בנק ירושלים

Financial Statements
As of December 31, 2024

The Bank's consolidated financial statements, the standalone (non-consolidated) report of the banking corporation only, additional disclosures regarding the composition of capital in accordance with Pillar 3 of the Basel framework, and the risks report, are available on the Bank's website at: https://www.bankjerusalem.co.il/others/financial-statements

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Remarks of the Chairman of the Board

Dear Shareholders,

On behalf of the Bank's Board of Directors and myself, I am honored to present the Bank of Jerusalem's Board of Directors' Report and Financial Statements for 2024.

2024 was one of the most challenging years in Israel's entire history, including a high-intensity war which was waged throughout the whole year, many dead and wounded, and challenges both on the battlefield, and on the home front.

The war which began in response to the barbaric massacre that was perpetrated on October 7, 2023 continued throughout all of 2024, on several fronts, and continues to this day.

The Israeli economy is expected to face many challenges in 2025, as well as opportunities for renewal and growth. In 2025, the Israeli economy will be affected by the recovery efforts, particularly in Northern Israel and areas near Gaza. All this depends on the government's actions.

In 2024, the international rating agencies reduced Israel's credit rating, while also emphasizing the strong foundations of the Israeli economy and praising the Israeli economy, the Bank of Israel, and the banking system.

The rating reduction was mostly in light of the uncertainty due to the security and political risks. The widespread belief is that once the war concludes, the credit rating will be raised as well.

Our country faces many challenges, although we've successfully recovered from difficult periods in the past. Israel's macro-economic and monetary policy framework is stable, the balance of payments is positive, the central bank holds significant foreign currency reserves, and the Israeli economy is resilient. The Bank of Israel's forecasts for 2025 indicate that the Israeli economy rests on strong and healthy foundations, with global leadership in technology and innovation. The Israeli economy's rapid recovery during the war in general, and since September 2024 and the resolution of the Northern front in particular, has been reflected in the stability of financial markets as well.

However, due to the war and the security requirements, the high deficit of around 6.9% in 2024 led to an increase in the debt to GDP ratio, to 69%.

The Banking System in Israel

In 2024, trends in the banking system also included the continued opening of the market to competition, discontinuation of products and services, monetization of data and operations, and the entry of new players and technological companies into the financial industry.

This year as well, similarly to last year, many regulatory and legislative initiatives were introduced in order to encourage increased competition, privacy protection, information security, information transparency for customers, and improvements to the competitive environment. Frequent changes in the legal and regulatory environment are intended to increase competition and facilitate the entry of new players. Following these measures, with the regulator's encouragement, new players are now entering the deposits and payments sector: extra-banking finance companies, as well as Fintech companies, both Israeli and international. Towards the end of the year, the Bank of Israel and the Ministry of Finance announced the creation of a taskforce on increasing competition in the banking system and promoting a progressive outline for granting banking corporation licenses, in order to diversify and expand the types of institutions operating in the system, and to allow financial entities to enter the deposits sector as well. At the same time, the regulatory burden in the form of legislative initiatives, publication of Proper Conduct of Banking Business Directives, and very frequent updates thereto, impose on the system a heavy burden, which is impeding increased efficiency.

In 2024, the banking system continued developing and implementing innovative technologies with the aim of improving efficiency and service. Developments in the fields of data and artificial intelligence are allowing the banking system to know their customers better, and to design products to better meet their specific needs. The digital revolution in the financial industry will continue contributing even more to increased competition in the banking system, and to increased efficiency for the benefit of the general public.

Bank of Jerusalem - Results and Developments in 2024

In 2024, the Bank's net profit attributed to shareholders amounted to a total of NIS 154.6 million, as compared with NIS 134.6 million in 2023, an increase of approximately 15%, while return on equity reached a rate of 11.1%. In 2024 as well, the Bank continued the process of adjusting and improving its business model in accordance with the developing and changing business environment, improved its operating efficiency, and expanded its scopes of activity and collaborations with extra-banking entities.

The Bank's credit portfolio is a high-quality portfolio with extensive diversification, and is secured by real estate properties, mostly residential apartments. This year the portfolio grew by 2%, following the sale of credit portfolios at a scope of approximately NIS 1.1 billion. The share of retail credit out of the total credit portfolio amounts to approximately 72% of the credit portfolio, mostly mortgage-backed housing credit.

In 2024 as well, the Bank continued to strengthen its capital base, and at year end, the ratio of Tier 1 capital to risk components amounted to 10.7%, the leverage ratio amounted to 6.4%, and the coverage ratio amounted to approximately 200%, while the net stable funding ratio amounted to approximately 137%.

Bank of Jerusalem - Developments and Trends Over Time

The main figures are presented below:

	2024	2020	Change
	NIS millions		In %
Total balance sheet	22,389.3	14,900.2	50%
Credit to the public, net (*)	15,440.1	10,881.3	42%
Public deposits	17,786.4	11,705.2	52%
Equity (**)	1,496.1	1,000.0	50%
Revenues	915.0	589.9	55%
Expenses (income) with respect to credit losses	79.7	102.4	(22%)
Operating expenses	590.9	407.6	45%
Net income attributed to the Bank's shareholders	154.6	50.2	208%
Return on equity	11.1%	5.1%	6.0 percentage points
Efficiency ratio (operating and other expenses out of total income)	64.6%	69.1%	(4.5) percentage points
Tier 1 capital adequacy ratio	10.7%	10.5%	0.2 percentage points
Average number of positions	656	579	13.2%

* Not including loan portfolios which were sold to institutional entities, which the Bank manages and operates on behalf of the buyers, the balance of which, as of December 31, 2024, amounted to a total of approximately NIS 3,210.3 million (mostly housing loans).

** Following the payment / announcement of dividends in the total amount of approximately NIS 179 million in the last five years.

The data regarding the Bank's development over time (2020-2024) indicate growth of the credit portfolio of approximately 42%, and impressive growth of revenue at a rate of 55%, as compared with growth of 45% in operating expenses. Net profit increased from NIS 50.2 million at the end of 2020 to NIS 154.6 million at the end of 2024, reflecting an increase of approximately 208%.

The profit in 2024 reflected a return on equity rate of 11.1%, an increase of 6.0 percentage points.

This development reflects the successful implementation of the Bank's multi-year strategy as a product-focused bank, including the focus on retail activity and supplementary banking.

In parallel with its growth, in 2024 the Bank also continued its investments in infrastructure, and began implementing its strategic plan for automation and modernization.

Business Strategy

In 2024, the Bank continued the implementing its multi-year strategic plan. The plan is intended to improve the Bank's profitability and to create value for its shareholders, and it was ratified again in 2024, with respect to the years 2025-2027, in accordance with the developments in the financial environment.

The strategic plan focuses the Bank's activities on several main channels:

Continued development of the core activities, including expansion of the mortgage activity with appropriate return on equity; Expanding the construction accompaniment activity in the current fields of activity; Improving the profitability of the consumer credit activity; Continued development of the SMB credit activity, while improving the service experience and the array of products offered in the field of customer assets.

In parallel, the Bank is working on upgrading and expanding the business model and customer base through business and strategic collaborations with business entities and institutional investors whose activities are synergistic with the Bank's.

In order to facilitate the implementation of its strategy, the Bank works on adjusting and improving its technological assets, while emphasizing strengthening infrastructure and core systems, and implements a multi-year plan with respect to digital and data, while improving processes and increasing operating efficiency. All of these processes are performed while improving the profitability level in accordance with the field of activity and the low risk profile, as reflected in the mix of operations, capital adequacy ratios, and liquidity, leverage and stability ratios which are higher than the required regulatory minimum, and a high level of information security and cybersecurity.

The Bank's strategic plan is based on three layers:

(A) Shareholders - maximizing value for shareholders, with a dividend distribution policy of at least 30% of profit, subject to the fulfillment of the distribution tests, and in compliance with the other conditions set forth in legal provisions, while maintaining adequate and stable profitability, and a low risk profile.

(B) Customers - Focusing on retail activity specialized in mortgages and business activity, with a focus on construction accompaniment and business to small-medium businesses, and on providing supplementary financial solutions to the customers of all banks, including both individuals and businesses, with the customer at the center.

(C) Employees - Cultivating and promoting human capital, managers and employees, as an important and critical resource for the Bank's success.

The character and mix of the Bank's activities reflect its focus on establishing stable and long term competitive ability, through innovation in distribution channels, in products and in cooperation with the capital market. All of the above, along with the provision of personal, professional, effective and rapid service, in a variety of advanced and high-quality banking products, result in excellent service and the creation of value for the Bank's customers, the core values of Bank of Jerusalem.

Goals and Trends in the Coming Year

In 2025, the Bank intends to continue implementing the strategy, which was updated in consideration of the emerging economic and geopolitical developments, while continuing its cultivation of a deep commitment to the household segment, even during this challenging time, along with innovation in products and focusing on service, while creating collaborations to build value offers for customers. The Bank also intends to expand its customer base in the business segment as well, and to provide them with additional banking services. This year as well, the Bank will continue investing in digital innovation and transformation, including in the core systems, in order to improve and streamline customer service. All of the above will contribute to increasing fairness and maximizing value for customers.

The growth targets in the credit portfolio in 2025 were determined in accordance with the developments in the economy, and in accordance with the Bank's risk appetite policy. The Bank is affected by changes in the financial environment both locally (Israel) and globally, and particularly, by the Swords of Iron War and the interest rate hikes which have harmed the real estate market - the Bank's target market.

In the mortgage segment, the Bank is working on expanding and substantiating its activities in the ultra orthodox and Arab sectors, by offering products and services tailored to the needs of these population groups, strengthening its position in the all purpose mortgage market, and expanding its activity in commercial credit backed by real estate collateral with no significant change to the risk profile.

In the consumer credit segment, the Bank will work on reducing credit risk in the portfolio by diverting a part of the credit which it provides to collateral-backed credit (such as car purchase credit), and through collaborations with sale channels with additional information on customers.

In the business customers activity, which the Bank entered in recent years, the Bank will continue expanding its variety of products and fields of activity, as specified below.

In the construction accompaniment segment, the Bank will continue substantiating its position as a major player, and will work to expand the activity.

The main goals defined by the Bank for 2025 include maintaining appropriate capital adequacy ratios, while achieving a minimum Tier 1 capital adequacy ratio of 10%, as determined by the Board of Directors, plus risk factors; while also maintaining an adequate leverage ratio of 6.0%, and stable liquidity ratios. These targets will also be adjusted and updated in accordance with changes.

In 2025, the Bank intends to continue promoting structural changes to the business model and business and strategic collaborations with extra-banking entities, including:

- Continued diversification of the credit portfolio, by developing business credit in the SMB segment; Financing supplier purchasing and collateral-backed loans; Continued development and provision of the banking-as-a-service (BaaS) activity, in order to externalize the Bank's capabilities and provide services to others, and diversify and grow the Bank's revenues.
- Laying a solid foundation to improve capital efficiency through processes for the development of channels for the sale and securitization of credit; Purchasing credit; Use of capital clearing tools like CRT; And splitting businesses and raising capital by adding partners in certain activities.
- The Bank will continue increasing efficiency and expanding digital services, including upgrading the Bank's digital platforms and encouraging customers to use technological means of communication with the Bank through the internet and digital channels, in order to minimize the customers' dependence on physical branches, increase the efficiency of operations, and improve service.

Corporate Governance

The Bank attributes primary importance to conduct in accordance with corporate governance rules, including appropriate conduct of the Board of Directors, while ensuring compliance with all provisions of the law. In accordance with this policy, the Bank ensures the implementation of rules and provisions which apply to it at a high standard, which define, inter alia, the set of relationships between the Board of Directors, management, and audit and control entities, and are reflected in the organizational structure, the definition of areas of responsibility and authority, work policies and rules for reporting, supervision, control and auditing. The Bank also continuously strives to implement and apply an ethical and appropriate organizational culture, in accordance with its ethical code of conduct and the very highest standards of banking.

Cultivation of Human Capital and of Working Relationships

The Bank views human capital as its most important asset, and in 2024 as well, the Bank continued promoting and developing the quality of human capital and the cultivation of the system of working relationships, which have been a strategic asset for the Bank over the years. In 2024, the Bank continued the implementation of training and education of managers and employees. The Bank views the employees' organization as playing an important part in leading the Bank towards achieving the goals in its business activities. The positive working relationships which have existed in the Bank for years reflect the mutual trust and the collaboration between management and the employee organization, as well as mutuality - the employees receive fair and adequate work conditions, and for their part they contribute to the Bank's success and advancement, which contributed to flexibility in the management of the Bank.

The collaboration between the Bank's management and the workers' committee has been evident during the period of the Swords of Iron War, in the joint promotion of various volunteer initiatives, support services which are offered to employees who were called up for reserve military service and to people who were forced to leave their homes with their families, and economic assistance to employees through the mutual responsibility fund, to which the employees and the Bank contribute.

In early 2024, the Bank signed a multi-year labor agreement with the workers' committee with respect to the next four years, which includes improvements to the employment and welfare terms of employees.

In 2024 position rotations were implemented in the Bank, and over 10% of the Bank's employees received opportunities for promotion or change in their position.

Corporate Responsibility

Bank of Jerusalem is committed to applying principles of corporate governance, and has been integrating them into its business activities for many years. In the coming year as well, attention will be given to ESG (environmental, social and governance) issues. This commitment reflects an approach according to which business success goes hand in hand with social-environmental considerations, which have increased in focus in recent years, and has also been incorporated into the overall strategy of the Bank, which has established at its core the values of transparency and fairness in the provision of banking services, and in general. As part of this commitment, the Bank offers to its customers credit tailored to the needs of various population groups, and financing of real estate projects offering social and environmental value.

As part of its approach to corporate responsibility, the Bank also works strives to advance the wellbeing of its employees, as well as their professional and personal development, to create value for the community (inter alia, by donating to associations and organizations which strive to promote social goals). The Bank works to develop social awareness among its employees, and encourages their social involvement.

In 2023, the Bank's donation budget amounted to NIS 960 thousand, while in 2024, the donation budget was NIS 1 million.

The Bank applies advanced principles of corporate governance to its conduct, as well as principles involving an ethical and moral culture of its employees, managers and Board members. We are committed to all of the Bank's interested parties - our shareholders, customers, employees, the providers we work with, social organizations, and the society of Israel, in which we operate and which is the source of our strength. Extensive details about the Bank's activities are provided in the ESG reports on the Bank's website.

Looking Towards the Future

In light of the developments in Israel's current war situation ("Swords of Iron"), it is currently believed that the majority of intense fighting is now behind, although the regional conflict will continue into 2025. Along with the war and the state of competition, significant developments have also occurred in the regulatory situation, which will likely affect the market structure and competition in the coming years, most notably in the checking account and deposits segments.

The Bank prepared its work plan for 2025 in accordance with the financial environment forecasts, and has prepared a shelf plan for the expected challenges due to geopolitical scenarios and an economic downturn at various levels of intensity, along with regulatory and legislative measures which affect the banking system.

On behalf of myself and the entire Board of Directors, I would like to thank the Bank's customers, who have placed their trust in us through every step of the way, as well as the Bank's CEO and members of the management board, and, of course, all of the Bank's employees, for their professional, loyal, dedicated and highly valued work, and for their enormous contribution to the Bank's success.

I would also like to thank the Board members for their assistance and collaboration in promoting the Bank's business.

The Swords of Iron War

These lines are written with heavy hearts, yet also with a deep sense of commitment.

The days that have passed since the war began have been filled with pain and uncertainty, but also with strength, solidarity and hope.

We bow our heads in memory of the fallen, and our hearts go out to their families.

To the wounded, we send our heartfelt wishes for a full and speedy recovery .

In parallel with the loss, we also express hope and longing for the speedy return home of all of the hostages.

This crisis has intensified the sense that we are one nation, united and strong, and that we will work together for a better and safer future for us all.

As we conclude this report, the Bank's board of directors would like to express our deep appreciation to each and every one of you who are at the forefront of our activity, each and every day.

Your dedication, professionalism and commitment are the foundation for our success, and are the element drives the bank towards the achievement of its goals.

On behalf of the board of directors and management, we express our deep gratitude, and wish continued success to us all.

With deep appreciation,

Sincerely,

Zeev Nahari

March 18, 2025 — Chairman of the Board of Directors

Members of the Bank's Board of Directors [1]

Zeev Nahari, C.P.A. [2]
Chairman of the Board

Zalman Shoval

Yehuda Orbach, C.P.A. [5]

Dr. Ruth Arad [3]

Lior Ben Ami

Shmuel Eshel [6]

Yoav Nardi

Gideon Shoval

Aviv Shanzer

Dr. Moran Ofir Weinstein [4]

Eli Frank [7]

(1) Additional details regarding the members of the Bank's Board of Directors are presented in the Bank's periodic report for 2024 and on the MAGNA website of the Israel Securities Authority at http://www.magna.isa.gov.il.

(2) On August 21, 2023, the Bank's Board of Directors approved an extension of tenure for the Chairman of the Board, Mr. Zeev Nahari, for another two years, beginning on October 11, 2023. For additional details, see the immediate report dated August 21, 2023 (reference number: 2023-01-096297), whose provisions are included in this report by way of reference.

(3) The tenure of Dr. Ruth Arad will conclude on April 10, 2025.

(4) On January 7, 2024, the general meeting of the Bank's shareholders approved the appointment of Dr. Moran Ofir Weinstein as an outside director on the Bank's Board of Directors. For details, see the immediate meeting report which the Bank published on November 30, 2023 (reference number: 2023-01-131229), and the meeting results report which the Bank published on January 7, 2024 (reference number: 2024-01-003324), whose provisions are included in this report by way of reference.

(5) The tenure of Mr. Yehuda Orbach on the Bank's Board of Directors concluded on September 13, 2024.

(6) On November 5, 2024, the Bank's general meeting approved the appointment of Mr. Shmuel Eshel as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for an additional three year term beginning on February 19, 2025. For details, see the immediate meeting report which the Bank published on October 1, 2024 (reference number: 2024-01-607620), and the meeting results report which the Bank published on November 6, 2024 (reference number: 2024-01-614183), whose provisions are included in this report by way of reference.

(7) On November 5, 2024, the Bank's general meeting approved the appointment of Mr. Eli Frank as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for a three year term. For details, see the immediate meeting convention report dated October 1, 2024 (reference number: 2024-01-607620), and the immediate meeting results report dated November 6, 2024 (reference number:2024-01-614183), whose provisions are included in this report by way of reference.

