by the Minister of Finance, and also from the end of one year from the publication date of the Regulations through to the date to be prescribed by the Minister of Finance, an operating company shall not unreasonably refuse to engage with a bank or with a license holder under the Supervision over Regulated Financial Services Law, in order to operate the issue of charge cards for the Bank or for the license holder.

1.7 During the transitional period and the additional transition period, a charge card company is entitled to make use of the engagement details of a customer, which had legally reached it prior to date of publication of the Law or during the transitional period, while conducting issue operations of a debit card on behalf of a bank, in order to approach a customer offering service as an issuer or for the purpose of offering credit, even without obtaining the consent of the customer.

1.8 Instructions have been determined with respect to the prohibition on the acquisition of means of control in a credit charge cards company. Thus, among other things, a bank may not acquire from a bank with Wide-Ranging Activity, means of control in a charge card company. In addition, a person holding over 5% of a certain class of means of control in a single charge card company, shall not control another charge card company and shall not hold over 5% of a certain class of means of control therein. In this respect, charge card companies, which at eve of the beginning date were controlled by the same person, shall be considered as one charge card company.

1.9 Instructions have been determined in matters of control, the holding of means of control, and the appointment of directors in an interface system operator between the issuer and the clearing agent for confirming of charge card transactions – it is determined that one factor shall not control and shall not hold over 10% of a certain class of means of control in an interface system operator as stated. The Governor, under conditions specified in the Law, is entitled to determine a rate different than that stated above. Whoever was the owner of means of control in the operator at the beginning date, shall be permitted to hold such means of control until the end of four years from date of publication, provided that the means of control held by him exceeding 10%, shall not entitle him to any voting rights and the right to appoint directors in the operator as from June 1, 2017.

(Due to these restrictions, the Bank is required to sell its holdings in Automatic Banking Services Ltd. that exceed 10%, with this having to be done by June 1, 2021. Accordingly, the Bank sold within the framework of a public offering of shares of ABS, completed on June 5, 2019, shares comprising approx. 9.3% in ABS. On September 4, 2019, the Bank transferred to Mizrahi Tefahot Bank Ltd. shares comprising 0.7% of ABS. Following the said sale and transfer, the rate of holdings of the Bank in ABS was reduced to 10%).

1.10 Within the framework of the Law, amendments were made to the Supervision over Financial Services Law (Regularized Financial Services) Law, 5776-2016, and a chapter was added thereto in the matter of service for comparing financial costs. The Bank of Israel informed on August 6, 2018 that it had started the project of regularizing the API Standard for open banking in Israel, which allows third parties, with the consent of the customer, to receive from the banks financial information regarding the customer (see below).

1.11 Prohibition on the unreasonable refusal of engagement between a clearing entity and an aggregator or the prevention of engagement between an aggregator and a supplier.

1.12 By January 31, 2018, the Ministry of Finance is to implement one of these: to publish, in consultation with the Bank of Israel, a tender for establishing a technological infrastructure to provide and operate computerization services to financial bodies; to prescribe criteria for conferring grants, loans or guarantees that will enable the provision and operation of computerization services to financial bodies (see hereunder "Letter of principles for increasing the competition in the financial system" regarding the provision of assistance for establishing a banking service and computerization bureau).

1.13 At the end of eighteen months from the beginning date, if certain conditions determined in the Law are fulfilled, the Minister of Finance, in consultation with the Governor and the Antitrust Commissioner, is entitled to determine that a bank not having a narrow-ranging activity (bank having a narrow-ranging activity - a bank, the value of balance sheet assets of which on a consolidated basis does not exceed 10% of the total value of balance sheet assets of the banking industry), is obligated to sell and operate computer services in use mostly by this bank, and rent out property in use by the bank for this purpose, to financial bodies.

In the Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for 2023 and 2024), 5783-2023, which was published on June 6, 2023 the Strum Law was amended so as to annul the instruction that requires a bank with wide-ranging activity that issues charge cards to reduce the credit facilities on the credit card it issues to its customers with effect from February 1, 2024 (see below); cancelation of the instruction in the Strum Law, according to which a bank with Wide-Ranging Activity is entitled to approach a customer in the matter of renewal of a credit card, only within 45 business days prior to the termination of the credit card agreement, this as from June 1, 2025; the Banking Law (Customer service) has been amended in a way stating that a banking corporation has to allow the operational charge card issuing body, to obtain the customer's consent to make use of the information received by the operational body incidental to issuing the card or to the issuing operation, for the purpose of providing financial services to the customer in respect of which that body is regulated. In addition, it was determined that a banking corporation should not be able to prevent the operational body, either by an act of commission or omission, from obtaining the customer's consent as stated. For further details regarding the Law, see below.

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

Credit facilities provided by bank cards. The Strum Law prescribes that as from the end of four years since the Law took effect and up to seven years since the Law took effect, credit facilities provided by credit cards held by customers of the major banks shall not exceed 50% of the total credit facilities provided by credit cards of those banks, as existed in 2015. In November 2020, with the consent of the Governor of Bank of Israel and with the approval of the Economic Committee of the Knesset, The Minister of Finance issued an Order, in effect for a limited period of one year, within the framework of which it was determined that the total of all credit facilities provided by credit cards held by customers of a bank with Wide-Ranging Activity, which issues debit cards during that year, shall not exceed 55% of the total credit facilities provided by credit cards held by customers of that bank, as existed in 2015; in computing the total credit facilities , as stated above, only credit facilities of the bank's customers exceeding NIS 7,500 , should be taken into account; and the credit facility of a customer shall not be reduced to less than NIS 7,500, only because of that stated in this Section.

On January 31, 2022, the Minister of Finance, with the agreement of the Governor and with the approval of the Knesset Economic Affairs Committee, issued an additional order on this subject. The order extends the validity of the previous order's provisions by one additional year.

In accordance with the Bank Having Wide-Ranging Activity Regulations, which were published on January 31, 2023, the period of this provision has been extended so as to commence from the end of four years from the publication date of the Regulations through to the end of seven years from their publication date.