Members of the Bank's Management Board, Officers and Their Positions [1]

Members of the Bank's Management Board [1]
Yair Kaplan CEO
Moshe Omer Executive VP, Strategy and Financial Management Division Manager
Yacov Peled, C.P.A. Executive VP, Retail Division Manager
Irena Portnik Executive VP, Resources and Technological Innovation Division Manager
Sarit Weisstuch, Adv. VP, Legal Counsel, Manager of the Legal Counsel Department
Alex Saltzman, C.P.A. VP, Finance Division Manager and Comptroller
Liran Ovadya VP, Business Division Manager
Boaz Leibowitz [2] VP, Chief Risk Officer
Anat Raifler, C.P.A. [3] VP, Chief Risk Officer

Officers who are not members of the management board
Mirit Teshuva VP, Chief Internal Auditor, holds the status of management member
Udi Giladi Human Resources Manager
Tamir Lazarov, Adv. Secretary of the Bank and its subsidiaries

(1) Additional details regarding the Bank's officers (who are not directors) are presented in the Bank's periodic report for 2024, and on the MAGNA website of the Israel Securities Authority: http://www.magna.isa.gov.il.

(2) On January 10, 2025, after the balance sheet date, the Bank's Chief Risk Officer, Mr. Boaz Leibowitz, concluded his tenure.

(3) On January 12, 2025, after the balance sheet date, Ms. Anat Raifler began serving as the Bank's Chief Risk Officer.

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List of Tables in the Report of the Board of Directors and Management

List of Tables in the Report of the Board of Directors and Management (Cont.)

Report of the Board of Directors and Management as of December 31, 2024

Presented below is the annual report of Bank of Jerusalem Ltd. This report will be presented for discussion to the Bank's annual general meeting of shareholders.

The Board of Directors resolved, in its meeting on March 18, 2025, to approve and publish the consolidated financial statements of Bank of Jerusalem Ltd. (hereinafter: the "Bank" or "Bank of Jerusalem") and its subsidiaries for 2024 (hereinafter: the "Reporting Year"). The reports have been prepared in accordance with public reporting regulations issued by the Commissioner of Banks, and the figures are presented in reported amounts.

Chapter 1 - Overview, Goals and Strategy

1.1 Forward looking information

Some of the information provided in the Board of Directors' Report, which does not refer to historical facts, constitutes forward looking information as defined in the Securities Law, 5728-1968.

The Bank's actual results may differ significantly from the results which were included, if any, in the forward looking information, due to many different factors, including, inter alia, due to extraordinary economic events, such as the Swords of Iron War and its consequences, the development of the security situation in Northern Israel particularly and in the Middle East generally, extreme changes in interest rates, rise / fall of the currency and inflation, as well as unexpected security / political events, which could change the public's conduct, including in terms of the scope of credit taking, prepayments, refinancing or difficulties in routine repayment, in all of the Bank's operating segments, and also in terms of the ability to raise sources. Additionally, changes in regulation, in legislative provisions, in directives issued by supervisory entities, and the conduct of competitors, may affect the Bank's activities.

Forward looking information is characterized by words or phrases such as "the Bank believes", "the Bank intends", "expected", "may", "could", "assessment", and similar phrases which indicate the meaning of a forecast regarding the future, and not historical facts.

Such forward looking phrases are associated with risks and uncertainty, due to the fact that they are based on management's assessment regarding future events, including, inter alia:

1. Mergers and acquisitions in the banking system, and their impact on the structure of competition in the segment.
2. The impact of changes in regulatory provisions on customer preferences and/or on the scope of operations in the banking system and the structure of competition therein, and/or on the Bank's profitability.
3. The possibility of realizing the Bank's plans in accordance with the determined targets, in accordance with the Bank's strategy.
4. Unexpected responses by additional entities (customers, competitors, and others) who operate in the Bank's business environment.
5. The future materialization of sectoral forecasts and of macro-economic forecasts, in accordance with the Bank's early assessments, including due to the Swords of Iron War and its consequences, and developments in the security situation in Northern Israel.
6. Possible results of legal proceedings.
7. Changes in the preferences and/or behavior of consumers.

The information presented below relies, inter alia, on the Bank's professional assessments, on macro-economic forecasts by forecasters regarding the situation of the economy and the business environment, on publications and assessments by entities in the segment and on statistical analyses conducted by the Bank regarding the conduct of its customers.

The above reflects the perspective of the Bank and its subsidiaries as of the preparation date of the financial statements, with respect to future events, which is based on assessments that are uncertain. These data and assessments are used to derive the assessments of the Bank and its subsidiaries, and their business plans. As stated above, actual results may differ significantly and could have implications on the realization of the business plans, or may result in the implementation of changes to those plans. The Bank does not commit to publish an update regarding the forward looking information which is included in these reports. The foregoing does not derogate from the Bank's reporting requirements by law.

1.2 Summary description of the Bank and its main operating segments

Bank of Jerusalem Ltd. was founded in 1963 as a public company, as defined in the Companies Ordinance (New Version), 5743-1983, under the name Bank of Jerusalem for Development and Mortgages Ltd. In 1992, the Bank performed its initial public offering of stocks, and thereby became a company traded on the Tel Aviv Stock Exchange Ltd. In 1996, the Bank's name was changed to the current name. For details regarding the Bank's controlling shareholders, see the report regarding corporate governance and additional details.

The Bank constitutes a banking corporation, holds a banking license in accordance with the Banking Law (Licensing), 5741-1981, and has operated as a commercial bank since 1998. The Bank relies on a broad customer base which includes households,

Israeli residents and foreign residents, and operates in the following segments: mortgages, consumer credit, savings and deposits, financing of residential construction, business credit, and capital market activities.

The Bank's headquarter offices are located in Airport City. As of the publication date of the report, the Bank operates through 19 branches, which are distributed throughout the country.

The Bank specializes in the provision of supplementary banking solutions to the customers of all banks, regardless of the Bank in which the customer maintains their main checking account.

The Bank's business operations are performed in the Retail Division, in the Business Division and in the Strategy and Financial Management Division, as specified below:

- The **Retail Division** is responsible for providing service to retail customers, and sells banking products, inter alia, through the series of branches, the Bank's hotlines, and the digital channels. The division provides services in a wide variety of areas, primarily including mortgages, consumer credit, deposits, and private banking services in various fields.
- The **Business Division** manages the Bank's activities vis-à-vis business customers, focusing on financing all types of residential construction projects, while specializing in the financing of urban renewal projects (including the various types of National Outline Plan 38 projects), financing of purchasing groups, provision of various types of credit to small and medium businesses, including through the state-backed fund, and providing banking as a service (BaaS) to financial entities.
- The **Strategy and Financial Management Division** is responsible for formulating the Bank's strategic plan and following up on its implementation, and for managing its financial exposures and financing sources, including public deposits for the Bank's activity and financial exposures. As part of its areas of responsibility the division includes, inter alia, the assets and liabilities management department, including capital management and sale of credit portfolios, strategy unit, customer assets department, trading room, nostro and financial innovation.

The Bank also issues, under a MasterCard license, various charge cards for different business needs, under the Business2Business2Customer model.

For additional details regarding the divisions and supportive departments, regarding changes in the Bank's organizational structure, and regarding its method of management, see the report regarding corporate governance and additional details.

For a description of the operating segments in which the Bank is active, see below in the chapter regarding the Description of the Corporation's Business, by supervised operating segments, and Note 28 to the financial statements.

1.3 Description of goals and of the business strategy, and expected developments in the year subsequent to the reporting year.

Strategic plan

Bank of Jerusalem is a retail bank offering financial solutions to customers of all banks, including both private and business customers, while focusing and specializing on mortgages, deposits, consumer and business credit, and accompaniment of residential projects.

The Bank's multi-year strategic plan (hereinafter, in this report: the "Plan" or the "Strategic Plan") focuses on developing the growing core activity and expanding the business model based on collaborations, while using various tools to improve the financial infrastructure and capital efficiency, as follows:

A. **Continued development of the core activities in each of the business lines**, including expansion of the mortgage activity in appropriate return on equity, expansion of the construction accompaniment activity in the current fields of activity, and improvement of the profitability of the consumer credit activity:

- **Mortgage market**
  - The Bank is working on expanding and substantiating its activities in the ultra orthodox and Arab sectors, by offering products and services tailored to the needs of these population groups, by opening branches in their areas, and by providing access to specialized mortgage advisors.
  - The Bank is working on strengthening its position in the all purpose mortgage market, and is expanding its activity in commercial credit backed by real estate collateral (mostly residential apartments) as products with greater profitability, with no significant change to the risk profile.
  - The Bank is laying foundations for improving the customer and banking experience, and for full digitization of the mortgage process.
  - The Bank is working and providing services in the mortgage segment, and is creating collaborations with institutional entities and companies engaged in the mortgage sector, with the aim of expanding its distribution channels and diversifying its revenue base.
- **Accompaniment of residential construction**
  - The Bank will continue substantiating its position as a major player in the construction accompaniment and urban renewal segment.
  - The Bank will work on expanding the activity by increasing its activity vis-à-vis purchasing groups and offering equity supplementation to its customers.
- **Consumer credit**
  - The Bank will work on reducing credit risk in the portfolio by diverting a part of the credit which it provides to collateral-backed credit (such as car purchase credit), and through collaborations with sale channels with additional information on customers.
  - The Bank will improve the profitability of the activity by increasing efficiency through process digitization, data-based underwriting and the use of advanced models, collaborations, risk-adjusted pricing, and upgrading the sale, marketing and collection processes.
  - The Bank will work on completing and diversifying organic performance by purchasing credit portfolios from various entities.
- **Management of customer assets**
  - The Bank offers management services for customer assets, while emphasizing some of the highest value offers in the banking system for household deposits, while growing the target market and the distribution channels through collaborations and BaaS services.
  - The Bank will work on improving its service experience and array of products on offers, by continuing the development of the closed system for the digital execution of deposits for the customers of all banks, and process automation.
  - The Bank will work on increasing the accessibility of securities account opening services for

portfolio managers and Fintech companies, with the aim of diversifying its customer base, and expanding the distribution channels.

As part of the process of growing the customer base and expanding the retail activity, the Bank is working on the development of a multi-channel approach, based on the adjustment of the distribution of branches in order to support the growth of the mortgage provision activity, and diverting activities from the Bank's branches towards online channels, including the app, the Bank's website, and the service and sales hotline, and creating collaborations for customer referral and acquisition.

B. **Expansion of the Bank's business model** and customer base through business and strategic collaborations with business entities and institutional investors whose activities are synergistic with the Bank's:
   - Diversifying the credit portfolio by developing business credit in the fields of credit providers and small and medium businesses, through collaborations with extra-banking credit providers and business companies in the field, and through participation in the state-backed fund for the provision of credit to small businesses, financing of supplier purchases, and loans against other collateral.
   - Developing the banking-as-a-service (BaaS) activity, in order to externalize the Bank's capabilities and provide services to others, and diversifying and growing the Bank's revenues.
   - Building relationships with credit providers and players in the extra-banking market, through strategic collaborations, with the aim of creating force multipliers for the Bank's capabilities, expanding its distribution channels, and diversifying the Bank's income sources, including the purchase of retail credit portfolios.

C. **Improving the financial infrastructure and capital efficiency** by laying a solid foundation for the sale and securitization of credit, credit purchasing, use of tools to clear capital (such as CRT), separate businesses and raise capital by adding partners:

- **Separating operations and raising capital**
  - With the aim of unlocking value in its various activities, minimizing growth risks and raising capital to allow for continued growth, the Bank is working on separating some of its business lines into subsidiaries, and raising capital for them from strategic partners (subject to the Bank of Israel's approval).
- **Sale of credit portfolios**
  - As part of its capital management and planning strategy, the Bank sells mortgage portfolios with the aim of facilitating the continued growth of its activity in the field, and increasing its profitability in its various business lines.
  - The Bank increased the ratio of its sold mortgages to total performance, subject to the Bank of Israel's restrictions, and executed a sale transaction of commercial credit secured by real estate collateral.
  - The Bank entered into an agreement with Migdal Insurance Company for the joint provision of mortgages, at a scope of up to NIS 1.8 billion, in the coming years.
- **Securitization, credit insurance and transactions to free up and raise capital**
  - Along with the sale of credit to institutional entities, the Bank is working on laying the foundation for securitization of the credit portfolios, initially in the mortgage segment. In the past, the Bank also executed various transactions to transfer credit risk and to sell customer portfolios, with the aim of increasing the availability of capital for the growth processes, and is continuing to develop these capabilities.

To facilitate the implementation of its strategy, the Bank is working on adjusting and improving its technological assets, especially the strengthening of infrastructure and core systems, while also strengthening cybersecurity, development of digital and data infrastructure, and improving operating efficiency. The Bank is increasing its investments in IT capabilities, in order to increase flexibility and provide a rapid and high-quality response to changes in customer preferences and changes in the competitive environment, striving towards digitization of processes vis-à-vis customers and vis-à-vis bankers and operational systems, upgrading the use of internal and external data, and a major upgrade in the use of analytical models, with an emphasis on improving the customer experience when consuming the various products and services.

Long term strategic goals

The following long term strategic goals were established with the goal of maximizing value for shareholders and customers:

- Creation of a multi-year plan centered on maintaining the Bank's stability and strength, and maximizing value for shareholders.
- Maintaining a low risk profile - capital adequacy, liquidity and leverage ratio above the required regulatory minimum, and a high level of information security and cybersecurity
- Achieving adequate profitability - striving for double digit profitability, and improving the efficiency ratio (C/I).
- Dividend distribution of at least 30% of net profit, subject to economic developments in the market.
- Cultivating human capital, managers and employees.
- Improving processes and streamlining by striving for the digitization of processes, and particularly the mortgage provision process, innovation in distribution channels, and reinforcing automated controls.
- Improvement and adjustment of technological assets, while emphasizing reinforcing infrastructure and core systems, and devleoping digital and data infrastructure.
- Providing supplementary financial solutions to the customers of all banks, while focusing on mortgage-specialized retail activity:
  - Expansion of the Bank's customer base in mortgages, while strengthening the Bank's position with respect to all purpose mortgages, commercial credit and in the ultra-orthodox and Arab population sectors.
  - Development of the consumer credit activity through the use of the product's digital tools and the use of advanced models, continued upgrades of credit provision, marketing and collection processes, expanding the distribution channels through collaborations, along with routine purchasing and sale of credit.
  - Expansion of the project accompaniment activity with a focus on urban renewal, capital supplementation and approving series of projects.
  - Diversification of the credit portfolio through development of the business credit activity, focusing on credit to finance companies and the provision of credit to small and medium businesses through the state-backed fund, and against other collateral.
- Expansion of the Bank's business model and customer base through business and strategic collaborations with business entities and institutional investors whose activities are synergistic with the Bank's:
  - Increasing the accessibility of banking services to various entities which are interested in providing financial services to their customers (BaaS).
  - Expanding the Bank's customer base or distribution channels through collaborations on the Bank's core fields of activity.

- Evaluation of developments in open banking, and gradual implementation thereof, in consideration of the slow progress in the field in Israel.

- Improving the financial infrastructure and improving capital efficiency as tools for expanding the Bank’s activity, through processes to optimize the Bank’s capital allocation, devleoping channels for the sale of credit and securitization of credit and capital raising for different business lines, and optimizing the portfolio of properties by selling operations which are not synergistic with the core activities.

The Bank evaluates the strategic plan on an annual basis, and updates it as needed. In 2024, the Bank evaluated the impact of the financial environment, including geopolitical developments, and the board committees discussed the strategy and possible updates thereto.

In light of the developments in the war situation (“Swords of Iron”) which Israel faces, and the escalation at the northern border, the basic assumption is currently that the majority of intense fighting has now concluded, although management of the regional conflict will continue into 2025. The Bank is adjusting its work plan for 2025 in accordance with the financial environment forecasts, and is preparing a shelf plan for the expected challenges due to geopolitical scenarios and an economic downturn at various levels of intensity, along with regulatory and legislative measures which affect the banking system.

The plan is based on maintaining a risk profile which corresponds to the Bank’s risk appetite, as reflected in its mix of activity, capital adequacy ratio, liquidity ratios and leverage ratio higher than the minimum ratio required in accordance with the regulatory directives, as well as effective management of operational risk and other internal control risks, such as information security and cybersecurity, privacy protection, outsourcing, business continuity, etc. The strategic plan balances between return to risk considerations, and is intended to maintain the Bank’s stability and strength, to realize adequate and consistent profitability and measured growth, all while maximizing value for customers and interested parties. The Bank views its employees as partners on the path, and will continue striving to achieve its goals through openness and collaboration with the Bank’s employees and managers, and cultivating its human capital.

The Bank’s estimates and assessments, as described above, constitute forward looking information, and are based on various assumptions and forecasts which were available to the Bank. This information may not be realized, due to changes which may occur as a result of various factors which are not under the Bank’s exclusive control. Influencing factors include the development and continuation of the war in Israel, forecasts and estimates concerning economic developments in Israel and around the world, and particularly concerning the state of the economy and the Swords of Iron War, including the effect of macro-economic and geo-political conditions and changes in capital markets, as well as various other factors which affect risk exposure, including: preferences of the public, directives issued by supervised entities and others, considerations associated with the Bank’s image, technological developments and human resource issues.

Environment, society and governance - ESG

The principles of sustainability and corporate responsibility form an inseparable part of the Bank's business activities, based on the recognition that business success cannot be separated from considerations involving the environment, society and corporate governance. This approach has increased in recent years in Israel and abroad, and has also been incorporated into the Bank's overall strategy, which has established at its core the values of transparency and fairness.

The Bank's business strategy incorporates ESG aspects which address the diversification of the credit portfolio, an emphasis on digitization and innovation, information security and cybersecurity, and developing the Bank's human capital.

Presented below are the environmental, social and governance aspects which are incorporated into the Bank's business objectives:

The Bank's community of customers (financial inclusion - making services available to various types of customers and accessibility)

The Bank of Jerusalem invests significant resources in ensuring that all of its customers are given equal, respectful, accessible and professional service. The Bank considers it highly important to make the banking services accessible to as broad a customer base as possible, and therefore works on tailoring its services and products to the needs of each customer, and on making them accessible to the general public. The Bank of Jerusalem offers a unique variety of banking services and products to the customers of all banks, while maintaining its core values: security, accessibility, simplicity, integrity and fairness.

Financial inclusiveness among diverse population groups

A. The Bank offers its services to various population groups in Israel, and aims towards diversification among its private customers as well. As part of this, the Bank believes that in order to give its customers better and more attentive service, and to know them better, appropriate representation of the entire population is also required among its employees. The Bank therefore hires employees from all demographic sectors of Israeli society, and encourages the hiring of employees from population groups who are under-represented in the labor market (including ultra orthodox, Arabs and Israelis of Ethiopian heritage). The diversification of employees allows the Bank to provide more attentive and higher quality solutions to meet the needs of its customer public, inter alia, through its activity in areas with a predominantly ultra orthodox or Arab population.