On February 1, 2023, a further order was published in this matter. According to this order, the total of the credit card facilities of customers of a bank with wide-ranging activity that issues charge cards, in any year, shall not exceed 75% of the total credit card facilities of the bank's customers as of 2015. In calculating the aforesaid total credit facilities, credit facilities of the bank's customers exceeding NIS 10,000 are to be taken into account. A customer's credit facility is not to be reduced to an amount below NIS 10,000, purely to take advantage of the contents of this section. As detailed above, the Economic Plan Law cancelled the provision that requires a bank with wide-ranging activity that issues charge cards to reduce the credit facilities on the credit card it issues to its customers and this as from February 1, 2024.

Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 budget years), 5783-2023. On June 6, 2023, the Law was published, referring to various areas, including fields that have implications for the banking system. In addition to the amendments to the Strum Law and the Banking Law (Customer service) detailed above, further amendments were made to the Banking Law (Customer service) in a way that a banking corporation that refuses to open a credit balance shekel current account for entities holding licenses in the financial field, or where no such service had been provided after three months, would have the duty of submitting to the Supervisor of Banks a reasoned notice in the matter; to require banks to send to customers a monthly notice regarding commissions and interest charged by the bank in the preceding month, and to require a banking corporation to inform its customers with respect to the full pricelist and the condensed pricelists, that the bank is permitted to charge lower amounts than those stated in the pricelists. In addition, it is determined that a banking corporation is not permitted to charge commission in contradiction to the full or condensed pricelist, in contradiction to an agreement with the customer according to which the commission charged would be in an amount or rate lower than the amount or rate stated in the full pricelist or in the condensed pricelist and in respect of a service not actually provided; and amend the penalties and sanctions chapter of the Law, inter alia, with respect to the above amendments.

Draft amendment of Proper Conduct of Banking Business Directive No. 420 – online notices. On July 6, 2023, the Supervisor of Banks issued a draft amendment to the Directive, according to the authority conferred upon the Supervisor by the Arrangement Law. Within the framework of the Amendment, it is proposed to determine that at the beginning of each calendar month, a bank shall deliver to each customer a statement of the total amount of commission and interest charged by the bank to the customer in the preceding month. It is further proposed that the notice to the customer would be delivered in writing in an immediate and accessible way, to the extent possible.

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

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

Legislation and Regulation of deposits, current accounts and banking consumption

Special discussion in the matter of interest on deposits, on current accounts and loans in the banking system

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

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

Proposed legislation amendments regarding the development of the money market. On June 13, 2023, the Securities Authority published proposed legislation amendments regarding the Mutual Investment Trust Law, 5754-1994, the Regulation of Engagement in Investment Consulting, Investment Marketing and Investment Portfolio Management Law, 5755-1995, and in the Mutual Investment Trust Regulations (Assets that may be purchased and held by a Trust Fund and their maximal rates), 5755-1994, intended to develop the "money market". In continuation to the above, the Ministry of Finance published on July 30, 2023, the Monetary Funds Bill Memorandum (Legislation amendments), 5783-2023. Within the framework of the amendments, it is proposed to empower the law to determine rules for the characteristics of monetary funds, in a way that would allow development of new monetary funds having characteristics similar to the characteristics of the monetary deposits; expansion of the mediation possibility regarding each monetary fund at a fixed date of up to one year, with a view of improving accessibility of monetary funds to the general public; and empowering the law so as to allow payment of brokerage fees to parties introducing the monetary funds.

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

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

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

Private legislation

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

Capita market

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

Directives of the Supervisor of Banks

Proper Conduct of Banking Business Directive No. 501 in the matter of management of the customers' service and support layout. The Directive that was published on March 26, 2023, establishes principles for the providing of adequate service to bank customers using the different service channels, including the Internet website, Application, Call Center, Chat with a banker, Automated Teller Machines, personal service at the branches, and more. The principles established by the Directive are: maintaining an optimal service and support layout, useful communication with the customers, avoidance of damage and deception, availability and quality all along the engagement period, customer adapted service and support and provision of service through various tracks. The Directive also establishes the duty of publishing details concerning the customer service and support layout, including details of all the services available on each of the service tracks, inter alia, concerning the termination of engagement, ways of fixing appointments and service-level agreements (SLA) regarding service and support for particular matters. Most of the sections of the Directive take effect one year from date of publication, except for several sections, which took effect three months from date of publication. One instruction (the duty of quarterly reporting the actual waiting time regarding each of the service channels) takes effect two years after publication date.

Amendment to Proper Conduct of Banking Business Directive No. 422 - Opening and Managing a Current Account with Credit Balances. On March 26, 2023, an updated version of the directive was published. Within the framework of the amendment, it is stated that no sweeping rules are to be prescribed to block a customer's activity on his account or prevention of basic payment means solely due to the customer belonging to a certain population group, and that every application should be assessed on its own merits, with discretion being exercised. In addition, the basic payment services stated in the directive have been broadened for which no unreasonable refusal should be made. It is prescribed that, generally, customers should be allowed to make payments and receive services and information on their accounts, including by means of E-Banking channels. The content of the directive has been broadened, beyond the management of a current account with a credit balance, to also include the management of a current account with a debit balance that does not exceed the approved credit facility on the account. The instruction takes effect after one year from date of publication thereof.

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

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

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

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

Legislation and Standards in the matter of Debt Collection

The Insolvency and Economic Recovery Law, 5778-2018. The Insolvency and Economic Rehabilitation Law (Amendment No. 4 – Provisional instruction) (Amendment – Extension of power), 5783-2023, was published on February 28, 2023, and the power of which was extended to March 17, 2024. The extension is intended to allow formation of long-term recommendations regarding everything related to the need for an exclusive course encouraging debt arrangements.

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

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

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

The Bank of Israel notice in the matter of formation of principles for the immediate transfer of funds between accounts by means of an identifying item, such as a mobile phone number or email address. In its notice of July 5, 2023, the Bank of Israel detailed the principles for providing the service for the transfer between bank accounts of immediate payments (immediate credits and later on also payment requests) with no need to state in full the account number of the beneficiary, but only by means of an identifying item, as stated. The Bank of Israel noted that the formation of the principles is an additional step for the advancement of the immediate payment in Israel, in accordance with international standards and globally accepted ancillary services.

Letter to BCC and to participants in the system regarding access to payment systems – clearing representation duty. The letter, dated June 26, 2023, clarifies the representation duty that participants in the clearing system are required to apply with respect to each of the controlled retail payment systems, and instructs BCC to update the rules of the system accordingly. The representation duties include, inter alia, an instruction, according to which, a clearing participant shall not unreasonably refuse to represent for clearing a provider of payment services so long as he fulfills the system's access terms, and also verify that the clearing participant does not require unreasonable conditions for representation. The representing participant may charge a commission in respect of the representation service, and is required to determine rules for the management of the risks involved in representation.

Letter to ABS regarding identification of new participants, within the framework of implementation of the EMV Standard. In a letter dated July 4, 2023, and following complaints received, the Bank of Israel clarified that ABS is required to amend the system rules and act until July 15, 2023, so as to avoid difficulties in the use of the device by participants in the system. It was clarified that participants or players in the chain of effecting a transaction, who would not support the end-to-end activity of new participants, may be considered as violating the EMV Standard with all the ramifications thereof.

Press release by the Bank of Israel. The Bank of Israel issued on June 21, 2023, a press release, according to which "The Bank of Israel leads an additional move for the opening of the financial sector for nonbanking entities". The press release included a "Manual for the access to payment system", which explains to nonbanking entities, including local and international fintech companies, the way of joining the core systems of the financial sector in Israel, alongside the banks, and provide services to the public. The document includes details of the different payment systems and types of possible participation in these systems, an access chart to the systems detailing the procedures for joining the supervised payment system by new entities, including the stages and requirements by all relevant factors, for the beginning of operation in the system.

Privacy Protection

Privacy Protection Regulations (Instructions regarding information supplied to Israel by the Economic Eurozone), 5783-2023. On May 7, 2023, the Regulations were published, which impose various duties to owners of data bases storing personal information (as defined in the Regulations) received from the Economic Eurozone, excluding personal information supplied by the subject matter of the information himself. The duties are: to allow the person to whom the information relates, to request erasure of the information, if it had been collected illegally, or it is no longer required for the purpose for which it had been collected, limiting the keeping of information which is no longer required, maintenance and accuracy of the information saved in the data base, and informing the subject matter of the information as to the receipt and transfer thereof. The above duties apply to data base managers in cases stated in the Regulations and subject to exceptions stated therein. As to new information received from the Eurozone after the publication of the Regulations, the Regulations took effect on August 7, 2023, whereas, information already existing in data bases in Israel that had been received from the Eurozone, the Regulations will apply as from the end of one year from date of publication. As to information already existing in the data bases in Israel, received from sources outside the Eurozone but saved in the data base together with information received from the Eurozone, the Regulations will take effect on January 1, 2025.

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

Corporate Governance

Proposal for the amendment of Regulations regarding diversity in membership of boards of directors of reporting corporations, of trust funds and of large portfolio management corporations. In its meeting of February 28, 2023, the Plenum of the Securities Authority approved a proposal for the amendment of Regulations with respect to gender diversity in boards of directors of reporting corporations, of trust funds and of large portfolio management corporations. Within the framework of the proposal, it is proposed to impose a duty of disclosure regarding gender diversity in boards of directors as well as formation of policy with respect to diversity of the human capital.

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

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

For further details on "Legislation and Supervision", see the 2022 Annual Report (pp. 401-422) and the "Disclosure according to the third pillar of Basel and additional information on risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2022 Annual Report (pp. 233-242) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

1. On March 26, 2017, a claim was filed with the Central-Lod District Court, together with an application for its approval as a class action, against the Bank. In the application, it is alleged that the Bank charges customers with a correspondent fee, but it does not credit customers with benefits should any be received from the correspondent; It is stated that the total damages for all members of the group amount to more than NIS 2.5 million. Similar applications have been filed against MDB, as well as against Bank Hapoalim, Bank Leumi, Bank Mizrahi-Tefahot, Union Bank, and FIBI. On February 16, 2023, a decision was given approving the claims against all the banks to be conducted as class-actions. At the request of the banks, the District Court ordered on March 20, 2023, a stay of execution. On May 31, 2023, the Bank and MDB submitted to the Supreme Court their application for permission to appeal. Hearing of the application was set for January 8, 2024.
2. An action together with an application to approve it as a class action suit was filed against the Bank on September 3, 2018, with the Central-Lod District Court. It is, inter alia, claimed in the application that upon the acquisition, redemption or sale of securities traded abroad, the Bank is entitled to charge the customer only with the amount actually paid to the third party who assisted the Bank in carrying out the said operations, and in relation to the specific service and customer, and to the extent that the Bank had received monetary refunds from such third parties, the Bank has to reimburse the customer. Similar applications have been filed against Hapoalim Bank, Union Bank and Mizrahi Tefahot Bank. On June 27, 2023, the Court ruled that the action shall be conducted as a class action against the Bank. Within the framework of an application for a stay of execution of the said ruling, the Bank informed the Court of its intention to file an application for permission to appeal the decision. On March 17, 2023, the District Court issued a stay of execution order, as stated.
3. An action against the Bank was filed with the District Court Central-Lod on March 16, 2020, together with an application for approval of the action as a class action suit. It is, inter alia, claimed in the application that the interest charged by the Bank to customers belonging to certain classes with respect to credit facilities, is at a higher rate than the rate of interest for these classes published by the Bank from time to time. The parties participated in mediation proceedings, and on May 24, 2023, submitted to the Court an application for approval of a compromise arrangement.
4. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of compensation to senior officers of the Bank.** An Application against the Bank, under Section 198A of the Companies Law, 5759-1999, was submitted on March 28, 2023, to the Economic Department of the Tel Aviv District Court. It is, inter alia, argued in the application that the Bank had adopted a widened interpretation of the provisions of the Compensation of Officers of Financial Corporations Law (Special approval and disallowance for tax purposes of exceptional compensation), 5776-2016, thus violating the relevant directives of Proper Conduct of Banking Business, and that the required approvals for engagement with officers had not been obtained. Similar applications had also been submitted against two other banks. The Bank has to file its response to the application by August 13, 2023.
5. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of an agreed Order regarding IDB Bank.** An application against the Bank was filed on July 16, 2023, with the Economic Department of the Tel Aviv District Court, under Section 198A of the Companies Law, 5759-1999. It is, inter alia, claimed in the application that on May 24, 2023, IDB Bank signed an agreed Order by the US authorities, according to which, the Bank undertakes to take action for the rectification of deficiencies and weaknesses regarding certain aspects in its compliance program, and harm, such as higher operating expenses, was caused as a result of this. See above "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".