B. The Bank of Jerusalem offers to the Israeli public financial products and supplementary banking services fairly, and in accordance with their needs. The Bank's size and commitment to providing supplementary solutions are the factors which allow it to tailor its services to market conditions, and offer them to the customers of different sectors. As part of this activity, the Bank has formulated value offers which are intended for the ultra-orthodox community, and the Arab community. The Bank also provides personally tailored banking services to customers who are foreign residents, temporary residents and foreign workers. These relationships with various types of customers allow the Bank to identify and clearly understand the needs of each of these population groups, and to develop unique products for them.

C. The Bank also works on promoting the interests of its customers and increasing transparency, integrity and fairness vis-à-vis its customers in several ways, while giving attention to the correspondence of the Bank's products and services to the needs of its customers, and the unique characteristics of the different population groups which are among the Bank's customers, as well as the various communication channels. Activities performed by the Bank in this regard include:

   1. The Bank offers deposits at interest rates which for years have been higher than the standard rates in the banking system;

2. The Bank has a data-based underwriting model for the provision of consumer credit, which allows it to establish a differential interest rate, in an adjusted amount, as appropriate for each individual customer;
3. The Bank offers to its customers bank investment products tailored to the customer's needs. The Bank also offers its customers the option to join the investment advice service online;
4. Preventing discrimination - The Bank has a rating model which does not include variables that could result in discrimination. The Bank periodically evaluates to ensure that weaker population groups have not been discriminated against in the provision of credit.

The Bank organizes mortgage advisor conferences in order to transfer professional information on all matters pertaining to the Bank's mortgage activity, while emphasizing the longstanding collaboration with mortgage advisors.

The Bank also sponsors various advisor conferences, including mortgage advisor conferences of the Association of Mortgage Advisors, and other mortgage advisor associations.

The Bank also sent messages to its customers encouraging them to transfer funds from checking accounts to high interest deposits, and sent out new SMS's offering its customers to re-establish deposits on the redemption date, to avoid the erosion of their funds held in checking accounts.

D. Accessibility for people with disabilities - As part of its approach to service, Bank of Jerusalem strives to provide appropriate and equal service to all customers, including people with disabilities, in order to allow them to receive financial services conveniently, and with an optimal customer experience. Pursuant to the Equal Rights for Persons with Disabilities Law, 5758-1998, and regulations which have been enacted by virtue thereof, significant efforts and resources are invested in making accessibility adjustments, in order to allow people with disabilities to independently receive the same services which are provided to all customers. As of the date of this report, all of the Bank's points of interface with its customers are fully accessible, including the branches, ATM's, self-service stations, and the Bank's online services. In 2024, no complaints were received by the Bank's ombudsman regarding accessibility issues in the customer complaints department.

E. Financial education - The Bank believes that improving the financial knowledge and understanding of its customers allows them to make more informed decisions regarding the services which are appropriate and suitable for them. For this purpose, the Bank maintains continuous dialogue with its customers, with the aim of conveying financial knowledge and appropriate economic conduct.

F. The Bank sponsors major real estate conferences in the sector, and holds conferences for the business community.

Social involvement and contribution to the community

Volunteering in the community - The Bank emphasizes reinforcement of the importance of giving to the community.

The Bank initiates community activities in collaboration with the Bank's employees, encourages its employees to contribute to the community, and for this purpose, it also recognizes eight hours of volunteer work per month as work hours.

The Bank maintains routine dialogue with various social entities and associations, in order to better understand their needs and give them the best possible solutions and assistance, in accordance with the capabilities and resources which are at its disposal, and accompanies them through various activities throughout the year. The Bank's activities are divided into many areas, including packaging and distribution of food packages during the Passover and Rosh Hashana holidays, enrichment activities for disabled youths, organized fun days for the associations' children, a women's shelter, and more. This year as well, the Bank's employees participated in activities as part of the "good deeds day" - volunteer activities spread out over several weeks.

In 2024 and 2025, the Bank continued participating in the “Special in Uniform” program of the association Lend a Hand to a Special Child, in which the Bank adopts a unit of youths integrated into the IDF at Tel Nof Base. Beyond the monetary donation, the Bank, in collaboration with its employees, also conducts additional activities with the unit, in order to allow these youths to realize their potential.

The Bank’s monetary donations are mostly focused on associations which work on assisting, supporting and advancing weaker population groups or those with special economic or economic needs, with an emphasis on assisting at-risk children and teenagers, and people with disabilities (and this year, with a particular focus on addressing the consequences of the Swords of Iron War). The Bank’s total monetary donations to associations and organizations in 2022 amounted to approximately NIS 750 thousand, and in 2023 the donation budget was increased by 20%, and amounts to NIS 960 thousand. In 2024, the donation budget was increased to a total of NIS 1 million.

Social purchasing - The Bank usually purchases products from organizations which employ employees with disabilities and from weaker population groups, and gives them as holiday gifts, thereby increasing awareness among its employees and customers, while encouraging and empowering the employment of employees from special population groups among other organizations as well. The Bank’s employees also organize to purchase products from associations to which the Bank donates; When the Swords of Iron War began, the Bank’s employees took part in various social ventures, including helping with fruit picking at agricultural farms, cooking and transporting meals for soldiers, packaging food products for families who were forced to leave their homes, donating equipment, and more.

Digitization and innovation

The Bank works to promote innovation at the Bank and to create added value for customers in three ways - implementing new technologies; creating innovative services and products; and improving and streamlining existing processes. This innovation constitutes an attempt to address the changing needs of customers, and to give them the most convenient service, and is reflected in various ways, such as:

- Providing loans online and at the Bank’s call center to the customers of all banks, with no need to come to a physical branch, along with support from the dedicated customer service centers; During the year the Bank improved its a digital underwriting capability for automated approval and pre-approval of customers who submit loan requests through that channel.
- The Bank allows the general public to make deposits through a short and simple digital process, through a “closed system” or through opening a digital account for an individual / partners, with no need for the customer to physically come to the branch.
- “Go Mortgage” - The Bank has a mechanism which allows receiving mortgage pre-approval for household customers, through an advanced digital platform. Additionally, in 2024 the Bank began implementing a mechanism for signing mortgage customers seeking to refinance their existing mortgage, through digital signing of mortgage documents.
- The Bank has an app for customers through which information can be received, and transactions can be performed in their accounts, as well as a trading app, “Jerusalem Trade”, which allows the customers of all banks to trade independently from anywhere;
- The Bank, through its collaboration with SNPV, allows mortgage advisors who work with it and with Smart Ltd. to submit mortgage requests to their customers through a computerized interface (API), and to receive automatic and rapid approval from the system.
- The Bank also works to make accessible digital means for all mortgage advisors, for the purpose of submitting mortgage requests online.

Environmental responsibility and sustainability

The Bank's activities mostly involve office work. As such, most of its environmental impact is due to the provision of credit and loans and project financing, the consumption of electricity for the operation of properties, the consumption of paper for office activity, the consumption of fuels for transportation, and waste which is created due to the Bank's activities. In accordance with the Bank's business conduct, which is based, inter alia, on the principles of saving on expenses and increased operational efficiency, the Bank works to improve its environmental conduct and to reduce negative effects which are caused due to this activity, on two main levels:

Responsible resource consumption management and energy efficiency:

- Electricity savings - In all new branches, and also as part of the renovation of existing branches, an automatic switch is installed which turns off the electrical system at the end of every day. Additionally, energy efficient lighting fixtures and movement sensors are installed in the Bank's headquarter offices, to shut off electricity in rooms where there is no movement; LED lighting - Replacing the lighting fixtures at the Bank, at the branches, and at headquarters, with energy efficient LED lighting; The Bank routinely monitors its distribution boards and generators in order to prevent future wear and tear, and to allow efficient consumption of electricity; The Bank's branches have transitioned to a VRF air conditioning systems, which is more energy efficient.
- Reducing paper waste - Transitioning to digital processes in the work routines of headquarters and branches, and implementing information systems such as digital mailing and green mail, allow the Bank to reduce its day-to-day use of paper, which resulted in a reduction of over 10% in the use of paper in 2023.
- Reducing air pollution and use of alternative energy - The Bank has transitioned to the use of green and environmentally friendly vehicles, and today 70% of the cars in the Bank's fleet are hybrid vehicles.
- Energy alternatives - Bank management uses the power grid of the Israel Airport Authority (the provider is the electric corporation). Despite the fact that alternative sources of consumption were evaluated, at that time no less polluting available sources were found.
- Carbon footprint - The Bank's efforts to work towards minimizing and saving on consumption in both scopes 1 and 2 (see definitions in table 1 below) have allowed it to reduce its carbon footprint and its overall environmental impact, such that, in 2022, the Bank's total footprint from scopes 1 and 2 amounted to 1,561 carbon dioxide equivalent. This figure reflects a decrease of 47.07% in the Bank's carbon footprint relative to 2015 [1], the year when the Bank began measuring these scopes.
- Responsible finance and investment - This issue is subjected to a market survey at the Bank, in order to implement ESG considerations in the future, as part of the business considerations in providing finance and in investing.

[1] The carbon footprint of scopes 1 and 2 in 2015 was 2,947 carbon dioxide equivalent.

Table 1 - ESG indicators

Presented below are ESG indices for the years 2022 to 2024.

	2024	2023	2022
Social			
Number of bank branches	19	19	19
Proportion of the Bank's branches which are located in areas of the Arab sector and in mixed towns	31.5%	31.5%	31.5%
Number of self-service devices throughout the country[1]	157	159	157
Number of self-service devices in periphery areas	43	40	42
Donation to the community (NIS thousands)[2]	1,000	900	750
Proportion of the Bank's branches and buildings which are accessible	100%	100%	100%
Environmental			
Scope 1 (carbon dioxide equivalent tons)[3]	-(*)	419	-
Scope 2 (carbon dioxide equivalent tons)[4]	-(*)	1,051	-
Rate of reduction (increase) in fuel consumption (gasoline and diesel fuel)[5]	-(*)	24%	(32%)
Water consumption (cubic meters)	-(*)	3,800	3,850
Paper waste (tons)	-(*)	10.04	11.15
Electronic waste (tons)	-(*)	3.15	2.61
Governance			
Proportion of women on the Board of Directors	20%	20%	11%
Proportion of women among the Bank's officers[6]	36%	36%	22%

-(*) Additional updated information regarding ESG metrics for 2024 will be included in the Bank's corporate responsibility report, which will be published separately.

[1] The Bank has the largest number of devices in the system. Of which, 22 are devices at branches, while the others are independent.

[2] The donation budget currently amounts to a total of NIS 1 million.

[3] Direct emissions (scope 1) - The Bank's fuel consumption (gasoline and diesel fuel), in carbon dioxide equivalent tons.

[4] Indirect emissions (scope 2) - The Bank's energy consumption, in carbon dioxide equivalent tons.

[5] The rates of reduction were measured relative to the year preceding the reporting year.

[6] As of the publication date of the report - 45%.

1.4 Condensed financial information and key performance indicators over time

Table 2 - Condensed financial information and key performance indicators over time

	For the year ended December 31				
	2024	**2023**	**2022**	**2021**	**2020**
Key performance indicators (in percent):					
Net return on equity attributed to the Bank's shareholders, relative to capital [(1)] [(2)] [(5)]	11.1%	10.5%	13.8%	13.4%	5.1%
Comprehensive return on equity attributed to the Bank's shareholders, relative to capital [(1)] [(2)] [(5)]	11.5%	11.3%	11.4%	13.2%	5.1%
Net return on equity attributed to the Bank's shareholders, relative to average assets	0.70%	0.66%	0.93%	0.91%	0.34%
Tier 1 capital ratio	10.7%	10.5%	10.5%	10.7%	10.5%
Leverage ratio	6.4%	6.0%	6.3%	6.3%	6.3%
Liquidity coverage ratio	200%	199%	202%	237%	279%
Net stable funding ratio	137%	132%	130%	133%	138%
Income to average assets ratio [(3)]	4.10%	4.40%	4.70%	3.90%	4.00%
Efficiency ratio - operating and other expenses out of total income	64.6%	61.2%	59.8%	73.5%	69.1%
Key credit quality indicators (in percent):					
Rate of expenses with respect to credit losses, to credit to the public [(1)] [(4)]	0.51%	0.87%	0.55%	(0.48%)	0.94%
Rate of the balance of the provision for credit losses, to credit to the public [(1)] [(4)]	1.43%	1.41%	1.14%	0.93%	1.76%
Rate of non-accruing credit or credit in arrears of 90 days or more, to the balance of credit to the public	1.38%	1.11%	1.02%	1.15%	1.35%
Rate of net accounting write-offs to average credit to the public	0.45%	0.53%	0.17%	0.16%	0.21%
Main data from the statement of income for the reporting year:					
Net income attributed to the Bank's shareholders [(1)] [(2)] [(5)]	154.6	134.6	163.4	143.9	50.2
Total comprehensive income attributed to the Bank's shareholders [(1)] [(2)] [(5)]	160.6	144.3	134.6	141.8	50.3
Interest income, net	703.6	731.7	595.2	454.2	420.7
Expenses with respect to credit losses [(1)] [(2)] [(4)]	79.7	133.3	78.8	(58.9)	102.4
Non-interest income [(2)] [(5)]	211.4	160.8	224.7	160.5	169.2
Of which: Fees	155.2	123.8	116.9	102.6	95.3
Operating and other expenses	590.9	546.2	490.0	451.6	407.6
Of which: Payroll and associated expenses	259.8	254.3	221.9	207.3	184.5
Net earnings per ordinary share in the reporting year:					
Basic and diluted earnings attributed to the Bank's shareholders	2.19	1.91	2.32	2.04	0.71
Main data from the balance sheet, as of the end of the reporting year:					
Total assets	22,389.3	21,825.5	18,907.2	16,837.0	14,900.2
Of which: Cash and deposits in banks	5,056.0	5,157.1	3,360.1	3,546.0	3,137.9
Securities	1,322.4	1,098.8	1,043.1	772.7	462.4
Credit to the public, net	15,440.1	15,070.2	14,057.5	12,084.1	10,881.3
Total liabilities	20,893.2	20,457.7	17,651.2	15,710.3	13,900.2
Of which: Deposits from banks	47.8	196.8	342.9	306.6	162.2
Deposits from the public	17,786.4	16,479.1	14,266.8	12,454.3	11,705.2
Bonds and CoCo bonds	2,722.0	3,463.3	2,677.6	2,609.7	1,720.5
Equity	1,496.1	1,367.8	1,256.0	1,126.7	1,000.0
Additional data:					
Price per share (in agorot)	1,763.0	1,262.0	1,144.0	1,326.0	776.9
Dividend per share (in agorot)	54.6	50.3	61.1	21.4	16.7
Average number of positions	656	649	630	621	579
Ratio of interest income, net, to average assets	3.18%	3.59%	3.40%	2.86%	2.88%
Interest margin	2.88%	3.20%	3.10%	2.74%	2.84%
Ratio of fees to average assets	0.70%	0.61%	0.67%	0.65%	0.65%
Net profit attributed to the Bank's shareholders, after neutralizing certain components [(5)]	154.6	134.6	147.3	133.2	50.2
Return on equity after neutralizing certain components [(5)]	11.1%	10.5%	12.4%	12.4%	5.1%

(1) For details regarding the effects of the increase of the collective provision, see below in chapter 1.6, "Significant events during the reporting period and after the balance sheet date", and Note 34 to the financial statements.

(2) For details regarding revenues from the sale of the credit portfolio, see chapter 1.6, "Various issues and significant events during the reporting period and after the balance sheet date".

(3) The total of net interest income and of non-interest income, relative to the average of total revenue-generating assets in the balance sheet.

(4) Starting with reporting periods beginning on January 1, 2022, the Bank has adopted the new provisions regarding provisions for credit losses, while carrying the cumulative effect to retained earnings on the date of initial adoption. The data for previous periods are presented in accordance with the measurement rules prior to initial adoption.

(5) In 2022, net profit was affected by income in the amount of NIS 24.5 million (approximately NIS 16.1 million after tax impact), due to the sale of rights to policies in the insurance portfolio (including the right to payments and the provision of customer service) of a subsidiary controlled by the Bank, in which the subsidiary served as an agent on behalf of the Bank's customers. Additionally, in 2021, net profit was affected by income from the sale of a real estate property in the amount of NIS 13.3 million.

1.5 Summary description of the main risks to which the Bank is exposed

Identification of leading and emerging risk factors

The Swords of Iron War, which began on October 7, 2023, led to a sharp decline in GDP in the fourth quarter of 2023, while in subsequent quarters, a gradual recovery in economic activity was seen. In light of the geopolitical developments in recent months, primarily the relative calm in the Lebanon front and the ceasefire agreement in Gaza, the probability of security scenarios with more severe economic implications has decreased, although the security and economic uncertainty is still considerable, resulting in economic consequences.

According to the forecast of the Bank of Israel's research division which was published in January 2025, GDP in 2024 grew by 0.6% only, while inflation increased by 3.2%, and private consumption increased by 4%. The unemployment rate remained at the low level of 3.5%. The increase in government expenditure led to a sharp increase in the government deficit, to 6.9%. The Bank of Israel interest rate remained unchanged, at 4.5%. The Bank of Israel's current forecasts rely on the assumption that the war's direct economic impact will continue until the end of the first quarter of 2025, followed by a gradual increase in GDP. The forecast projects 4.0% growth of GDP in 2025, and 4.5% in 2026, and it includes taking into account a continuing shortage of workers in the construction sector, along with an improvement in private consumption, in light of the positive geopolitical developments, and security exports. The unemployment rate in the years 2025-2026 is expected to stay at a low level of 3.1%.

The deficit target and forecast for 2025 amount to 4.4 and 4.7 percent of GDP, respectively. The inflation rate, which remained relatively high in 2024, and the increase of the state's risk premium due to the war, delayed the process of interest rate cuts, different from the trend in the United States and Europe. In parallel with the expected decrease of inflation in 2025, the Bank of Israel interest rate is expected to decrease to around 4.0%-4.25% by the end of 2025. For additional information regarding the war and its effects, see chapter 1.6.

In the global macro environment, in general, there is convergence towards the inflation targets, which led most of the countries to begin a trend of interest rate cuts in 2024. The major stock indices saw significant price increases in 2024.

Despite the continuation of the war and the uncertain situation, the Bank's risk profile has not changed since the beginning of 2024.