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

Material Legal Proceedings settled in the first half of 2023

For details regarding an application for approval of an action as a class action, for which on March 9, 2023 a ruling was issued confirming the compromise arrangement between the parties, see Note 10, section 3.3, to the condensed financial statements.
For details regarding an application for approval of an action as a class action, which on May 24, 2023, submitted to the Court an application for approval of a compromise arrangement, see above "Additional Legal Proceedings".

Proceedings regarding Authorities

1. **Demand for data – The Competition Authority.** In June 2022, the Bank received a request for data relating to an investment transaction that a subsidiary performed in another company. In February 2023, a further demand for data was received on this subject.
   Following the demand for data sent in 2022 regarding deposits, in March and in May 2023 Discount Bank and MDB received requests for further data regarding banking products, deposits and debit balances. For details regarding Starting a process of consultation regarding declaration of a centralized group in the banking field, see above "Legislation and Supervision".
2. **Privacy Protection Authority.** Further to the notice submitted to the Bank by the Privacy Protection Authority regarding the initiation of administrative supervisory proceedings under the provisions of the Privacy Protection Law, for the examination of the circumstances of a PayBox event (see the 2020 Annual Report, p. 97), the Authority informed the Bank on April 16, 2023, that it had admitted certain of the arguments raised by the Bank in the hearing being held, but stated that, as opposed to the position of the Bank, certain of the Privacy Protection Regulations (Data protection), 5777-2017, had been violated. On April 30, 2023, the Bank responded to the Authority, stating that in the opinion of the Bank the Authority's standpoint and arguments are erroneous and requesting reconsideration of the Authority's decisions. On June 4, 2023, the Authority responded that after examining the arguments submitted by the Bank, it does not change its said decision of April 16, 2023.
3. On June 14, 2023, the Bank received from the Privacy Protection Authority a demand for information and documentation relating to a security event that had occurred in the premises of a provider of legal services to the Bank, who holds information obtained from one of the data bases of the Bank, for which the Bank reported to the Authority on November 6, 2022. The Bank has responded to this demand, received within the framework of an administrative supervision procedure instigated against the Bank by the Authority, following the said report.
4. **Competition Authority – Agreed Order.** On February 6, 2020, ICC received a demand for information from the Competition Authority, under Section 46(b) of the Economic Competition Law, 5748-1988, with respect to trading houses receiving from ICC or from a related entity, debit card clearing services. In continuation thereof and following the data that had been delivered, further demands were received, this within the framework of an investigation that was conducted by the Authority in the matter. ICC provided the required data.
   On September 12, 2022, ICC informed the Competition Authority of its consent for the payment of NIS 10 million, to the State's Treasury, within the framework of an agreed Order, this according to Section 50B of the Law. Subject to the payment of the said amount, the Competition Commissioner would not take any enforcement actions against ICC or against anyone on its behalf, with respect to events that had taken place in the period from 2018 to 2020, in which, as alleged, beneficial commercial terms regarding clearing services for charge cards of the "Diners" brand, had been offered to customers who would purchase or would continue to purchase from ICC clearing services for charge cards of other brands. It is clarified that there is nothing in the agreed Order or in ICC's signature thereon, that denotes a statement, admission or consent on the part of ICC, or on the part of anyone on its behalf, regarding violation of the Law, of decisions of the Commissioner, or of any other provision of the law in any way whatsoever.
   On July 12, 2023, the Competition Tribunal approved the agreed order.

5. **Notice regarding the removal of pledges.** On July 4, 2022, the Bank and MDB received a notice pursuant to Section 8A(a) of the Banking Ordinance with regard to repeated deficiencies in the removal of pledges following the settlement of the charges, for which the pledges were registered. The banks have taken the necessary steps to comply with the requirements specified in the notice.
6. **Notices of intention to impose sanctions under the Banking Ordinance and Prohibition of Money Laundering Law.** On June 8, 2023, the Bank received two notices by the Supervisor of Banks of his intention to impose sanctions upon the Bank. One notice relates to the intention to impose a sanction in the amount of NIS 1 million, under the Banking Ordinance, in respect of violation of two instructions stated in Proper Conduct of Banking Business Directive No. 411, on management of risks relating to prohibition of money laundering and the finance of terror. The second notice relates to the intention to impose a sanction (with no amount stated) under the Prohibition of Money Laundering Law, in respect of violation of instructions stated in the Prohibition of Money Laundering Order. The alleged violations stated in the notices relate to the updating by the Bank of the "declared persons" lists, updating of the "know your customer" procedures regarding accounts in respect of which seizure orders had been received, and the examination of the address field vis-à-vis the lists of "declared persons" upon transfer of funds. The Bank has submitted arguments in writing. Oral hearings of the case were set for September 12, 2023.
7. For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see above "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".

For additional details, see the 2022 Annual Report (p. 426).