Immediately when the war began, the Bank activated its risk management and control system, in the war threat scenario framework, with an emphasis on three main aspects:

A. Implementation of the Bank's business continuity plan, the Bank is continuing to continuously upgrade its handling of business continuity in all areas, and conducts regular business continuity drills.
B. Transition to continuous and monitoring, at a higher frequency that in ordinary periods, of the Bank's significant risks, including the risks of capital, liquidity, market, interest rate, cybersecurity, fraud, and the prohibition on money laundering and the prohibition on terrorism financing. For details regarding the Bank's handling of the risk profile, see chapter 3 of this report.
C. Routine risk assessments which are intended to evaluate the need to expand or adjust the Bank's routine controls, and monitoring of any non-routine event in light of the entire site of risks represented in the Bank's risk profile.

In terms of credit risk, since the beginning of the war the Bank has been complying with the Bank of Israel's instructions. As part of the above, the Bank addressed the concessions program which was determined by the Bank of Israel due to the situation (Proper Conduct of Banking Business Directive 251), and in particular, it implemented the established program of payment freezes and deferrals. The Bank is monitoring the effects of the freeze program on its credit risk profile.

The rate of defaults in the mortgage activity remains low, thanks, inter alia, to the freeze program which was implemented by the Bank, in accordance with the Bank of Israel's instructions. In the consumer credit, the rate of defaults and write-offs remains high. The Bank is taking the required actions in order to continue reducing the rate of defaults and write-offs by strengthening the underwriting and collection mechanism, and gradually transitioning to the provision of consumer credit backed by collateral. It is emphasized that, as part of the activities which the Bank has performed in connection with consumer credit, it reduced the share of solo consumer credit in the mix of the Bank's credit portfolio, while increasing the share of collateral-backed credit - housing and real estate. The uncertainty is also affecting the activity of real estate borrowers. Credit for real estate has featured, until now, by low rates of default, although the risk trend in this sector is rising, with the main factors for the increase in credit risk in the construction and real estate segment being the slower rate of progress on execution at construction sites, due to the workforce shortage, the increase in project finance costs, and the increase in construction costs. The Bank has increased the specific monitoring of borrowers, and continues performing routine surveys of borrowers, particularly those which have received credit for land purchase. As a result of the uncertainty, since the war began the Bank increased the provisions for credit losses, and evaluates them continuously in order to ensure conservatism and a sufficient level of provisions in the current situation. It is emphasized that the risk level in this sector at the Bank is low relative to the banking system, mostly due to the Bank's focus on residential projects only, a more conservative and stable field of activity than other types of activity in the real estate sector. The activity is performed according to the operator model (collaboration with insurance companies, which share the risk in the project), the ratio of credit to finance land purchases to the total construction accompaniment portfolio is low relative to the banking system, most of the borrowers in the sector are veteran customers, where the projects have high credit ratings, and the Bank does not give solo credit to executing contractors, as opposed to the rest of the banking system. For details regarding the Bank's construction accompaniment activity, see chapter 3 of this report.

The Bank's liquidity level remains high, and the indicators of liquidity risk remain stable and high relative to the risk appetite which was established by the Board of Directors. The market and interest rate risk profile increased in 2023 to low-medium, and stayed at that level due to the geopolitical changes, macro factors, volatility in bond yields, and the USD exchange rate.

The rating reductions of the three international rating companies have had a limited direct impact on the Bank. The Bank relies on ratings of S&P, and the reduction of the state's rating affected the capital ratios by less than 0.1%.

However, they do affect the ongoing uncertainty regarding the state of the economy, and accordingly, it could also affect the Bank's activity and risk profile.

As determined in the framework for risk management and control which the Bank established, the Bank routinely and frequently evaluates the table of risk factors. In 2024, there were no changes to the severity of risk factors of the various risks.

The attention of the lines of defense is directed to monitoring any change or potential change in the risk factors or profile, whereby if they occur, action should be taken to minimize them.

When handling the identified material risks, the Bank distinguishes between, inter alia, leading risks and emerging risks which are identified in the following manner:

- **Leading risk** - Represents a material risk factor to which the Bank is exposed due to its current activities, the Bank's exposure to which is rated, in accordance with the Bank's policy, as "medium" or higher level of exposure. For details regarding the risk factors and the rating of the extent of the exposure / impact on the Bank, see below in chapter 3, "Review of risks and risk management methods".
- **Emerging risk** - Represents a risk whose materialization is uncertain, if at all, and whose possible impact cannot be indicated. However, risks of this kind receive special attention from bank management in determining the business strategy and the appropriate framework for risk management, in order to ensure that the Bank has the ability to deal wit this risk and its effects on the Bank's activities and business objectives, insofar as it materializes.

Table no. 3 below presents the Bank's emerging and leading risks as of the publication date of this report. For additional details, see chapter 3 of this report.

Table 3 - Summary of emerging and leading risks in the Bank:

Risk	Risk description
Macro-economic risk and geopolitical risk	In Israel, it is still difficult to estimate the war's effects on the Bank's risk profile, and particularly, on the expected credit risk profile in 2025. The sectors whose activity was most severely affected include tourism, agriculture, and construction, which fluctuated significantly. The pace of events is rapid, which makes the Bank's risk profile dynamic. The Bank is therefore continuing to monitor and track economic and security developments in the country, and their effects on its risk, and particularly, on the credit portfolio's risk profile. Global economic activity continues expanding, inflation is decreasing in most developing countries, while the central banks of various countries are operating according to a gradual interest rate reduction program. In general, stock markets increased in 2024. The inauguration of the new US president, and the implementation of his American tariffs strategy, are exacerbating the trade war between the world's two leading economies (USA and China), which could have effects on other economies, including the cost of living in Israel.
Credit risk	Credit risk is the most significant risk to the Bank's activities, and as such, the uncertainty regarding the war's results could have a major impact on its credit risk profile. The Bank increased the collective provision according to the CECL method due to the war since the third quarter of 2023, in an orderly fashion, and as part of this process, it increased its coverage ratio in light of the cumulative provision to the credit portfolio, in order to guarantee an adequate and conservative provision in a period of significant and ongoing uncertainty regarding the security and economic situation. In general, in the current quarter the stability of the Bank's credit portfolio quality is continuing, as indicated by the portfolio quality metrics which are presented in this report. The Bank is continuing to monitor the credit portfolio, including all of its components, and continues adopting the required caution in light of the current situation, and in light of the conclusion of the freeze program. The rate of default in mortgages remains relatively low. The mortgage portfolio indices, including the average PTI and LTV ratios, have remained stable and are within the Bank's risk appetite. The Bank is continuing to monitor the developments in arrears, defaults and prepayments in the mortgage portfolio, in order to assess the impact of the ongoing uncertainty thereon. The uncertainty is due to several factors which affect the quality of the Bank's credit portfolio: the macro factors, including the interest rate, inflation, unemployment, and housing prices. The result of the extreme scenario test on the mortgage portfolio which was updated due to the situation (the scenario assumes a significant increase in rates of default, a significant decline in housing prices, and an updated PTI ratio higher than its value in the customers' underwriting, due to the interest rate increase), is still being used to challenge the provisions which the Bank has made using the CECL method. The rate of default in solo consumer credit, which has a low share in the overall mix of credit, around 9%, is relatively high. The insolvency rate in the consumer portfolio increased significantly since the beginning of 2023, and has a major effect on the rate of defaults and write-offs. In light of the increased risk, the Bank adjusted the collective provision with respect to this credit. The risk level in the business portfolio, and particularly in the real estate portfolio, is low, as reflected in low rates of default, write-offs and provisions over time. Despite this fact, credit risk in the real estate sector has increased, such that the potential for changes for the worse in the situation of borrowers has also increased. In light of the decline in sales, entrepreneurs and contractors began encouraging sale with a significant deferral of payments, or subsidization of the sale. Further to this widespread phenomenon, and the impact of the increase in financing costs, the Bank of Israel published a letter to the system in which it emphasized its concern regarding an exacerbation of the crisis in the sector. Further to this letter, the Bank evaluated the credit profile of its customers through scenarios based on an assumed change for the worse in the risk factors which affect this quality. The evaluation's results did not indicate any significantly negative impact on the credit quality of the Bank's customers in this sector. It is emphasized that the Bank's construction accompaniment activity involves a low risk level relative to the banking system, and also in general, due to several main factors: the Bank accompanies residential and urban renewal projects only, a conservative and stable field of activity relative to the other types of activity in the real estate sector (such as financing executing contractors, financing revenue-generating properties in the office and residential segment, etc.), the Bank is active through the operator model (sharing of risk with insurance companies), the ratio of credit to finance land purchases to the Bank's total construction accompaniment portfolio is low relative to the banking system, most of the borrowers in the sector are veteran customers, where the projects have high credit ratings. From the beginning of the war until the publication date of this report, no significant difficulties among these customers, or significant changes for the worse in their credit quality, have been identified. An analysis of the Bank's largest borrowers indicates a stable risk profile which corresponds to the Bank's policy. The Bank is continuing to conduct sensitivity analyses and extreme scenario testing at different levels of severity in order to challenge its credit risk profile vs. its risk appetite and business objectives.

Risk	Risk description
Operational risks (including embezzlement and fraud risk) and the risk of human resources in technological operations	From the beginning of the war until the present date, there has been no significant change in the Bank's operational risk profile, and the Bank continues operating in accordance with its work plan to address the risk. When the war began the Bank successfully activated its business continuity plan. Since then, the Bank has been operating in a "wartime framework". In 2024, management drills were conducted including a war scenario drill, and an emergency situation room (command center) drill. In November, a cybersecurity - business continuity drill was conducted, including operating drills of the emergency command centers. The Bank also completed the process of defining the organizational structure in emergency situations, including the structure and roles of the command centers. The Bank is working continuously to strengthen its business continuity capabilities, with an emphasis on the organizational structure in emergency situations, and conducting and drilling routine assessments of risk in case of emergency. When the war began, the potential risk of fraud increased, due to the concern that hostile entities could take advantage of the uncertainty to perpetrate fraud. The Cybersecurity Division continuously monitors this risk. The operational risks department in the Risks Division also routinely monitors (through a dedicated controller) the alerts which come from the Bank's anomaly monitoring system, in order to analyze any non-routine event which could indicate attempted fraud. Due to the recent increase in the banking system and in the Bank, and the in the frequency of fraud, the Bank is operating according to an orderly plan to minimize the risk. Steps taken by the Bank include reinforcing training sessions and risk awareness, lesson-learning and learning from events in accordance with the Bank's policy, expanding the monitoring rules, and implementing dedicated forums between the different lines of defense in order to address this risk. The plan is managed and overseen by the Bank's CEO and members of management.
Cybersecurity risk	There has been an increase in attacks by hostile entities due to the war, mostly DDOS attacks. The Cybersecurity Division continuously monitors the threats, and conducts routine situation assessments. All of the monitoring and cybersecurity intelligence tools have been activated. The collaborations with the cybersecurity unit at the Bank of Israel, the National Cybersecurity Unit and the Computer Emergency Response Team (CERT) have been strengthened. Routine reports of the Cybersecurity Division Manager are transferred to the Bank's CEO, to the Resources Division Manager, and to the Chief Risk Officer. The Cybersecurity Division routinely distributes instructions to the Bank's employees, in order to increase the awareness of possible cybersecurity incidents. In mid-November 2024, the Cybersecurity Division conducted a combined cybersecurity - business continuity drill. Additionally, a new methodology for the assessment of cybersecurity risk was implemented, which allows monitoring of the development of the risk profile in broader risk factors than in the past, and evaluating the risk profile vs. the risk appetite which was determined in the terms of that methodology. As of the publication date of this report, no irregular events have been identified.
Business and strategic risk	The war is significantly affecting economic and geopolitical uncertainty. New threats have emerged, which have the potential to change the Bank's plans. The Bank continuously monitors the business developments (including the performance level, margins, portfolio sales, etc.), based on the understanding that the war, and the resulting uncertainty, could affect the Bank's business plan. The objectives of the work plan and of the strategic plan are monitored continuously. The Bank has signed syndication transactions, and is preparing to execute a securitization transaction. These transactions contribute significantly to the Bank's strategy, and in particular, are intended to reduce the risk in the Bank's credit portfolio. During the last year, many regulatory directives have been issued (by the Bank of Israel, the Competition Commissioner and the Israel Securities Authority) which pertain to increasing competition over interest payments on public deposits, in addition to other legislative measures which could affect the activities and goals of the banking system.

Risk	Risk description
Regulatory risk, risk associated with the prohibition on money laundering and terrorism financing, internal enforcement, fairness and compliance	Since the war began, the Bank has increased its control through dedicated reports, the anomaly monitoring mechanism and other tools to prevent terrorism financing, and also with respect to the prohibition on money laundering. The control activities focused on the activities of associations requesting to transfer suspicious funds through money transfers to the Gaza Strip. Specific instructions have been passed on to the branches and to the first line, in order to increase attention to "red lights" and unusual activities in identified risk factors. The compliance department is also continuing its monitoring activities, as required, in connection with the Russia-Ukraine war. Any unusual events are reported to the Money Laundering Prohibition Authority. The Bank's units, with the accompaniment of the Bank's legal counsel, receive regular updates and apply concessions and instructions which have been issued in light of the war by various regulators, and particularly by the Bank of Israel, including the concessions program and the freeze program.
Model risk	The war situation has increased the uncertainty regarding the ability of the Bank's models, which operate well in routine periods, to assess the risk level during the war. The Bank evaluated the models and identified those which are more sensitive to the resulting uncertainty. The Bank converted some of the models, or supported them with calculations based on expert assessments, and extreme scenario and sensitivity tests which do not necessarily rely on historical data, which could change due to the current uncertainty. As of the date of this report, the Bank is continuing to apply the models it has developed for the purpose of assessing its risks with the required precaution, and significantly increased the processes of validating models which are central to its activity.
ESG	Since the war began, the Bank has increased its donations to support soldiers and affected towns. During this time, the Bank also committed to providing assistance to the community, through various community initiatives, including hosting families who were forced to leave their homes in the Gaza envelope and the Southern region, purchasing and delivering equipment and food to residents of the Gaza envelope and the Southern region, to IDF soldiers, and donating to the center for the kidnapped and missing people. The Bank's employees participated in volunteering work, mostly in order to assist farmers facing workforce shortages. Attention was also given to strengthening the Bank's human resources, including support to help the employees stay strong. The Bank implemented the Bank of Israel's freeze program, in order to help borrowers.

1.6 Various issues and significant events during the reporting period and after the balance sheet date

1. The Swords of Iron War began on October 7, 2023, and has adversely affected the economic activities in Israel to which the Bank's activities are exposed, and is affecting the Bank's business, including an increase in credit risk in the household and business credit segment, and an increase in financial risks and operational risks. At this stage, it is not also possible to estimate the future scope or consequences of the war, or to estimate or quantify the duration or extent of the event, or its future impact on the Israeli economy, the Bank's customers, and the Bank itself.

   Bank management monitors the development of the war and its financial and business implications, and evaluates the suitability of its business strategy in light of the events. Tight monitoring and control has been defined for the Bank's various operating segments. Various scenarios of ways in which the event could develop and affect the various risks and the Bank's activities are evaluated continuously. Bank management also routinely reports to the Bank's Board of Directors and its committees regarding its steps towards managing the event, in the relevant areas.

   Due to the war and its possible effects on the state of the economy and of borrowers, with the aim of providing relief for customers, the Bank of Israel announced a program which was agreed upon with the banking system, to freeze payments on credit which customers have received from the Bank. According to the program, deferrals were granted on loan payments for a period of 3 months, where the group of customers including those living near Gaza and in the south, security forces called up for reserve military service, people who were forced to leave their homes, and the relatives of those who were murdered, kidnapped and missing (circle 1), will be permitted deferral without charging interest or fees. Deferral will be permitted for all other customers (circle 2) according to the original interest rate of the loan, without charging fees. Additionally, in order to encourage banking corporations to allow additional flexibility in the repayment of loans for borrowers who were affected by the war, the Bank of Israel published points of emphasis when handling debts to which the foregoing arrangements were applied. In light of the continuation of the Swords of Iron War, the Bank of Israel's program was extended by three additional periods of three months each.

   The estimated total benefits which will be given to the Bank's customers in circle 1 will depend on the scope of use, and could reach a total of approximately NIS 21.8 million if fully used, and will be carried to the statement of income, in accordance with the realization by the customers.

   As of December 31, 2024, the balance of housing credit for which payments were deferred at the Bank amounted to a total of approximately NIS 236 million, approximately 2.4% of the housing credit portfolio, and the scope of payments which were deferred with respect to housing credit amounted to a total of approximately NIS 14.0 million. The balance of non-housing credit to private individuals for which payments were deferred at the Bank amounted to a total of approximately NIS 6 million, approximately 0.4% of the balance of non-housing credit to private individuals, and the scope of payments which were deferred with respect to non-housing credit to private individuals amounted to a total of approximately NIS 1.1 million. The balance of commercial credit for which payments were deferred at the Bank amounted to a total of approximately NIS 15 million, approximately 0.3% of the balance of commercial credit, and the scope of payments which were deferred with respect to commercial credit amounted to a total of approximately NIS 0.3 million.

   The total scope of credit for which payments were deferred as of December 31, 2024 amounted to approximately NIS 257 million, approximately 1.6% of total credit. For additional details, see Table 22.

   Additionally, from the beginning of the Swords of Iron War until December 31, 2024, the Bank increased the collective provision for credit losses with respect to the war's impact in the amount of approximately NIS 49.6 million. When estimating the collective provision with respect to the war, the Bank took into account a forecast of macro data, such as the expected unemployment rate, the effect on housing prices, the forecasted Bank of Israel interest rate, and other parameters.

Additionally, on February 26, 2025, the Bank of Israel published a voluntary proposed outline, which mainly involves the allocation of funds in the amount of NIS 1.5 billion from the entire banking system in each of the years 2025 - 2026, whereby the allocation rate of each bank will be derived from its market share as of the publication date of the outline. The funds will be designated to finance various expedients for the customers of each bank, in accordance with different baskets which are as specified in the outline proposal, and the manner of distribution between baskets will be done in the discretion of each bank. The Bank of Israel believes that the adoption the outline will make unnecessary, inter alia, taxation processes which are specific to the banking system, which are not intended for banks with limited scopes of activity (i.e., banks with an asset value less than 5% of the asset value of all banks in Israel, and which are not controlled by another bank).

The Bank is continuing to monitor the developments, both on the macro-economic level and with respect to decisions involving the credit portfolio, and will update the provision for credit losses on an ongoing basis, continuously the actual results, which may differ from the Bank's assessments at this stage.