Appendices to the Quarterly Report

Appendices - List of tables

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

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

	For the three months ended June 30					
	2023			2022		
	Average balance(2)	Interest income	Rate of income	Average balance(2)	Interest income	Rate of income(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:(3)						
In Israel	214,285	3,717	6.94	189,694	2,071	4.37
Abroad	29,609	538	7.27	26,680	269	4.03
Total credit to the public	**243,894**	***4,255**	**6.98**	**216,374**	***2,340**	**4.33**
Credit to the Government:						
In Israel	2,924	44	6.02	2,477	20	3.23
Total credit to the Government	**2,924**	**44**	**6.02**	**2,477**	**20**	**3.23**
Deposits with banks:						
In Israel	6,335	54	3.41	4,298	5	0.47
Abroad	187	1	2.14	238	-	-
Total deposits with banks	**6,522**	**55**	**3.37**	**4,536**	**5**	**0.44**
Deposits with central banks:						
In Israel	42,477	484	4.56	46,054	54	0.47
Abroad	2,662	35	5.26	1,451	2	0.55
Total deposits with central banks	**45,139**	**519**	**4.60**	**47,505**	**56**	**0.47**
Securities borrowed or purchased under resale agreements:						
In Israel	1,137	12	4.22	1,289	1	0.31
Total securities borrowed or purchased under resale agreements	**1,137**	**12**	**4.22**	**1,289**	**1**	**0.31**
Bonds held for redemption and available for sale:(4)(5)						
In Israel	34,978	278	3.18	31,523	96	1.22
Abroad	10,451	76	2.91	9,240	42	1.82
Total bonds held for redemption and available for sale	**45,429**	**354**	**3.12**	**40,763**	**138**	**1.35**
Trading bonds:(5)						
In Israel	6,626	81	4.89	1,581	8	2.02
Abroad	71	1	5.63	63	-	-
Total trading bonds	**6,697**	**82**	**4.90**	**1,644**	**8**	**1.95**
Other assets:						
Abroad	907	13	5.73	794	5	2.52
Total other assets	**907**	**13**	**5.73**	**794**	**5**	**2.52**
Total interest bearing assets	**352,649**	**5,334**	**6.05**	**315,382**	**2,573**	**3.26**
Debtors for credit card operations	7,996			6,802		
Other non-interest bearing assets(6)	30,841			28,820		
Total assets	**391,486**			**351,004**		
Of which: Total interest bearing assets attributable to operations abroad	43,887	664	6.05	38,466	318	3.31
* Commissions included in interest income from credit to the public		81			78	

For footnotes see page 239.

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

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

	For the three months ended June 30					
	2023			2022		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense[10]
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	35,645	228	2.56	[10]30,599	12	0.16
In Israel - Time deposits	152,318	1,449	3.81	110,393	246	0.89
Total deposits from the public in Israel	**187,963**	**1,677**	**3.57**	**140,992**	**258**	**0.73**
Abroad - On call	23,267	241	4.14	22,837	27	0.47
Abroad - Time deposits	8,641	89	4.12	4,692	13	1.11
Total deposits from the public outside Israel	**31,908**	**330**	**4.14**	**27,529**	**40**	**0.58**
Total deposits from the public	**219,871**	**2,007**	**3.65**	**168,521**	**298**	**0.71**
Deposits from the Government:						
In Israel	56	1	7.14	81	1	4.94
Abroad	76	-	-	69	-	-
Total deposits from the Government	**132**	**1**	**3.03**	**150**	**1**	**2.67**
Deposits from central banks:						
In Israel	8,700	1	0.05	9,727	2	0.08
Total deposits from central banks	**8,700**	**1**	**0.05**	**9,727**	**2**	**0.08**
Deposits from banks:						
In Israel	5,757	51	3.54	3,475	7	0.81
Abroad	1,353	6	1.77	1,680	4	0.95
Total deposits from banks	**7,110**	**57**	**3.21**	**5,155**	**11**	**0.85**
Securities loaned or sold under repurchase agreements:						
In Israel	8,375	120	5.73	340	3	3.53
Abroad	-	-	-	-	-	-
Total securities loaned or sold under repurchase agreements	**8,375**	**120**	**5.73**	**340**	**3**	**3.53**
Bonds and subordinated debt notes:						
In Israel	14,830	214	5.77	12,222	185	6.05
Total bonds and subordinated debt notes	**14,830**	**214**	**5.77**	**12,222**	**185**	**6.05**
Other liabilities:						
In Israel	67	-	-	71	-	-
Total other liabilities	**67**	**-**	**-**	**71**	**-**	**-**
Total interest bearing liabilities	**259,085**	**2,400**	**3.71**	**196,186**	**500**	**1.02**
Non-interest bearing deposits from the public	74,226			[10]105,941		
Creditors for credit card operations	12,713			11,657		
Other non-interest bearing liabilities[7]	16,832			12,533		
Total liabilities	**362,856**			**326,317**		
Total capital resources	**28,630**			**24,687**		
Total liabilities and capital resources	**391,486**			**351,004**		
Interest margin		**2,934**	**2.34**		**2,073**	**2.24**
Net return on interest bearing assets:[8]						
In Israel	308,762	2,606	3.38	276,916	1,799	2.60
Abroad	43,887	328	2.99	38,466	274	2.85
Total net return on interest bearing assets	**352,649**	**2,934**	**3.33**	**315,382**	**2,073**	**2.63**
Of which: Total interest bearing liabilities attributable to operations abroad	33,337	336	4.03	29,278	44	0.60

For footnotes see page 239.

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

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

	For the three months ended June 30					
	2023			2022		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)[10]
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	253,257	3,754	5.93	230,123	1,544	2.68
Total interest bearing liabilities	(154,525)	(1,109)	(2.87)	[10](127,332)	(118)	(0.37)
Interest margin		**2,645**	**3.06**		**1,426**	**2.31**
CPI-linked shekels:						
Total interest bearing assets	29,659	586	7.90	24,725	602	9.74
Total interest bearing liabilities	(12,651)	(200)	(6.32)	(12,646)	(258)	(8.16)
Interest margin		**386**	**1.58**		**344**	**1.58**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	25,846	330	5.11	22,068	109	1.98
Total interest bearing liabilities	(58,572)	(755)	(5.16)	(26,930)	(80)	(1.19)
Interest margin		**(425)**	**(0.05)**		**29**	**0.79**
Total operations in Israel:						
Total interest bearing assets	308,762	4,670	6.05	276,916	2,255	3.26
Total interest bearing liabilities	(225,748)	(2,064)	(3.66)	(166,908)	(456)	(1.09)
Interest margin		**2,606**	**2.39**		**1,799**	**2.17**

For footnotes see next page.