2. On January 7, 2024, a special general meeting of the Bank's shareholders approved the appointment of Ms. Moran Ofir Weinstein as an outside director, following the announcement of the Commissioner of Banks on November 23, 2023, that he does not object to her appointment as an outside director in the Company in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301. Approval was also given for a transaction with a relative of the controlling shareholder. (For additional details, see the meeting convention report dated November 30, 2023, and the meeting results report dated January 7, 2024, whose provisions are included in this report by way of reference. Reference numbers, respectively: 2023-01-131229 and 2024-01-003324).
3. On January 22, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the marketable securities (Series 3), in the amount of approximately NIS 333.1 million.
4. On February 9, 2024, Moody's announced a reduction of the state's rating and of the rating outlook with negative outlook, and on May 5, 2024, it announced a reduction of the rating and rating outlook of the large banks, with negative outlook. Additionally, on April 18, 2024, the credit rating company S&P (whereby the Bank is exposed to rating changes in their capital adequacy calculations) reduced Israel's credit rating from AA- to A+. On October 1, 2024, and after the balance sheet date, it announced another rating reduction, to A.

   On August 12, 2024, the rating company Fitch reduced Israel's rating to A, negative outlook.

   Additionally, on September 27, 2024, Moody's again reduced the state's rating, by two notches, to a rating of Baa1, negative outlook.

   These rating reductions had a minimal direct effect on the Bank.
5. On March 13, 2024, the Knesset plenum passed, in a the second and third reading, the Bill for Special Payment to Achieve Budget Goals (Temporary Provision - Swords of Iron), 5784-2024, which determined that a bank which is not a "bank with limited scope of activity" (i.e., a bank whose asset value is less than 5% of the asset value of all banks in Israel, and which is not controlled by another bank), will pay to the State Treasury, with respect to the effective period (April 1, 2024 to December 31, 2025), an annual payment in an amount equal to 6% of the profit which it produced from its activity in Israel. This process was performed is in light of the spike in the profits of banks due to the Bank of Israel's interest rate hikes, and is expected to add to the state coffers an additional NIS 1.2 billion in 2024, and NIS 1.3 billion in 2025.

   Since Bank of Jerusalem is considered a "bank with limited scope of activity", it is excluded from the scope of this law.
6. On April 14, 2024, the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions) (Amendment), 5784-2024, was published in the Official Gazette, which amended the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions),

5753-1992, in which the rate of payroll tax and capital gains tax which are due with respect to the activity of financial institutions in Israel will be increased from 17% to 18%, beginning on January 1, 2025. During the reporting period, the Bank recognized an increase in the deferred tax balance in the amount of approximately NIS 0.8 million.

7. On March 20, 2024, an agreement was signed between the Bank and institutional entities (the “Buyers”), according to which the Bank sold, in an irrevocable and final bill of sale transaction, 90% of its rights and liabilities in connection with the portfolio of housing loans totaling approximately NIS 397 million, comprised of housing loans which were provided by the Bank (the “Portfolio of Loans”).
   The remaining portfolio of loans remains owned by the Bank, such that the buyer’s rights and the Bank’s rights to the portfolio of loans will have an identical priority rank (pari passu).
   In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the portfolio of loans which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans which remains owned by it.
   The Bank recognized gross profit (before tax) of approximately NIS 11.5 million in the financial statements for the first quarter of 2024, with respect to this transaction.
8. Due to the uncertainty regarding the economic conditions resulting from the Swords of Iron War and the security situation, and further to the letter of the Commissioner of Banks dated November 12, 2023, the Commissioner of Banks published, on March 5, 2024 and May 16, 2024, instructions which may involved re-evaluation of the dividend distribution policy for the coming period, while exercising extra precaution and conservatism in the foregoing policy.
   In consideration of the foregoing, the Board of Directors resolved: (A) On March 21, 2024, to distribute dividends at a rate of 20%, with respect to the profits from the second half of 2023 in the amount of approximately NIS 12.5 million (gross), which was paid to the Bank’s shareholders on April 8, 2024; and (B) on August 20, 2024, to distribute dividends at a rate of 30%, with respect to the profits from the first half of 2024, in the amount of approximately NIS 26.0 million (gross), which was paid to the Bank’s shareholders on September 5, 2024.
9. on May 2, 2024, the rating company S&P ratified the Bank’s rating of ilAA-, despite the increased geopolitical risks. The rating outlook remained negative.
10. On May 9, 2024, the general meeting of the Bank’s shareholders approved the provision of variable remuneration to officers in the Bank with respect to 2023, and an extension of letters of release for directors in the Bank who are and/or whose relatives are controlling shareholders of the Bank, for an additional three year period (for additional details, see the amended meeting convention report dated April 3, 2024, and the meeting results report dated May 9, 2024). reference numbers: 2024-01-032626 and 2024-01-046372, respectively, whose provisions are included in this report by way of reference).
11. On May 31, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the bonds (Series M), in the amount of approximately NIS 224.2 million.
12. On June 10, 2024, an agreement was signed between the Bank and member companies of an institutional entity group, regarding the joint provision of housing loans (hereinafter: the “Syndication Agreement”), whereby the Bank will provide 10%, and the member companies of the institutional entity’s group will provide 90% of each of loans which will be provided to customers in accordance with the agreement. The syndication agreement was signed for a period of 3 years, and the scope of housing loans which will be provided thereunder is estimated at a total of up to approximately NIS 1.8 billion. In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the member companies of the institutional entity’s group, the part of the portfolio of loans which they provided, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of

loans was provided by the Bank, and it will also receive, from the member companies of the institutional entity's group, initiation fees with respect to the loans which will be provided within the framework of the collaboration. The Bank believes that the syndication agreement will allow the Bank to increase its scopes of activity in the mortgage market, while reducing the exposure to in mortgage sales.

13. On June 24, 2024, the Bank's Board of Directors adopted a buyback plan under which the Bank will be entitled to purchase bonds which have been issued by the Bank's subsidiary Jerusalem Finance & Issuance (2005) Ltd. (hereinafter, in this section: the "Subsidiary"), from each bond series issued by the subsidiary, up to a total of NIS 100 million par value, in accordance with the published plan (for additional details, see the report dated June 24, 2024, reference number: 2024-01-063847). Further to the adoption of the plan by the Board of Directors, on June 30, 2024, the Bank purchased, in a single over the counter transaction, NIS 100 million par value of bonds (Series R) which had been issued by the subsidiary, which constitute 12.42% of all of the securities from that series (as of the date of that purchase, the Bank held NIS 163 million par value of this series, which constitute 20.25% of all of the securities from that series). The purchase consideration amounted to a total of approximately NIS 103.1 million. The Bank thereby announced the conclusion of the foregoing purchase plan. With respect to that purchase, the Bank recognized profit of approximately NIS 7.4 million (before tax) in the second quarter of 2024. It is clarified that in accordance with the terms of the trust deeds of the bonds, the bonds which are purchased by the Bank will not give it any rights whatsoever, including any voting rights or rights to receive interest.
14. On June 26, 2024, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable, final and absolute bill of sale transaction, 90% of its rights and liabilities in connection with a commercial credit portfolio which was provided to customers by the Bank, in the total amount of approximately NIS 296 million (the "Credit Portfolio").

    The Bank retains ownership of the remaining credit portfolio, such that the buyers' rights and the Bank's rights to the balance of the credit portfolio will have an identical priority rank (pari passu).

    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the credit portfolio which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates commercial credit for itself, including the part of the portfolio of loans which remains owned by it.

    The Bank recognized gross profit (before tax) of approximately NIS 13.5 million in the financial statements for the second quarter of 2024, with respect to this transaction.
15. On June 27, 2024, the rating company Midroog left the Bank's internal financial strength assessment at a1.il. The rating of the Bank's long term deposits and senior debt remained Aa2.il, stable outlook. The contingent convertible bonds (CoCo Series 17) remained at A2.il hyb, stable outlook.

    For additional details, see the immediate report which was published by the Bank on June 27, 2024 (reference number: 2024-01-065860), whose provisions are included in this report by way of reference.
16. On July 29, 2024, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable and final bill of sale transaction, 90% of its rights and liabilities in connection with the portfolio of housing loans totaling approximately NIS 328 million, comprised of housing loans which were provided by the Bank (the "Portfolio of Loans").

    The remaining portfolio of loans remains owned by the Bank, such that the buyer's rights and the Bank's rights to the portfolio of loans will have an identical priority rank (pari passu).

    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the portfolio of loans which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans which remains owned by it.

    The Bank recognized gross profit (before tax) of approximately NIS 12.4 million in the financial statements for the third quarter of 2024, with respect to this transaction.

17. On September 26, 2024, the Bank's Board of Directors resolved, in accordance with Regulations 1A(2) and 1B(A)(3) of the Companies Regulations (Expedients Regarding Transactions with Interested Parties), 5760-2000 (hereinafter: the "Expedient Regulations"), after receiving approval from the Audit Committee, in its function as the Remuneration Committee, on September 26, 2024, to approve an update to the remuneration of all of the Bank's directors, including directors who are controlling shareholders and/or relatives of theirs, who serve as directors in the Bank (excluding the Chairman of the Board), who hold office, or who will hold office from time to time, in the Bank, in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses of Outside Director), 5760-2000. For additional details, see the immediate report regarding a transaction with a controlling shareholder or director which does not require approval from the general meeting, which was published by the Bank on September 29, 2024 (reference number: 2024-01-606360), which is included in this report by way of reference.
18. On October 29, 2024, financial sanctions were imposed on several banks, including the imposition of financial sanctions on Bank of Jerusalem in the total amount of NIS 2.85 million, in accordance with the decision of the committee on the imposition of financial sanctions regarding banking corporations, pursuant to the Prohibition on Money Laundering Law, 5760-2000 (the "Law"), in connection with a breach of sections 2A, 9 and 13A(3) of the Prohibition on Money Laundering Order (Duties of Identification, Reporting and Record-Keeping of Banking Corporations for the Prevention of Money Laundering and Terror Financing), 5761-2001, and in accordance with the decision of the Commissioner of Banks with respect to a breach of section 32 of Proper Conduct of Banking Business Directive 411, regarding the management of risks pertaining to the prohibition on money laundering and the prohibition on terrorism financing, based on the findings of an audit report regarding the prohibition on terrorism financing of the Banking Supervision Department, dated December 27, 2022, which was conducted in the Bank during the months January 2021 to June 2022. The amount of sanctions was reduced to the foregoing amount, inter alia, in light of the Bank's cooperation with the audit staff, and the effectives measures it applied to correct the deficiencies, including the allocation of adequate human and technological resources.
19. On November 5, 2024, the general meeting of the Bank's shareholders approved:
    A. The appointment of Mr. Eli Frank as an outside director for a three year term, following the announcement of the Commissioner of Banks on September 19, 2024, that he does not object to his appointment as an outside director in the Bank in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301;
    B. The appointment of Mr. Shmuel Eshel as an outside director for an additional three year term, following the announcement of the Commissioner of Banks on October 15, 2024, after the balance sheet date, that he does not object to his appointment as an outside director in the Bank in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301.
    C. Changes which are immaterial from the Bank's perspective to the employment terms of the Bank's Chairman of the Board or of the Bank's CEO, and amendments to the Bank's remuneration policy for the years 2023-2025.

    For additional details, see the meeting convention report dated October 1, 2024, and the meeting results report dated November 5, 2024 (reference numbers: 2024-01-607620 and 2024-01-613998, respectively), which are included in this report by way of reference.
20. On November 14, 2024, the Bank reported that the Israel Securities Authority had decided to extend the period for offering securities in accordance with the Bank's shelf prospectus, until November 24, 2025.
21. On November 21, 2024, the Bank's Board of Directors notified Isracard Ltd. of its intention to submit to Isracard, within 21 days, an offer for a transaction to purchase all Isracard shares, by way of a reverse triangular merger. A letter to this effect was sent by the Bank to Isracard on November 21, 2024.

In accordance with the letter, most of the consideration in the transaction will be paid by way of a share exchange. The proposed transaction will also include a significant dividend distribution or cash payment component.

After the transaction, the controlling block of the Bank will be maintained. Further to the Bank's immediate reports from December 12 and 27, 2024 (reference numbers 2024-01-623941 and 2024-01-627734, respectively), and from January 6, 2025 (reference number 2025-01-001571), regarding the Bank's offer to Isracard Ltd. ("Isracard"), to purchase Isracard's entire share capital by way of a reverse triangular merger, on February 6, 2025, after the balance sheet date, the Bank submitted to Isracard another improved offer to purchase the Company's entire share capital, by way of a reverse triangular merger (reference number 2025-01-009342). The Bank believes that the foregoing proposed transaction between the Bank and Isracard has features which could contribute significantly to market competition, and that it offers extensive business potential, in light of the expected market developments, which could be reflected in a wide range of synergies and supplementary fields of activity. The Bank also believes that its offer, including all of its terms and features, and à fortiori in light of the improvement specified in the offer, is clearly superior in terms of maximizing value for Isracard shareholders in both the short and long term, and also relative to the other offers which were submitted to Isracard. The provisions of these reports are included in this report by way of reference.

On February 16, 2025, after the balance sheet date, the Bank submitted an update letter to Isracard, in which the Bank announced that further to its improved and superior offer to acquire Isracard's entire share capital, and the discussions and correspondence with them, it does not intend to make any further changes to its offer.

On February 20, 2025, after the balance sheet date, Isracard's general meeting approved Isracard's engagement in an investment agreement with Delek Group Ltd.

22. On January 21, 2025, after the balance sheet date, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. extended the bonds (Series S) in the amount of approximately NIS 232.8 million par value, for a total (gross) consideration of approximately NIS 246.7 million.

23. On February 27, 2025, after the balance sheet date, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable, final and absolute bill of sale transaction, 90% of its rights and liabilities in connection with a commercial credit portfolio which was provided to customers by the Bank, in the total amount of approximately NIS 350 million (the "Credit Portfolio").

    Out of the total credit portfolio, the Bank retained ownership of the remaining approximately NIS 35 million, such that the buyers' rights and the Bank's rights to the balance of the credit portfolio will have an identical priority rank (pari passu).

    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the credit portfolio which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates commercial credit for itself, including the part of the portfolio of loans which remains owned by it.

    The Bank recognized gross profit (before tax) of approximately NIS 12.5 million in the financial statements for 2025 with respect to this transaction.

24. On March 18, 2025, after the balance sheet date, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the second half of 2024 in the total amount of approximately NIS 20.4 million, which will be paid to the Bank's shareholders on April, 9, 2025.

Chapter 2 - Explanation and Analysis of Results and the Business Position

2.1 Trends, situations, developments and material changes

Economic environment and impact of external factors on the Company’s activities

2024 was a year of war in Israel, on several fronts. Economic activity in Israel suffered, although the effects on households and businesses varied between the different fields of activity, and between geographical locations in Israel. The orders for residents to clear their homes in areas affected by conflict in Southern and Northern Israel had severe effects on the activities of the families who were forced to leave, and on businesses in Southern and Northern Israel. Despite these factors, private consumption, which constitutes a significant part of Israel’s GDP, has been supported by an expansionary fiscal policy, a tight labor market, and few Israelis leaving abroad, and was affected only to a limited extent. The main damage to economic activity was reflected in fixed capital investment, mostly due to the shortage of Palestinian workers, and in the flow of capital to and from the country.

The change for the worse in the geopolitical environment beginning in October 7, 2023, and the increase in government expenditure to finance the war and the harm caused to residents who were forced to leave their homes, along with the handling of the expense side for the coming budget years, led to a sharp increase in the government deficit, and to an increase in the state’s risk premium in various markets, an increase of the USD/NIS exchange rate, and the reduction of rating by several companies. The increase in the government deficit was, and remains, a major risk for the state’s rating. The change for the worse in the financial environment also prevented the Bank of Israel from moving forward with the interest rate reduction program, which was priced into the markets before the war.

During the year, a gradual recovery in all fields of activity began. The ceasefire in the north in late November, and the decrease in Israel’s geopolitical risk due to the severe blows which were dealt to the country’s main threats prior to October 7, 2023, supported an acceleration of the positive trend in the economy towards the end of the year, and capital markets also began reflecting a more positive environment. Particularly prominent was the dramatic recovery in the scope of activity in the housing market towards the end of 2024, thanks, inter alia, to the financing campaigns which were offered by contractors and banks. The housing market was strong, with growth of 57% in the number of new apartments sold (in January-November 2024, relative to the same period last year), and housing prices increased by 7.8% during the year.

The harm to supply chains, the increase of the USD exchange rate, and the absence of public focus on the price environment, resulted in widespread price increases during the war period, although the inflation rate lessened in 2024, to 3.2%. The inflationary environment featured the effects of supply side restrictions in the labor market (and upward pressure on wages), international flights, restrictions on agricultural produce (including an embargo of Turkey), and an increase in marine transport costs. The removal of residents from conflict areas resulted in pressure on rental prices during the year.

In the global arena, Donald Trump’s win in the US elections could involve significant changes to the economic and geopolitical policies of the United States, and indirectly affect Israel as well. This change in policy could increase global uncertainty in the short and medium term.

Developments in the global economy

Despite the expected decrease in global activity, in light of the moderate monetary policy in most developed countries, 2024 featured stable global growth of 3.2% (similarly to last year), although it was not uniform worldwide. The US economy grew by 2.8%, as compared with 0.8% in Europe and 4.8% in China (IMF forecast). Growth in developed countries was focused on the service sectors, and supported by increased salaries (mostly in the first half of the year), the wealth effect from rapid increase in financial markets, and surplus savings from the coronavirus period. The expansionary fiscal policy in the United States also supported economic activity, where the average deficit of developed countries reached 5.5% of GDP.

The relatively rapid expansion of the US economy was supported by an expansionary fiscal policy (budget deficit of 6.4%), a 4% increase in average salary, rapid absorption of foreign workers, and investments in technology. The high base interest rate had more limited effects on American consumers, due to the fixed

interest rates practiced in the mortgage market. The unemployment rate at year end was 4.1%, with rapid growth in the number of employed. Purchasing managers indices are indicating rapid expansion in the service sectors, but also weakness in industry.
Despite the stability of the American economy, the Fed raised the interest rate four times (by 0.25% each time), to the range of 4.25%-4.5%, in order to maintain the positive trend in the labor market. However, signs of sticky inflation (particularly in services prices) at year end led to a decrease in market expectations of further interest rate cuts. Inflation in the United States amounted to 2.9% in 2024, while core inflation amounted to 3.2%.
The performance of the European economy was less strong than the US. The economy of Germany shrank by 0.2% in 2024, and suffers from intense competition against China, particularly in the automotive and machinery sectors, although other countries, such as Spain and France, grew more rapidly. The decrease in the inflationary environment allowed the ECB to reduce the interest rate cumulatively by 1.0%, to 3.0%, and the markets predict continued monetary easing in 2025.
China continues suffering from an excess of overall debt in the economy, and from excess investments in real estate in previous years. Despite very low inflation and an easing monetary policy, private consumption remained moderate, and most of the growth came from an expansion of industrial exports.

Economic activity in the Israeli economy

The ongoing war has adversely affected economic activity in Israel. It is estimated that the economy grew by 0.6% in 2024, and by 2.6% cumulatively from the beginning of 2023 until the end of 2024, as compared with Israel's estimated annual growth potential of around 3.5% per year. Although the expansionary fiscal policy supported economic activity, investments declined sharply due to the absence of Palestinian workers from the workforce (around 72 thousand reported workers before the war), and in light of the uncertainty in the business environment.
Private consumption continued expanding, due to significant government support which was given to residents who were forced to leave their homes, and to called-up military reservists, and because the low level of international travel redirected consumption towards the local market. Credit card purchases at the end of 2024 were 8% higher than pre-war, and were boosted at the end of the year due to the acceleration of purchases before the increase in VAT and tax on electric vehicles in early 2025. The tight labor market also contributed to private consumption: the overall unemployment rate (ages 15+, including unemployed residents who were forced to leave their homes, and employees who were dismissed) decreased in December to 3.9%, from 4.6% in September. The number of available jobs stabilized at a high rate, due to the shortage of workers.
An important engine of the Israeli economy, exports of hi-tech services (IT and telecommunications sector), continued expanding at a moderate annual rate of around 4%. However, industrial exports shrank in the first half of the year, but recovered in the second half. Hi-tech companies raised around USD 10 billion abroad, growth of 38% relative to 2023, although still significantly lower than the two preceding years.

Fiscal and monetary policy in Israel

The estimated government deficit increased to 6.9% of GDP this year, as compared with 4.1% in 2023. In 2024, expenses increased by 20.4%, and by 6.1% after neutralizing expenses with respect to the war. Total revenues grew by 10.5%, while tax revenues amounted to NIS 455 billion, as compared with the Ministry of Treasury's forecast of NIS 444 billion, from October 2024. The increase in revenue this year was due to lively activity in the real estate market, increased consumption, and increases in salary. The deficit was financed by a net domestic raising of NIS 141 billion, and a net international raising of NIS 25 billion.
After one interest rate reduction on January 1, 2024, the Bank of Israel left the interest rate unchanged throughout the entire year, and emphasized the increase in Israel's risk premium and on inflation risks due to the tight labor market, housing prices, the fiscal policy, and the low exchange rate of the NIS vs. the basket of currencies.

Table 4 - Macro forecast of the Bank of Israel (select data) according to a publication from January 2025 (rates of change in percent)

	2024	2025	2026
GDP	0.6	4.0	4.5
Private consumption	4.0	7.5	5.5
Investment in fixed assets	(7.5)	8.0	15.0
Overall unemployment rate (average, ages 25-64)	3.5	3.1	3.1
Inflation	3.2	2.6	2.3
Budget deficit	6.9	4.7	3.2

The Bank of Israel's research department expects the market interest rate to be 4.00%-4.25% at the end of 2025. The growth forecast was revised upwards, to 4.0% for this year (from 3.8%) and to 4.5% for 2026. The inflation forecast in 2025 was decreased to 2.6%, from 2.8%, in light of the sharp increase of the NIS at the end of 2024, and the expected relief of supply side restrictions on the one hand, which will be offset by increased demand after the war ends. The current forecast assumes continuation of the war at low intensity until the end of the first quarter of 2025.

Capital markets and the financial system

2024 was a very positive year for stock markets, in light of the continued expansion of activity around the world (particularly in the United States), and the interest rate cuts around the world. The expectation of a pro-business policy by the US President-elect Trump also lifted stock markets during the last quarter. The S&P index increased by 23.3% this year, EURO STOXX increased by 8.28%, and the Tel Aviv 35 increased by 28.39%. 10 year US government bond yields increased to 4.55% at the year end, as compared with 3.8% at the end of the third quarter. Essentially, the long yields in the United States have increased sharply since the Fed's interest rate cuts began, in light of the aforementioned belief that President-elect Donald Trump's policy will be inflationary.

During this period, the corresponding returns in Israel decreased to 4.47%, from 4.87%, and Israel's 5-year CDS decreased to 90 base points, as compared with 148 base points at the end of the third quarter, and 60 base points before the war. In 2024, all three rating companies reduced Israel's rating, and maintained a negative outlook, with Moody's surprising by reducing the rating by two notches, to Baa1.

Inflation and exchange rates

The inflation rate in 2024 accelerated, from 2.6% (last 12 months) at the beginning of the year, to 3.5% in October, and 3.2% at year end. The core inflation (the index excluding the items for energy, and fruits and vegetables) accelerated from 2.4% at the beginning of the year, to 3.3% at the end. The accelerated inflation was affected by supply side restrictions (flights, agricultural produce, etc.), and salary pressures due to the shortage of workers. Rental prices in the index increased by 4% in 2024, while the prices of other services increased by 3.7%, and commodities prices (excluding fuels) increased by 2.6%.

Despite the volatility of the NIS throughout the year due to the security events, in annual terms the NIS gained by 4.4% vs. the mix of currencies, gained by 5.4% vs. the EUR, and decreased slightly, by 0.6%, vs. the USD (due to the increase of the USD around the world). The strength of the NIS was affected by basic positive factors (surplus in the current account of around 4.8% of GDP in 2024), real investments, and expectations that the war will end.

Housing and mortgage market

Investments in residential construction shrank significantly, by 25%, from the third quarter of 2023 until the third quarter of 2024, mostly due to the absence of 72 thousand Palestinian workers (reported) who had worked until the war, and the war situation in the South and North of Israel. However, the number of Israeli workers in the construction sector increased by 30 thousand (to 230 thousand), and 25 thousand foreign workers were added (as estimated by the Bank of Israel). Until the end of the third quarter, finished apartments amounted to 53 thousand units (one year back), new constructions amounted to 58 thousand, and building permits amounted to 69 thousand.

The number of apartments in each stage of active construction reached a record of 178 thousand units. The average construction period extended to 34 months, from 30 months before the war.

Despite the decrease in activity, demand for housing increased. The number of new apartments sold increased by 57% this year (data until November), while the number of used apartments sold increased by 27%. Contractor sales campaigns in the 80-20 format, in which households defer mortgages for three years, encouraged purchases. However, in recent months, a trend of decline in new home sales has emerged. In November, 3.0 thousand residential units were sold, as compared with 3.4 thousand residential units in September, and 4.2 thousand in July.

Apartment prices increased by 7.8% in 2024, an increase from 6.0% in the third quarter, and a decrease of 2.2% from 2023.

In the fourth quarter of 2024, the performance of housing credit in the banking system amounted to a total of approximately NIS 30.5 billion (in the Bank - NIS 0.38 billion, around 1.3% of the system), as compared with approximately NIS 17.1 billion in the corresponding period last year, an increase of approximately 78% (in the Bank - NIS 0.36 billion, around 2.1% of the system). In the fourth quarter, the rate of mortgages which were given in the system with an LTV ratio over 60% for residential purposes amounted to approximately 45% (in the Bank, approximately 35%), while the average PTI on mortgages in the system was approximately 29% (in the Bank, approximately 30%). The average mortgage amount was approximately NIS 1,038 thousand (in the Bank - NIS 708 thousand).

In the fourth quarter of 2024, the performance of housing credit in the banking system amounted to a total of approximately NIS 100.8 billion (in the Bank - NIS 1.8 billion, around 1.8% of the system), as compared with approximately NIS 77.1 billion in the corresponding period last year, an increase of approximately 31% (in the Bank - NIS 2.1 billion, around 2.7% of the system).

In 2024, the rate of mortgages which were given in the system with an LTV ratio over 60% for residential purposes amounted to approximately 46% (in the Bank, approximately 36%), while the average PTI on mortgages in the system was approximately 29% (in the Bank, approximately 30%). The average mortgage amount was approximately NIS 994 thousand (in the Bank - NIS 751 thousand).

For additional details, see chapter 3.1, “Credit risks”, in Table 31, “Development of housing credit performance and main performance indicators”.

2.2 Main developments in income, expenses and other comprehensive income

Profit and profitability

Net profit attributed to the Bank's shareholders in 2024 amounted to NIS 154.6 million, as compared with NIS 134.6 million last year, an increase of 15%.

Average net return on equity amounted to 11.1%, as compared with 10.5% in the corresponding period last year.

Net profit attributed to the Bank's shareholders in the fourth quarter of 2024 amounted to NIS 22.6 million, as compared with NIS 24.4 million last year, a decrease of 7%.

Average net return on equity amounted to 6.4%, as compared with 7.4% in the corresponding period last year.

Table 5 - Condensed statement of income (NIS millions):

	For the year ended December 31				For the three month period ended December 31			
	2024	2023	Quantitative change	Change in percent	2024	2023	Quantitative change	Change in percent
Interest income, net	**703.6**	**731.7**	**(28.1)**	**(4%)**	**164.6**	**178.6**	**(14.0)**	**(8%)**
Expenses with respect to credit losses	79.7	133.3	(53.6)	(40%)	16.9	35.1	(18.2)	(52%)
Interest income, net, after expenses with respect to credit losses	**623.9**	**598.4**	**25.5**	**4%**	**147.7**	**143.5**	**4.2**	**3%**
Non-interest income								
Non-interest financing income	48.8	37.0	11.8	32%	5.8	14.2	(8.4)	(59%)
Fees	155.2	123.8	31.4	25%	51.3	30.5	20.8	68%
Other income	7.4	-	-	100%	-	-	-	-
Total non-interest income	**211.4**	**160.8**	**50.6**	**31%**	**57.1**	**44.7**	**12.4**	**28%**
Operating and other expenses								
Payroll and associated expenses	259.8	254.3	5.5	2%	71.3	69.8	1.5	2%
Maintenance and depreciation of buildings and equipment	139.6	126.8	12.8	10%	35.3	32.7	2.6	8%
Other expenses	191.5	165.1	26.4	16%	58.9	46.9	12.0	26%
Total operating and other expenses	**590.9**	**546.2**	**44.7**	**8%**	**165.5**	**149.4**	**16.1**	**11%**
Profit before taxes	**244.4**	**213.0**	**31.4**	**15%**	**39.3**	**38.8**	**0.5**	**1%**
Provision for taxes on income	83.6	76.3	7.3	10%	14.5	14.1	0.4	3%
Net profit								
Before attribution to non-controlling interests	160.8	136.7	24.1	18%	24.8	24.7	0.1	-
Attributed to non-controlling interests	6.2	2.1	4.1	195%	2.2	0.3	1.9	633%
Attributed to the Bank's shareholders	154.6	134.6	20.0	15%	22.6	24.4	(1.8)	(7%)

Presented below are the main factors which affected the Bank's profits in 2024 relative to 2023:

1. **Net interest income** in 2024 amounted to NIS 703.6 million, as compared with NIS 731.7 million in 2023, a decrease of NIS 28.1 million (4%). The decrease was due to the price impact in the amount of NIS 31.8 million (4%), which was partly offset by the increase in the quantitative impact in the amount of NIS 3.7 million (1%).

2. **Expenses with respect to credit losses** in 2024 amounted to expenses in the amount of NIS 79.7 million, as compared with expenses in the amount of NIS 133.3 million in 2023, a decrease of NIS 53.6 million (40%). In the corresponding period an increase of the collective provision was recorded, which included the projected impact of the Swords of Iron War in the amount of approximately NIS 35.7 million. Additionally, a decrease in the collective provision was recorded this year in the amount of approximately NIS 12.6 million, due to the decrease in the balance of credit to private individuals. The rate of the expense with respect to credit losses to the recorded balance of debt in 2024 amounted to 0.51%, as compared with 0.87% in the corresponding period last year. For additional details regarding the analysis of the expenses with respect to credit losses, see below in this chapter, section regarding expenses with respect to credit losses.
3. **Total non-interest income** in 2024 amounted to NIS 211.4 million, as compared with NIS 160.8 million in the corresponding period last year, an increase of approximately NIS 50.6 million (31%), of which:

   Non-interest financing income in 2024 amounted to NIS 48.8 million, as compared with NIS 37.0 million in 2023. In 2024, revenues from the sale of credit portfolios were recorded in the amount of NIS 37.4 million, as compared with NIS 43.0 million in 2023. The increase in the amount of approximately NIS 11.8 million was mostly due to the increase in the amount of NIS 17.4 million from investing activities in securities, which was partly offset by the decrease of approximately NIS 5.6 million in revenues from the sale of portfolios.

   For additional details regarding credit portfolio sales, see below in chapter 1.6, “Significant events during the reporting period and after the balance sheet date”.

   Fee revenue in 2024 amounted to NIS 155.2 million, as compared with NIS 123.8 million in 2023, an increase of approximately NIS 31.4 million (25%). The increase was mostly due to syndication fees in the amount of NIS 11.0 million due to the transaction involving the provision of joint housing loans, and the activity in the prepaid cards segment, in the amount of NIS 15.4 million.

   For additional details, see Note 4 to the financial statements.

   Other income - In 2024 amounted to NIS 7.4 million, due to the Bank’s purchase of bonds which were issued by the Bank’s subsidiary.
4. **Operating and other expenses** in 2024 amounted to NIS 590.9 million, as compared with NIS 546.2 million in 2023, an increase of approximately NIS 44.7 million (8%):

   Payroll and associated expenses increased in the amount of NIS 5.5 million (approximately 2%), maintenance and depreciation of buildings and equipment increased by NIS 12.8 million (approximately 10%), and other expenses increased by NIS 26.4 million (approximately 16%). Additional details regarding the changes are presented below in the section regarding operating and other expenses in Table 13.

<u>Presented below are the main factors which affected the Bank’s profits in the fourth quarter of 2024, relative to the corresponding period last year:</u>

1. **Net interest income** in the fourth quarter of 2024 amounted to NIS 164.6 million, as compared with NIS 178.6 million in the corresponding period last year, a decrease of NIS 14.0 million (8%).

   The decrease was mostly due to the price impact in the amount of NIS 9.9 million (6%), and the quantitative impact in the amount of NIS 4.1 million (2%).

1. **Expenses with respect to credit losses** in the fourth quarter of 2024 amounted to income in the amount of NIS 16.9 million, as compared with expenses in the amount of NIS 35.1 million in the corresponding period last year, a decrease of NIS 18.2 million (52%). In the corresponding period, the collective provision increased, which included the projected impact of the Swords of Iron War. The rate of the expense with respect to credit losses to the recorded balance of debt for the three month period ended December 31, 2024 amounted to 0.43%, as compared with 0.92% in the corresponding period last year.

2. **Non-interest financing income** in the fourth quarter of 2024 amounted to NIS 57.1 million, as compared with NIS 44.7 million in the corresponding quarter last year. An increase of approximately NIS 12.4

million (28%), of which:

Non-interest financing income in the fourth quarter of 2024 amounted to NIS 5.8 million, as compared with NIS 14.2 million in the corresponding period last year. In the fourth quarter of 2023, revenues from the sale of credit portfolios were recorded in the amount of NIS 20.7 million. After neutralizing income from the sale of credit portfolios, loss was recorded in the fourth quarter of 2023 in the amount of NIS 6.5 million. The decrease was mostly due to losses from the derivative instruments activity, which amounted to loss of NIS 6.7 million, and from commercial activity, which amounted to NIS 0.6 million.

Fee revenue in the fourth quarter of 2024 amounted to NIS 51.3 million, as compared with NIS 30.5 million in the corresponding period last year, an increase of NIS 20.8 million.

The increase was mostly due to syndication fees in the amount of NIS 9.5 million due to the transaction involving the provision of joint housing loans, the activity in the prepaid cards segment in the amount of NIS 5.5 million, conversion fees in the amount of NIS 2.1 million, and income from the credit portfolios service in the amount of NIS 1.5 million. For additional details, see Note 4 to the financial statements.

3. **Operating and other expenses** in the fourth quarter of 2024 amounted to NIS 165.5 million, as compared with NIS 149.4 million in the corresponding period last year, an increase of approximately NIS 16.1 million (11%);

   Payroll and associated expenses increased in the amount of NIS 1.5 million (approximately 2%), maintenance and depreciation of buildings and equipment increased by NIS 2.6 million (approximately 8%), and other expenses increased by NIS 12.0 million (approximately 26%). Additional details regarding the changes are presented below in the section regarding operating and other expenses.

Interest income and expenses and rates of income and expenses by balance sheet items

Table 6 - Interest income and expenses and rates of income and expenses by balance sheet items (NIS millions):

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Average balance	Interest income	Income rates in percent	Average balance	Interest income	Income rates in percent
Interest bearing assets						
Credit to the public	15,346.9	1,253.4	8.17	14,948.1	1,196.0	8.00
Deposits in banks and central banks	4,731.8	199.2	4.21	3,476.3	138.8	3.99
Bonds	1,109.4	34.8	3.14	1,397.5	36.1	2.58
Total interest bearing assets	**21,188.1**	**1,487.4**	**7.02**	**19,821.9**	**1,370.9**	**6.92**
	For the year ended December 31, 2024			**For the year ended December 31, 2023**		
	Average balance	**Interest expenses**	**Expense rates in percent**	**Average balance**	**Interest expenses**	**Expense rates in percent**
Interest bearing liabilities						
Public deposits	15,690.5	645.6	4.11	13,726.4	513.7	3.74
Deposits to banks and government	129.8	2.7	2.08	333.2	1.7	0.51
Bonds	3,111.7	135.5	4.35	3,138.1	123.8	3.94
Total interest bearing liabilities	**18,932.0**	**783.8**	**4.14**	**17,197.7**	**639.2**	**3.72**
Interest margin			**2.88**			**3.20**
	For the three months ended December 31, 2024			**For the three months ended December 31, 2023**		
	Average balance	**Interest income**	**Income rates in percent**	**Average balance**	**Interest income**	**Income rates in percent**
Interest bearing assets						
Credit to the public	15,309.4	261.2	6.82	15,179.1	281.6	7.42
Deposits in banks and central banks	4,997.3	54.5	4.36	4,443.5	44.5	4.01
Bonds	1,214.4	8.7	2.87	1,298.5	8.5	2.62
Total interest bearing assets	**21,521.1**	**324.4**	**6.03**	**20,921.1**	**334.6**	**6.40**
	For the three months ended December 31, 2024			**For the three months ended December 31, 2023**		
	Average balance	**Interest expenses**	**Expense rates in percent**	**Average balance**	**Interest expenses**	**Expense rates in percent**
Interest bearing liabilities						
Public deposits	16,261.4	152.2	3.74	15,131.3	155.3	4.11
Deposits to banks and government	59.0	0.4	2.71	231.5	0.3	0.52
Bonds	3,019.9	7.2	0.95	3,546.7	0.5	0.06
Total interest bearing liabilities	**19,340.3**	**159.8**	**3.31**	**18,909.5**	**156.1**	**3.30**
Interest margin			**2.72**			**3.10**

In 2024, relative to 2023, the interest rate margin decreased by 0.32 percentage points, the scope of interest bearing assets increased at a rate of approximately 7% relative to the corresponding period last year, and the income rate increased by 0.1 percentage points.