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

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

	For the three months ended June 30		
	2023 Compared to 2022		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	427	1,219	1,646
Abroad	53	216	269
Total credit to the public	**480**	**1,435**	**1,915**
Other interest bearing assets:			
In Israel	73	696	769
Abroad	22	55	77
Total other interest bearing assets	**95**	**751**	**846**
Total interest income	**575**	**2,186**	**2,761**
Interest bearing liabilities:			
Credit to the Government:			
In Israel	419	1,000	1,419
Abroad	45	245	290
Total deposits from the public	**464**	**1,245**	**1,709**
Other interest bearing liabilities:			
In Israel	122	67	189
Abroad	(1)	3	2
Total other interest bearing liabilities	**121**	**70**	**191**
Total interest expenses	**585**	**1,315**	**1,900**
Interest income, net	**(10)**	**871**	**861**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment for which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of bonds held to maturity was deducted (added) the average balance of profits (losses) included in equity as part of accumulated other comprehensive income in the item "Adjustments regarding the presentation of available-for-sale securities at fair value" for bonds transferred from the available-for-sale portfolio, in the amount of NIS 382 million; 2022 - NIS 98 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) for available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (1) million and NIS (1548) million, respectively; 2022 – NIS (3) million and NIS (987) million respectively.

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

(7) Including derivative instruments.

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

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

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

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

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

	For the six months ended June 30					
	2023			2022		
	Average balance[(2)]	Interest income	Rate of income	Average balance[(2)]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[(3)]						
In Israel	211,030	6,997	6.63	185,376	3,782	4.08
Abroad	29,456	1,042	7.07	26,986	482	3.57
Total credit to the public	**240,486**	***8,039**	**6.69**	**212,362**	***4,264**	**4.02**
Credit to the Government:						
In Israel	2,808	79	5.63	2,555	36	2.82
Total credit to the Government	**2,808**	**79**	**5.63**	**2,555**	**36**	**2.82**
Deposits with banks:						
In Israel	6,098	103	3.38	3,753	8	0.43
Abroad	192	2	2.08	255	-	-
Total deposits with banks	**6,290**	**105**	**3.34**	**4,008**	**8**	**0.40**
Deposits with central banks:						
In Israel	45,002	943	4.19	45,504	66	0.29
Abroad	2,142	48	4.48	1,520	2	0.26
Total deposits with central banks	**47,144**	**991**	**4.20**	**47,024**	**68**	**0.29**
Securities borrowed or purchased under agreements to resell:						
In Israel	1,117	23	4.12	1,326	1	0.15
Total securities borrowed or purchased under agreements to resell	**1,117**	**23**	**4.12**	**1,326**	**1**	**0.15**
Bonds held for redemption and available for sale:[(4)(5)]						
In Israel	34,522	498	2.89	31,468	177	1.12
Abroad	10,099	141	2.79	9,156	79	1.73
Total bonds held for redemption and available for sale	**44,621**	**639**	**2.86**	**40,624**	**256**	**1.26**
Trading bonds:[(5)]						
In Israel	5,450	130	4.77	1,279	14	2.19
Abroad	74	2	5.41	66	-	-
Total trading bonds	**5,524**	**132**	**4.78**	**1,345**	**14**	**2.08**
Other assets:						
Abroad	892	19	4.26	780	10	2.56
Total other assets	**892**	**19**	**4.26**	**780**	**10**	**2.56**
Total interest bearing assets	**348,882**	**10,027**	**5.75**	**310,024**	**4,657**	**3.00**
Debtors of credit card operations	7,826			6,693		
Other non-interest bearing assets[(6)]	30,502			27,438		
Total assets	**387,210**			**344,155**		
Of which: Total interest bearing assets attributable to operations abroad	42,855	1,254	5.85	38,763	573	2.96
* Fees and commissions included in interest income from credit to the public		165			155	

For footnotes see page 243.

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

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

	For the six months ended June 30					
	2023			2022		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	36,177	424	2.34	[10]27,058	14	0.10
In Israel - Time deposits	148,582	2,664	3.59	107,302	377	0.70
Total deposits from the public in Israel	**184,759**	**3,088**	**3.34**	**134,360**	**391**	**0.58**
Abroad - On call	22,037	435	3.95	22,683	43	0.38
Abroad - Time deposits	8,378	161	3.84	4,702	17	0.72
Total deposits from the public outside Israel	**30,415**	**596**	**3.92**	**27,385**	**60**	**0.44**
Total deposits from the public	**215,174**	**3,684**	**3.42**	**161,745**	**451**	**0.56**
Deposits from the Government:						
In Israel	52	1	3.85	158	1	1.27
Abroad	76	1	2.63	68	-	-
Total deposits from the Government	**128**	**2**	**3.12**	**226**	**1**	**0.88**
Deposits from central banks:						
In Israel	9,216	3	0.07	9,726	4	0.08
Total deposits from central banks	**9,216**	**3**	**0.07**	**9,726**	**4**	**0.08**
Deposits from banks:						
In Israel	5,531	96	3.47	3,241	12	0.74
Abroad	1,230	15	2.44	1,116	6	1.08
Total deposits from banks	**6,761**	**111**	**3.28**	**4,357**	**18**	**0.83**
Securities lent or sold under agreements to repurchase:						
In Israel	6,563	198	6.03	170	3	3.53
Total securities lent or sold under agreements to repurchase	**6,563**	**198**	**6.03**	**170**	**3**	**3.53**
Bonds and subordinated debt notes:						
In Israel	14,600	355	4.86	12,653	307	4.85
Total bonds and subordinated debt notes	**14,600**	**355**	**4.86**	**12,653**	**307**	**4.85**
Other liabilities:						
In Israel	69	-	-	72	-	-
Total other liabilities	**69**	**-**	**-**	**72**	**-**	**-**
Total interest bearing liabilities	**252,511**	**4,353**	**3.45**	**188,949**	**784**	**0.83**
Non-interest bearing deposits from the public	77,107			[10]107,940		
Creditors for credit card operations	12,434			11,380		
Other non-interest bearing liabilities[7]	17,151			12,414		
Total liabilities	**359,203**			**320,683**		
Total capital resources	**28,007**			**23,472**		
Total liabilities and capital resources	**387,210**			**344,155**		
Interest spread		**5,674**	**2.30**		**3,873**	**2.17**
Net return on interest bearing assets:[8]						
In Israel	306,027	5,032	3.29	271,261	3,366	2.48
Abroad	42,855	642	3.00	38,763	507	2.62
Total net return on interest bearing assets	**348,882**	**5,674**	**3.25**	**310,024**	**3,873**	**2.50**
Of which: Total interest bearing liabilities attributable to operations abroad	31,721	612	3.86	28,569	66	0.46

For footnotes see page 243.

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

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

	For the six months ended June 30					
	2023			2022		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	251,650	7,103	5.65	226,089	2,874	2.54
Total interest bearing liabilities	(153,987)	(2,019)	(2.62)	(122,645)	(187)	(0.30)
Interest spread		**5,084**	**3.03**		**2,687**	**2.24**
CPI-linked shekels:						
Total interest bearing assets	28,862	1,045	7.24	23,914	1,017	8.51
Total interest bearing liabilities	(12,587)	(353)	(5.61)	(12,829)	(423)	(6.59)
Interest spread		**692**	**1.63**		**594**	**1.92**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	25,515	625	4.90	21,258	193	1.82
Total interest bearing liabilities	(54,216)	(1,369)	(5.05)	(24,906)	(108)	(0.87)
Interest spread		**(744)**	**(0.15)**		**85**	**0.95**
Total operations in Israel:						
Total interest bearing assets	306,027	8,773	5.73	271,261	4,084	3.01
Total interest bearing liabilities	(220,790)	(3,741)	(3.39)	(160,380)	(718)	(0.90)
Interest spread		**5,032**	**2.34**		**3,366**	**2.11**

For footnotes see next page.

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

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

	For the six months ended June 30		
	2023 Compared to 2022		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	851	2,364	3,215
Abroad	87	473	560
Total credit to the public	**938**	**2,837**	**3,775**
Other interest bearing assets:			
In Israel	170	1,304	1,474
Abroad	26	95	121
Total other interest bearing assets	**196**	**1,399**	**1,595**
Total interest income	**1,134**	**4,236**	**5,370**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	842	1,855	2,697
Abroad	59	477	536
Total deposits from the public	**901**	**2,332**	**3,233**
Other interest bearing liabilities:			
In Israel	181	145	326
Abroad	1	9	10
Total other interest bearing liabilities	**182**	**154**	**336**
Total interest expenses	**1,083**	**2,486**	**3,569**
Net interest income	**51**	**1,750**	**1,801**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment for which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of bonds held to maturity was deducted (added) the average balance of profits (losses) included in equity as part of accumulated other comprehensive income in the item "Adjustments regarding the presentation of available-for-sale securities at fair value" for bonds transferred from the available-for-sale portfolio, in the amount of NIS 388 million; 2022 - NIS 98 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) on available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (7) million and NIS (1519) million, respectively; 2022 – NIS (4) million and NIS (544) million respectively.

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

(7) Including derivative instruments.

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

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

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

Appendix no. 2 - Additional details - securities portfolio

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

Details on to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	June 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,140	2,113	23	50
Financial services(1)	8,030	7,320	11	721
Total non government bonds	**10,170**	**9,433**	**34**	**771**
Government bonds				
U.S. government	4,351	4,273	1	79
Israel Government	17,203	16,563	13	653
Other Governments	180	154	-	26
Total government bonds	**21,734**	**20,990**	**14**	**758**
Total bond in the available-for-sale portfolio	**31,904**	**30,423**	**48**	**1,529**

* Including the investment of IDB Bank in the U.S.A. municipal bonds. Of which, the three largest investments are in the amount of NIS 88-162 million, each, in municipal bonds of Washington state, in bonds of Texas state and in bonds of the New York state .

(1) Details on bonds in the financial services sector in the available-for-sale portfolio

	June 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies(2)	747	742	5	10
Ginnie Mae	5,165	4,498	-	667
Freddie Mac	49	42	-	7
Fannie Mae	60	55	-	5
Other	2,009	1,983	6	32
Total financial services	**8,030**	**7,320**	**11**	**721**

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

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

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

	June 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
North America	136	137	1	-
Western Europe[3]	316	312	1	5
Israel	78	74	-	4
Australia	217	219	3	1
Total banks and banking holding companies	**747**	**742**	**5**	**10**

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

Britain	34	33	-	1
France	232	229	-	3
Netherlands	50	50	1	1
Total	**316**	**312**	**1**	**5**

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

2. Held-to-maturity securities - data according to economic sectors

Details on the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	June 30, 2023			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Public and community services	64	61	-	3
Financial services*	3,595	3,113	-	482
Total non government bonds	**3,659**	**3,174**	**-**	**485**
Total Government bonds	**9,956**	**9,082**	**-**	**874**
Total bonds in the held-to-maturity portfolio	**13,615**	**12,256**	**-**	**1,359**
*Following are details of Held-to-maturity bonds in the financial services sector:				
Ginnie Mae	3,458	2,986	-	472
Freddie Mac	58	53	-	5
Fannie Mae	79	74	-	5
Total financial services	**3,595**	**3,113**	**-**	**482**

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

3. Trading Bonds - data according to economic sectors

Details on the distribution of bonds in the trading securities portfolio according to economic sectors

	June 30, 2023			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Various sectors	13	12	-	1
Financial services	1	1	-	-
Total non government bonds	**14**	**13**	**-**	**1**
Total government bonds	**8,662**	**8,656**	**1**	**7**
Total bonds in the trading portfolio	**8,676**	**8,669**	**1**	**8**

Appendix no. 3 - Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative financial instruments involves special risk factors including credit risks.

The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure on exposure related to credit risk of a counterparty" under "Credit risk management".

Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details on data presented in part B of the aforementioned Note.