In the fourth quarter of 2024, relative to the corresponding quarter last year, the interest rate margin decreased by 0.38 percentage points, and the scope of interest bearing assets increased by approximately 3%.

For additional details, see Annex 1 - Rates of interest income and expenses, in the report regarding corporate governance.

Analysis of changes in interest income and interest expenses

Table 7 - Analysis of changes in interest income and expenses (NIS millions):

	For the year ended December 31, 2024 Relative to the year ended December 31, 2023			For the year ended December 31, 2023 Relative to the year ended December 31, 2022		
	Increase (decrease) due to change		Net change	Increase (decrease) due to change		Net change
	Amount	Price		Amount	Price	
Interest bearing assets						
Credit to the public in Israel	31.9	25.5	57.4	95.1	237.2	332.3
Other interest bearing assets in Israel	43.2	15.9	59.1	11.2	120.7	131.9
Total interest income	**75.1**	**41.4**	**116.5**	**106.3**	**357.9**	**464.2**
Interest bearing liabilities						
Public deposits in Israel	73.5	58.3	131.8	37.2	316.3	353.5
Other interest bearing liabilities	(2.1)	14.9	12.8	44.9	(70.7)	(25.8)
Total interest expenses	**71.4**	**73.2**	**144.6**	**82.1**	**245.6**	**327.7**
Total	**3.7**	**(31.8)**	**(28.1)**	**24.2**	**112.3**	**136.5**

	For the three months ended December 31, 2024 as compared with the three months ended December 31, 2023			For the three months ended December 31, 2023 as compared with the three months ended December 31, 2022		
	Increase (decrease) due to change		Net change	Increase (decrease) due to change		Net change
	Amount	Price		Amount	Price	
Interest bearing assets						
Credit to the public in Israel	2.4	(22.8)	(20.4)	19.9	24.0	43.9
Other interest bearing assets in Israel	4.8	5.4	10.2	10.8	20.6	31.4
Total interest income	**7.2**	**(17.4)**	**(10.2)**	**30.7**	**44.6**	**75.3**
Interest bearing liabilities						
Public deposits in Israel	11.6	(14.7)	(3.1)	11.7	99.4	111.1
Other interest bearing liabilities	(0.3)	7.2	6.9	17.5	(62.1)	(44.6)
Total interest expenses	**11.3**	**(7.5)**	**3.8**	**29.2**	**37.3**	**66.5**
Total	**(4.1)**	**(9.9)**	**(14.0)**	**1.5**	**7.3**	**8.8**

Interest margins between interest bearing monetary assets and liabilities, less costs, on liabilities in the various linkage segments

Table 8 - Interest margins between interest bearing monetary assets and liabilities, less costs, on liabilities in the various linkage segments (NIS millions):

	For the year ended December 31		For the three month period ended December 31	
	2024	2023	2024	2023
Unlinked	2.76%	3.23%	2.69%	2.90%
Linked to the CPI	3.56%	3.52%	3.17%	4.24%
Foreign currency and linked to foreign currency	(0.14%)	0.42%	0.23%	0.90%
Total interest margin	**2.88%**	**3.20%**	**2.72%**	**3.10%**
Net returns on interest bearing assets	**3.32%**	**3.69%**	**3.06%**	**3.41%**

Table 9 - Average balances and interest rates on interest bearing assets and liabilities attributed to the activity in Israel (NIS millions):

	For the year ended December 31, 2024		For the year ended December 31, 2023		Rate of change	
	Average balance	Income / expense rates	Average balance	Income / expense rates	Average balance	Income / expense rates
Unlinked Israeli currency (*)						
Total interest bearing assets	14,841.6	6.75	14,356.8	6.80	3.4%	(0.7%)
Total interest bearing liabilities	13,372.4	(3.99)	12,583.9	(3.57)	6.3%	11.8%
Interest margin		**2.76**		**3.23**		**(14.6%)**
CPI-linked Israeli currency						
Total interest bearing assets	5,622.8	8.16	4,662.7	7.81	20.6%	4.5%
Total interest bearing liabilities	4,821.5	(4.60)	3,803.8	(4.29)	26.8%	7.2%
Interest margin		**3.56**		**3.52**		**1.1%**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest bearing assets	723.7	3.69	803.4	3.77	(9.9%)	(2.1%)
Total interest bearing liabilities	738.1	(3.83)	810.0	(3.35)	(8.9%)	14.3%
Interest margin		**(0.14)**		**0.42**		**(133.3%)**
Total activity						
Total interest bearing assets	21,188.1	7.02	19,821.9	6.92	6.9%	1.4%
Total interest bearing liabilities	18,932.0	(4.14)	17,197.7	(3.72)	10.1%	11.3%
Interest margin		**2.88**		**3.20**		**(10.0%)**

(*) The decrease in the interest rate margin, by 0.32 percentage points, was the main factor leading to the decrease in interest income.

Impact of interest rate margins by linkage bases

Unlinked Israeli currency - In 2024, the Bank of Israel interest rate decreased from 4.75% at the beginning of the year to 4.50% at the end. The interest rate margin in the unlinked segment in 2024 amounted to approximately 2.76%, as compared with 3.23% in 2023. The decrease of 0.47 percentage points of the interest rate margin in this segment was the main cause of the decrease in financial profit. The balance of credit to the public at variable interest, unlinked, at the end of 2024, amounted to NIS 8,135 million, including housing loans in the amount of approximately NIS 3,131 million, and loans to private individuals in the amount of NIS 1,256 million, as compared with the balance of credit to the public at variable interest, unlinked, at the end of 2023 in the amount of approximately NIS 8,440 million, including housing loans in the amount of approximately NIS 3,615 million, and loans to private individuals in the amount of NIS 1,434 million.

CPI-linked Israeli currency - In 2024, the known CPI increased by 3.4%, as compared with an increase of 3.3% in 2023. The interest rate margin during the reporting period amounted to approximately 3.56%, as compared with 3.52% in 2023. The CPI's impact on interest income in 2024 was reflected in an increase of approximately NIS 33.6 million, as compared with an increase of approximately NIS 18.0 million in 2023. The interest income margin between credit to the public and the raising sources (public deposits and bonds) in 2024 amounted to 3.66%, as compared with 3.63% in 2023. The balance of credit to the public with linked interest as of December 31, 2024 amounted to approximately NIS 5,089 million, including housing loans in the amount of approximately NIS 4,593 million.

	For the three months ended December 31, 2024		For the three months ended December 31, 2023		Rate of change	
	Average balance	Income / expense rates	Average balance	Income / expense rates	Average balance	Income / expense rates
Unlinked Israeli currency						
Total interest bearing assets	15,156.3	6.76	14,951.3	6.92	1.4%	(2.3%)
Total interest bearing liabilities	13,617.8	(4.07)	13,606.0	(4.02)	0.1%	1.2%
Interest margin		**2.69**		**2.90**		**(7.2%)**
CPI-linked Israeli currency						
Total interest bearing assets	5,736.2	4.34	5,192.2	5.25	10.5%	(17.3%)
Total interest bearing liabilities	4,977.8	(1.17)	4,154.5	(1.02)	19.8%	14.7%
Interest margin		**3.17**		**4.23**		**(25.1%)**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest bearing assets	628.6	3.88	777.6	3.55	(19.2%)	9.3%
Total interest bearing liabilities	744.7	(3.65)	1,149.0	(2.65)	(35.2%)	37.7%
Interest margin		**0.23**		**0.90**		**(74.4%)**
Total activity						
Total interest bearing assets	21,521.1	6.03	20,921.1	6.38	2.9%	(5.5%)
Total interest bearing liabilities	19,340.3	(3.31)	18,909.5	(3.28)	2.3%	0.9%
Interest margin		**2.72**		**3.10**		**(12.3%)**

Scope of activities(3) and contribution to net interest income of the various linkage segments

Table 10 - Scope of activities(3) and contribution to net interest income of the various linkage segments

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	Scope of operations	Contribution to interest income, net		Scope of operations	Contribution to interest income, net	
	In %	In %	NIS millions	In %	In %	NIS millions
Unlinked	70	66	468.1	73	73	527.6
Linked (1)	26	34	237.1	23	27	200.8
Foreign currency (2)	4	-	(1.6)	4	-	3.3
Total	**100**	**100**	**703.6**	**100**	**100**	**731.7**

	For the three months ended December 31, 2024			For the three months ended December 31, 2023		
	Scope of operations	Contribution to interest income, net		Scope of operations	Contribution to interest income, net	
	In %	In %	NIS millions	In %	In %	NIS millions
Unlinked	71	71	117.6	72	68	121.6
Linked (1)	26	29	47.7	23	32	57.7
Foreign currency (2)	3	-	(0.7)	5	-	(0.7)
Total	**100**	**100**	**164.6**	**100**	**100**	**178.6**

(*) Less than NIS 1 thousand.

1 Income in this segment also includes linkage differentials

2 Income in the foreign currency segment does not include exchange differences on principal and the impact of derivative instruments, which are presented under non-interest income.

3 The average balances of interest bearing assets and liabilities by linkage segment, out of the total average balances of interest bearing assets and liabilities.

For additional details, see Annex 1 - Rates of interest income and expenses, in the report regarding corporate governance.

Distribution of net interest income by operating segments

Table 11 - distribution of net interest income by operating segments (NIS millions):

	For the year ended December 31		For the three months ended December 31	
	2024	2023	2024	2023
Households	531.6	462.8	195.3	122.3
Private banking	22.3	20.5	4.9	5.4
Businesses	160.9	135.9	39.2	37.0
Institutional entities	6.9	5.4	1.9	1.7
Financial management segment	62.4	107.1	3.8	12.2
Total interest income, net	**703.6**	**731.7**	**164.6**	**178.6**

(*) Approximately 79% of net interest income originates from households.

Credit margin and deposits

The margin in the credit provision activity in 2024 amounted to approximately 2.9%, similarly to 2023.

The operating margin from the deposit raising activity in 2024 amounted to approximately 0.9%, as compared with 1.0% in 2023.

For additional details regarding credit margins and deposits, see below in Chapter 2.4, Description of the banking corporation’s business by supervised operating segments, and Note 28, Supervised Operating Segments.

Expenses with respect to credit losses

Table 12 - Expenses with respect to credit losses (NIS millions):

	For the year ended December 31, 2024				For the year ended December 31, 2023			
	Credit type				Credit type			
	Commercial	Housing	Other private	Total	Commercial	Housing	Other private	Total
Accounting write-offs	7.9	0.5	82.8	91.1	6.9	0.7	89.9	97.5
Collection of debts which were written off in previous years	-	-	(20.9)	(20.8)	(0.1)	-	(16.8)	(16.9)
Collective provision - impact of debt balance	4.2	(1.4)	(13.5)	(10.7)	(0.2)	2.1	(0.9)	1.0
Collective provision - other effects (2) (3)	5.1	(1.5)	16.5	20.1	8.2	6.5	37.0	51.7
Total expenses with respect to credit losses (4)	**17.2**	**(2.4)**	**64.9**	**79.7**	**14.8**	**9.3**	**109.2**	**133.3**
Recorded debit balance at end of year, gross	**4,553.4**	**9,692.5**	**1,414.8**	**15,660.7**	**3,912.1**	**9,834.1**	**1,536.1**	**15,282.3**
Rate of recorded debit balance at end of year								
Net write-offs	0.17%	0.01%	4.38%	0.45%	0.17%	0.01%	4.76%	0.53%
Collective provision	0.20%	(0.03%)	0.21%	0.06%	0.20%	0.09%	2.35%	0.34%
Expenses with respect to credit losses (5)	0.38%	(0.02%)	4.59%	0.51%	0.38%	0.09%	7.11%	0.87%

	For the three months ended December 31, 2024				For the three months ended December 31, 2023			
	Credit type				Credit type			
	Commercial	Housing	Other private	Total	Commercial	Housing	Other private	Total
Accounting write-offs	2.0	-	22.8	24.8	1.7	0.1	29.3	31.1
Collection of debts which were written off in previous years	-	-	(5.3)	(5.3)	-	-	(4.3)	(4.3)
Collective provision - impact of debt balance	(1.0)	(0.8)	(6.8)	(8.6)	(0.5)	(0.4)	(10.1)	(11.0)
Collective provision - other effects (2) (3)	1.0	0.2	4.8	6.0	0.6	3.3	15.4	19.3
Total expenses with respect to credit losses (4)	**2.0**	**(0.6)**	**15.5**	**16.9**	**1.8**	**3.0**	**30.3**	**35.1**
Recorded debit balance at end of year, gross	**4,553.4**	**9,692.5**	**1,414.8**	**15,660.7**	**3,912.1**	**9,834.1**	**1,536.1**	**15,282.3**
Rate of recorded debit balance at end of year								
Net write-offs	0.18%	-	4.95%	0.50%	0.17%	-	6.51%	0.70%
Collective provision	-	(0.02%)	(0.57%)	(0.07%)	0.01%	0.12%	1.38%	0.22%
Expenses with respect to credit losses (5)	0.18%	(0.02%)	4.38%	0.43%	0.18%	0.12%	7.89%	0.92%

(1) For additional details regarding the balance of the provision, see Note 13 and Note 29 to the financial statements, and the chapter regarding risks.

(2) In the years ended December 31, 2024 and December 31, 2023, expenses with respect to credit losses included an expense

with respect to a specific net provision in the amount of approximately NIS (0.7) million and approximately NIS (0.5) million, respectively. For the three month period ended December 31, 2024, and as of December 31, 2023, the expense with respect to credit losses included an expenses with respect to a specific net provision in the amount of approximately NIS (0.5) million and approximately NIS 2.7 million, respectively.

(3) Updates to average lifetime, qualitative and macro adjustment factors, mostly due to the changes in the economic environment and the expected impact of the Swords of Iron War.

(4) For additional details, see chapter 2.2, “Main developments in income, expenses and other comprehensive income”.

The Bank applied the new provisions regarding provisions for credit losses beginning on January 1, 2022, while carrying the cumulative effect to retained earnings on the date of initial adoption. The data for corresponding periods are presented in accordance with the definitions and rules for measurement prior to initial adoption. For additional details regarding the changes and the initial adoption, see Note 1 to the financial statements.

Expenses

Operating and other expenses in 2024 amounted to NIS 590.9 million, as compared with NIS 546.2 million in 2023, an increase of approximately NIS 44.7 million (increase of around 8%):

Payroll and associated expenses - Increase in the amount of NIS 5.5 million (2%), mostly due to the increase in liabilities for employee rights and actuarial, growth of the workforce, periodic salary updates, and variable remuneration.

Maintenance and depreciation of buildings and equipment increased by NIS 12.8 million (10%). The increase was mostly due to deprecation of software costs.

Other expenses increased by NIS 26.4 million (16%). The increase was mostly recorded in the items for IT expenses, marketing and advertising expenses, and prepaid card issuance expenses, due to the growth of the activity and professional services, as specified in Table 13.

Quarterly development:

Operating and other expenses in the fourth quarter of 2024 amounted to NIS 165.5 million, as compared with NIS 149.4 million in the corresponding period last year, an increase of approximately NIS 16.1 million;

Payroll and associated expenses - Increase in the amount of NIS 1.5 million (2%), mostly due to the increase in liabilities for employee rights and actuarial, growth of the workforce, periodic salary updates, and variable remuneration.

Maintenance and depreciation of buildings and equipment increased in the amount of NIS 2.6 million (approximately 8%)

Other expenses increased in the amount of NIS 12.0 million (around 26%). The increase was mostly recorded in the items for IT expenses, marketing and advertising expenses, and prepaid card issuance expenses, due to the growth of the activity, as specified in Table 13.

Table 13 - Details regarding other expenses (NIS millions):

	For the year ended December 31				For the three months ended December 31			
	2024	2023	Quantitative change	Change in percent	2024	2023	Quantitative change	Change in percent
IT	64.7	58.8	5.9	10%	17.0	18.3	(1.3)	(7%)
Marketing and advertising	20.9	17.2	3.7	22%	7.3	3.3	4.0	121%
Expenses associated with issuance of prepaid cards	33.3	20.5	12.9	63%	10.2	6.0	4.3	73%
Professional services	30.7	23.9	6.8	28%	10.5	6.9	3.6	52%
Training and continuing education	4.0	6.0	(2.0)	(33%)	1.5	1.9	(0.4)	(21%)
Vehicle maintenance	4.5	5.3	(0.8)	(15%)	1.3	1.2	0.1	8%
Fees	6.4	4.8	1.6	33%	1.8	0.9	0.9	100%
Miscellaneous expenses *	27.0	28.8	(1.8)	(6%)	9.3	8.5	0.8	9%
Total other expenses	**191.5**	**165.1**	**26.4**	**16%**	**58.9**	**46.9**	**12.0**	**26%**

* Also including expenses where the scope of monetary change therein in 2024 was immaterial relative to 2023.

Details regarding the expenses are provided in Note 7 to the financial statements.

Expenses and investments with respect to information technology systems [1][2]

Table 14 - Details regarding expenses and investments in information technology systems (NIS millions):

	For the year ended December 31	
	2024	2023
Expenses which were recorded in the statement of income		
Payroll and associated expenses	27.6	27.3
Depreciation expenses (software and IT costs)	84.7	73.7
IT (other expenses) [3]	65.0	58.8
Total	**177.3**	**159.8**
Costs recorded as assets		
Discounting with respect to payroll and associated expenses	19.2	16.1
Additional software costs and IT equipment [2]	101.8	101.4
Total	**121.0**	**117.5**
Balance of assets with respect to information technology system		
Depreciated cost (software costs)	242.7	206.4
Depreciated cost (IT equipment)	2.1	3.3
Total	**244.8**	**209.7**

(1) Information technology systems are as defined in Proper Conduct of Banking Business Directive 357, “Management of information technology”.

(2) For additional details regarding the Bank’s information technology systems, see below in the report regarding corporate governance and additional details.