Appendix no. 3 - Additional details (continued)

1. Activity in derivative financial instruments (continued)

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of June 30	As of December 31
	2023	2022
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	215	228
With an A+ rating	73	259
With an A rating	32	5
With an A- rating	185	148
With a BBB+ rating	-	-
With a B+ rating	-	-
Not rated	4	1
Total against foreign banks	**509**	**641**
Total against Israeli banks	**160**	**-**
Total Balance-sheet balances of assets deriving from derivative instruments	**669**	**641**

(2) Details according to rating of off balance sheet credit risk for transactions in derivative instruments where the counterparty is a bank

	As of June 30	As of December 31
	2023	2022
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	184	269
With an A+ rating	744	893
With an A rating	260	186
With an A- rating	187	118
With an BBB+ rating	10	5
With an B+ rating	1	-
Not rated	8	8
Total against foreign banks	**1,394**	**1,479**
Total against Israeli banks	**231**	**258**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**1,625**	**1,737**

Appendix no. 3 - Additional details (continued)

1. Activity in derivative financial instruments (continued)

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of June 30, 2023	As of June 30, 2022	As of December 31, 2022
		in NIS million	
Agriculture	5	-	3
Industry:			
Machines, electrical and electronic equipment	400	295	287
Mining, chemical industry and oil products	268	101	173
Other	39	29	39
Total industry	707	425	499
Construction and real estate:			
Acquisition of real estate for construction	164	166	151
Real estate holdings	52	66	43
Other	23	28	8
Total Construction and real estate	239	260	202
Electricity and water	519	448	569
Commerce	249	277	253
Hotels, hotel services and food	106	26	68
Transportation and storage	118	61	93
Communications and computer services	50	99	51
Financial services:			
Financial institution (excluding banks)	223	2,576	226
Private customers active on the capital market	2,892	3,578	2,067
Financial holding institutions	435	658	424
Insurance and provident fund services	-	-	-
Total financial services	3,550	6,812	2,717
Business and other services	12	30	21
Public and community services	40	39	29
Private individuals - housing loans	-	-	-
Private individuals - other	7	4	8
Total credit risk in respect of derivative instruments	**5,602**	**8,481**	**4,513**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	-	(5,023)	-
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**5,602**	**3,458**	**4,513**

Appendix no. 3 - Additional details (continued)

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details on investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	June 30, 2023		December 31, 2022	
	Book value	Fair value[1]	Book value	Fair value[1]
	In NIS millions			
Of the Israeli Government	35,096	34,222	26,328	25,486
U.S. government	4,352	4,352	5,254	5,254
Other governments	154	154	197	197
Total	**39,602**	**38,728**	**31,779**	**30,937**

Footnote:

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

Appendix no. 4 - Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (according to the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: a. Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). b. Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses requiring Management's special attention, which – if not dealt with – might result in deterioration of the chances of the credit being repaid or in the Bank's status as a creditor.
Problematic debt	A debt that is classified as "non-accruing", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and for which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Non-accruing debt	A debt for which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	A non-accruing debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Liquidity Coverage Ratio (LCR)	The ratio between the high-quality liquid assets and the net cash outflows for the next 30 days in a stress scenario. The ratio serves as a measure of the Bank's ability to meet its liquidity needs for a future 30-day period.
Net Stable Funding Ratio (NSFR)	The ratio between all the stable funding sources, which are expected with a high likelihood, that are available to the Bank in the coming year, and all the applications that the Bank expects to continue to fund in the coming year.
Leverage Ratio	The ratio (as a percentage) between the "capital measure" and the "exposure measure".
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net fees and commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.

Appendix no. 4 – Glossary (continued)

Forward looking information	Some of the information detailed in the directors' report, which does not relate to historical facts, comprises forward-looking information, as defined in the Securities Law, 5728-1968. The Bank's actual results might differ materially from those indicated in the forward-looking information, due to a large number of factors, including, among other things, macro-economic changes, changes in the geo-political situation, regulatory changes and other changes not under the Bank's control, and which may result in the non-realization of the estimates and/or in changes in the Bank's business plans. Forward-looking information is typified by terms and words like: "believe", "anticipate", "estimate", "intends", "prepares to...", "might" and similar expressions, in addition to nouns such as: "desire", "anticipation", "intention", "expectation", "assessment", "forecast", etc. Such forward-looking expressions involve risks and uncertainties as they are based on evaluations by management as to future events, which include, among other things, evaluations as to the state of the economy, public preferences, domestic and foreign interest rates, inflation rates, etc. as well as regarding the effects of new legislative and regulatory provisions relating to the banking industry and the capital market and to other fields that have an impact on the Bank's activity and on the environment in which it operates, and that by the nature of things, their realization is uncertain. The information presented below relies, among other things, on information in the Bank's hands, inter-alia, publications by other entities such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Housing and other entities that publish data and assessments as to the Israeli and global financial and capital markets. The above reflects the Bank's and its subsidiaries point of view at the time of preparation of the financial statements as to future events, based on evaluations that are uncertain. The evaluations and business plans of the Bank and its subsidiaries are derived from such data and assessments. As stated above, actual results might differ materially and impact the realization of the business plans or bring about changes in these plans.
Financial instrument	Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions: a. The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. b. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.
Over-the-counter (OTC) derivative	Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.
Counterparty credit risk - CVA (Credit Valuation Adjustment)	The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.
Active market	A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.
Financing rate - LTV (Loan To Value Ratio)	The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".
ICAAP (Internal Capital Adequacy Assessment Process)	The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.

Appendix no. 5 – Index

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking
Mercantile Discount Bank

Capital Market And Investments
Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards
Israel Credit Cards
Diners Club

Digital Wallet
PayBox

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA
website: www.idbbank.com
Head Office: 1114 6th Avenue, New York
Staten Island, NY Branch:
201 Edward Curry Avenue, Suite 204
Brooklyn, NY Branch:
705 Avenue U
Short Hills, NJ Branch:
150 JFK Parkway
Beverly Hills, CA Branch:
9401 Wilshire Boulevard, Suite 600
Downtown Los Angeles, CA Branch:
888 South Figueroa Street, Suite 550
Aventura, FL Branch:
Harbour Centre, 18851 NE 29th Avenue,
Suite 600

Representative Offices: Israel /
Chile / Uruguay / Local representative office in
Long Island