(3) The increase in IT expenses was due to the increase in maintenance fees, in addition to the increase in the scope of investments, and as a result of depreciation.

Provision for taxes on income

The provision for taxes in 2024 amounted to NIS 83.6 million, as compared with NIS 76.3 million in 2023. The effective tax rate was 34.2%, as compared with 35.8% in the corresponding period last year, and as compared with the statutory tax rate of 34.2%. For additional information, see Note 8 - Provision for Income Taxes.

The provision for taxes in the fourth quarter of 2024 amounted to NIS 14.5 million, as compared with NIS 14.1 million in the corresponding period last year. The effective tax rate was 36.9%, as compared with 36.3% in the corresponding period last year.

On April 14, 2024, the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions) (Amendment), 5784-2024, was published in the Official Gazette, which amended the Value Added Tax Ordinance such that the rate of payroll tax and capital gains tax which are due with respect to the activity of financial institutions in Israel, was changed from 17% to 18%, beginning on January 1, 2025.

Due to the foregoing amendment to the ordinance, the Company’s statutory tax rate increased from 34.19% to 34.75%. Additionally, during the reporting period, the Bank recognized an increase in the balance of deferred tax in the amount of approximately NIS 0.8 million.

Developments in other comprehensive income items

Other comprehensive income attributed to the Bank’s shareholders (after tax impact) in 2024 amounted to other comprehensive income of NIS 6.0 million, as compared with other comprehensive income in the amount of approximately NIS 9.7 million in the corresponding period last year. The interest rate hikes and the increased forecasts of inflation, unrealized income was recorded due to the adjustment of available for sale securities at fair value, net, in the amount of NIS 4.8 million (approximately NIS 7.4 million before tax effect). Additionally, income was recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 1.0 million (approximately NIS 1.5 million before tax impact).

In 2023, unrealized losses were recorded due to the adjustment of available for sale securities at fair value, net, in the amount of NIS 8.5 million (approximately NIS 13.0 million before tax effect). Additionally, income was recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 1.1 million (approximately NIS 1.8 million before tax impact).

Other comprehensive income attributed to the Bank’s shareholders (after tax impact) in the fourth quarter of 2024 amounted to other comprehensive income of NIS 13.1 million, as compared with other comprehensive income in the amount of approximately NIS 12.7 million in the corresponding period last year. The interest rate hikes and the increased forecasts of inflation, unrealized income was recorded due to the adjustment of available for sale securities at fair value in the amount of NIS 13.3 million (approximately NIS 20.4 million before tax effect). On the other hand, expenses were recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 0.2 million (approximately NIS 0.3 million before tax impact).

In the fourth quarter of 2023, unrealized income was recorded due to the adjustment of available for sale securities at fair value, net, in the amount of NIS 12.3 million (approximately NIS 18.8 million before tax effect). Additionally, income was recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 0.4 million (approximately NIS 0.5 million before tax impact).

Comprehensive income

Total comprehensive income attributed to the Bank's shareholders in 2024 amounted to NIS 160.6 million, as compared with NIS 144.3 million in 2023.

Average comprehensive return on equity attributed to the Bank's shareholders in 2024 amounted to 11.5%, as compared with 11.3% in the corresponding period last year.

Total comprehensive income attributed to the Bank's shareholders in the fourth quarter of 2024 amounted to NIS 29.5 million, as compared with NIS 37.1 million in the corresponding period last year.

Average comprehensive return on equity attributed to the Bank's shareholders in the fourth quarter of 2024 amounted to 10.1%, as compared with 11.3% in the corresponding period last year.

All of the changes were due to net income and other comprehensive income, as explained above.

For details regarding multi-year profit and loss data, see Annex 3 to the report, regarding corporate governance and additional details, and in chapter 1.4 above, "Condensed financial information and key performance indicators over time".

2.3 Structure and development of assets, liabilities, capital, capital adequacy and leverage

Developments in assets and liabilities items

The total balance sheet as of December 31, 2024 amounted to NIS 22,389.3 million, as compared with approximately NIS 21,825.5 million at the end of 2023, an increase of approximately 2.6%.

Cash, deposits in banks and securities

The balance of liquid assets (cash, deposits in banks and securities) as of December 31, 2024 amounted to NIS 6,378.4 million, as compared with approximately 6,255.9 million at the end of 2023, an increase of approximately 2%.

The balance of cash and deposits in banks as of December 31, 2024 amounted to NIS 5,056.0 million, as compared with NIS 5,157.1 million at the end of 2023.

The balance of securities as of December 31, 2024 amounted to NIS 1322.4 million, as compared with NIS 1098.8 million at the end of 2023.

Table 15 - Development of the securities portfolio (NIS millions):

	Balance as of December 31, 2023	Current movements (1)	Revaluation (2)	Balance as of December 31, 2024 (3)	Change in balances - %
Securities held to maturity	-	100.3	0.7	101.0	100%
Available for sale securities	1,085.2	15.7	19.4	1,120.4	3%
Held for trading securities	13.5	76.1	11.4	101.0	647%
Total securities	**1,098.8**	**192.1**	**31.5**	**1,322.4**	**20%**

(1) Includes purchases, sales, redemptions and interest receipts.

(2) Includes accrued interest and realized and unrealized profits from adjustments to fair value of held to maturity securities, available for sale securities, held for trading securities and exchange differences.

(3) Most of the activity during the period was due to the purchase of short term bills and government bonds in the held for trading portfolio, and the purchase of government bonds in the held to maturity portfolio.

Credit to the public

Table 16 - Developments in the credit portfolio (NIS millions):

	Balance as of December 31, 2023	Performance during the period	Repayments and portfolio sales in the period [3] [6] [7]	Balance as of December 31, 2024	Change in balances - %
Housing credit [1] [6]	9,834	1,647	(1,788)	9,693	(1%)
Credit to private individuals [*]	1,536	545 [9]	(666)	1,415	(8%)
Total housing and consumer credit	**11,370**	**2,192**	**(2,454)**	**11,108**	**(2%)**
Construction and real estate - construction [5]	1,339	926	(750)	1,515	13%
Construction and real estate - real estate activities [4] [7]	1,451	715	(772)	1,394	(4%)
Other business credit [2] [*]	1,122	907 [8]	(385)	1,644	47%
Total credit to the public, gross	**15,282**	**4,740**	**(4,361)**	**15,661**	**2%**
Provision for credit losses	212	-	-	221	-
Total credit to the public, net	**15,070**	**-**	**-**	**15,440**	**2%**

[*] Reclassified

(1) Not including refinancing in performance and repayments.
(2) As of December 31, 2024, includes credit backed by vehicle loans and general purpose credit in the amount of NIS 189.4 million (as of December 31, 2023 - NIS 176.6 million).
(3) Including accrual of interest, linkage differentials, exchange differences and accounting write-offs.
(4) Construction and real estate item - The real estate activity applies to mortgages for business purposes and pledges on apartments and commercial properties.
(5) Construction and real estate item - Construction refers to credit to purchase land for construction and accompaniment of residential projects.
(6) Including mortgage portfolio sales in the amount of approximately NIS 652.5 million, and including the Bank's share in the joint provision of housing loans (syndication) in the amount of approximately NIS 20.4 million.
(7) Including commercial portfolio sales in the amount of approximately NIS 266.4 million, from the real estate activity.
(8) Including the purchase of a portfolio in the amount of approximately NIS 133 million, and the purchase of commercial motor customers in the amount of approximately NIS 60 million.
(9) Including the purchase of private motor customers in the amount of approximately NIS 130 million.
(10) After neutralizing the sales and the joint provision of housing loans (syndication) in the amount of NIS 183.2 million, total credit to the public increased by 9.7%.

Buildings and equipment

The balance of buildings and equipment as of December 31, 2024 amounted to approximately NIS 265.1 million, as compared with approximately NIS 232.5 million at the end of 2023.

The increase was mostly due to software purchasing. For additional details, see Note 15, buildings and equipment.

Other assets

The balance of other assets as of December 31, 2024 amounted to approximately NIS 302.6 million, as compared with approximately NIS 265.6 million at the end of 2023.

Public deposits

Table 17 - Public deposits

	As of December 31		Change in balances - %	Rate of the total balance as of December 31	
	2023	2024		2023	2024
	NIS millions				
Deposits of private individuals [1]	13,179	13,980	6%	80%	79%
Deposits of institutional entities	1,603	1,958	22%	10%	11%
Deposits of corporations and others	1,697	1,849	9%	10%	10%
Total public deposits	**16,479**	**17,786**	**8%**	**100%**	**100%**

(1) Of which, a total of NIS 2.2 billion to private individuals who have active checking accounts at the Bank, as compared with NIS 2.5 billion as of December 31, 2023.

As of December 31, 2024, approximately 79% of total public deposits are of households. Approximately 49% of total public deposits are up to a total of NIS 1 million.

For additional details regarding deposit types and deposits by size range, see Note 18, public deposits.

For additional details regarding the qualitative analysis and the group of large depositors, see below in chapter 3.3, liquidity and financing risk.

Deposits from banks

The balance of deposits from banks as of December 31, 2024 amounted to approximately NIS 47.8 million, as compared with approximately NIS 196.8 million at the end of 2023.

Bonds and CoCo bonds

Table 18 - Bonds, CoCo bonds and public deposits

	Balance as of December 31, 2023	Issuances [1]	Repayments [1]	Balance as of December 31, 2024	Change in balances
	NIS millions				In percent
Bonds	3,254	-	(746)	2,508	(23%)
Contingent convertible (CoCo) bonds	209	5	-	214	3%
Total liability notes	**3,463**	**5**	**(746)**	**2,722**	**(21%)**

(1) Also includes accrual of interest and linkage differentials.

(2) The decrease in the balance of bonds (at a rate of approximately 21%) was due to repayments during the period, and the Bank's buyback from the subsidiary.

For details regarding issuances, see below in chapter 1.6, "Significant events during the reporting period and after the balance sheet date", and Note 37 to the financial statements.

Assets and liabilities with respect to derivative instruments

The balance of liabilities with respect to derivative instruments as of December 31, 2024 amounted to NIS 3.1 million (of which, approximately NIS 0.6 million with respect to customer activity), as compared with NIS 1.3 million at the end of 2023 (of which, approximately NIS 0.6 million with respect to customer activity).

The balance of liabilities with respect to derivative instruments as of December 31, 2024 amounted to NIS 2.8 million (of which, approximately NIS 0.6 million with respect to customer activity), as compared with NIS 7.3 million at the end of 2023 (of which, approximately NIS 0.6 million with respect to customer activity).

Other liabilities

The balance of other liabilities as of December 31, 2024 amounted to approximately NIS 334.2 million, as compared with approximately NIS 311.2 million at the end of 2023,

Off-balance sheet activity in securities held by the public

As of December 31, 2024, the number of customers holding securities portfolios maintained by the Bank amounts to approximately 4.5 thousand customers, similarly to 2023.

The value of these customers' securities portfolios as of December 31, 2024 amounted to approximately NIS 3.8 billion, as compared with approximately NIS 3.3 billion at the end of 2023.

Capital and capital adequacy

Table 19 - Capital adequacy ratio:

	Balance as of December 31, 2024	Balance as of December 31, 2023
	NIS millions	
A - Equity for the calculation of the capital ratio		
Tier 1 capital, after supervisory adjustments and deductions	1,486.6	1,366.1
Additional Tier 1 capital, after deductions	-	-
Tier 2 capital, after deductions	369.7	365.8
Total capital	**1,856.3**	**1,731.9**
B - Weighted balances of risk assets		
Credit risk	12,463.3	11,742.4
Market risk	24.3	15.4
Operational risk	1,441.5	1,276.8
Total weighted balances of risk assets	**13,929.1**	**13,034.6**
Capital attributed to the Bank's shareholders	1,451.3	1,329.2
Non-controlling interests	44.8	38.6
Total equity	**1,496.1**	**1,367.8**
	In percent	
C - Ratio of capital to risk components [(1)]	10.7	10.5
Ratio of Tier 1 capital to risk components	13.3	13.3
Ratio of total capital to risk components	9.5	9.5
Minimum Tier 1 capital ratio required by the Commissioner of Banks	12.5	12.5

(1) The Bank applies Proper Conduct of Banking Business Directive 201-211 regarding capital measurement and adequacy, as published by the Banking Supervision Department, and as updated in order to correspond to the Basel Accords.

In accordance with directives issued by the Banking Supervision Department, the Bank is required to fulfill a minimum Tier 1 capital ratio of 9%, and a minimum total capital ratio of 12.5%. A capital requirement was added to the Tier 1 capital ratio which reflects 1% of the balance of housing loans on the reporting date. Accordingly, the minimum Tier 1 capital ratio and the total minimum capital ratio required by the Banking Supervision Department, on a consolidated basis, according to the data as of the reporting date, are 9.5% and 12.5%, respectively. The establishment of capital targets constitutes a preliminary and significant step in the capital planning process, from which the other stages are derived, since the minimum capital target determined by the Bank of Israel effectively constitutes a planning restriction. The capital target was determined in consideration of the Bank's regulatory, organization and business environment. In light of the significant economic uncertainty and the related risks, which require cautious and conservative capital planning, the Board of Directors approved, in its meeting on October 26, 2021, an updated dividend distribution policy, and determined that the Tier 1 capital target will be 10.25% beginning on December 31, 2021, and in its meeting on November 16, 2021, it determined that the overall capital target will be 12.5%. beginning on December 31, 2021. In April 2022, the Bank's Board of Directors approved the addition of safety margins to these targets. Further to the process of evaluation which is being conducted by the Bank of Israel with respect to the Bank's capital ratios, and its decision, in December 2022, to reduce the Bank's capital ratio requirements, the Board of Directors resolved, in its meeting on January 24, 2023, to reduce the capital ratio requirement, as from December 31, 2022, to 10.0% above that ratio. The Board of Directors determined safety margins at a rate of 0.1%, and the safety margins of management were updated to 0.15%. The overall capital target was set as 12.5%. The safety margins were updated with respect to that target as well, to 0.25%. The internal capital adequacy assessment process (ICAAP) and capital planning constitute a central part of the Bank's management of its strategic business and risk management plan for the future. The capital planning process includes evaluating the impact of the strategic and business goals on the risk profile and on the Bank's required capital. The conservative capital targets which were determined summarize the Board of Directors' assessment of the Bank's capital adequacy, with reference to the forward looking business plan, the defined risk, the risk profile, the corporate governance and the Bank's financial position. The capital targets were also determined in consideration of the risk appetite which was challenged through various extreme scenarios of varying degrees of severity, in accordance with the Bank of Israel's instructions.
The capital planning process under ICAAP indicated that the Bank has sufficient capital, in accordance with its business plan, to meet its capital requirement and the capital targets which it determined, including after the above were challenged in a series of extreme scenario tests. For the purpose of determining the risk weights, the Bank uses the ratings determined by Standard and Poor's Rating Group.

Table 20 - Impact on the ratio of Tier 1 equity and the ratio of total capital due to hypothetical changes in the Bank's capital and in risk assets (in percentage points):

	Impact on Tier 1 capital ratio as of		Impact on the total capital ratio as of	
Scenario [1]	**December 31, 2024**	**December 31, 2023**	**December 31, 2024**	**December 31, 2023**
Increase of 10% in equity	1.1	1.0	1.1	1.0
Increase of 10% in Tier 2 capital instruments	-	-	0.2	0.2
Increase of 10% in risk assets	(1.0)	(1.0)	(1.2)	(1.2)

(1) Corresponding impact in scenario involving a hypothetical decline.

Impact of interest rate increase - According to the Bank's assessment, an increase of 1% will not result in a significant change in the Bank's capital ratios.

Table 21 - Development of capital in 2024 (NIS millions):

	Equity	Tier 1 capital	Tier 2 capital	Total capital
Balance as of December 31, 2023	**1,367.8**	**1,366.1**	**365.8**	**1,731.9**
Net profit for the period (*)	154.6	154.6	-	154.6
Dividend paid	(38.5)	(38.5)	-	(38.5)
Other comprehensive income, net, after tax impact (*)	6.0	6.0	-	6.0
Change in the balance of CoCo bonds recognized as Tier 2 capital	-	-	5.4	5.4
Change in collective provision recognized as Tier 2 capital	-	-	(1.5)	(1.5)
Other	-	(7.8)	-	(7.8)
Non-controlling interests	6.2	6.2	-	6.2
Balance as of December 31, 2024	**1,496.1**	**1,486.6**	**369.7**	**1,856.3**

(*) For details regarding profit and profitability, see chapter 2.2 above, "Main developments in income, expenses and other comprehensive income".

For additional details regarding changes in equity, see the financial statements - statement of changes in equity, and Note 24B - Capital adequacy, leverage and liquidity in accordance with the directives of the Commissioner of Banks.

Tier 2 capital

Table 22 - Tier 2 capital

	Balance as of December 31, 2024	Balance as of December 31, 2023
	NIS millions	
Contingent convertible (CoCo) bonds *	214.2	208.8
Collective provisions for credit losses	155.5	157.0
Total Tier 2 capital	**369.7**	**365.8**

* Deferred liability notes which include a loss absorption mechanism by writing off principal.

Leverage ratio

Table 23 - Leverage ratio

	Balance as of December 31	
	2024	**2023**
	NIS millions	
Tier 1 capital, after supervisory adjustments	**1,486.6**	**1,366.1**
Total balance sheet exposures	22,544.2	21,982.8
Other off-balance sheet exposures (after conversion factors to balance sheet exposures)	825.1	644.2
Additional amounts with respect to potential future exposure associated with all transactions regarding derivatives	18.6	6.8
Amounts with respect to assets which were deducted in the determination of Tier 1 capital	(0.7)	(0.8)
Total exposures	**23,387.2**	**22,633.0**
Leverage ratio	**6.4%**	**6.0%**
Minimum leverage ratio required by the Commissioner of Banks	**4.5%**	**4.5%**

On April 28, 2015, the Banking Supervision Department published Proper Conduct of Banking Business Directive 218, on the subject of the "Leverage ratio" (hereinafter: the "Directive"). The directive established a simple and transparent leverage ratio, which is not based on risk, which will serve as a supplementary and reliable measurement of risk-based capital requirements, and which is intended to limit the accumulation of leverage in the banking corporation.

In accordance with the directive, a banking corporation is required to fulfill a leverage ratio which will not fall below 5% on a consolidated basis. A banking corporation whose total balance sheet assets on a consolidated basis constitute 20% or more of the total balance sheet assets in the banking system must fulfill a leverage ratio which will not fall below 6%. In accordance with the above, the minimum leverage ratio required of the Bank is 5%.

On November 15, 2020, the Banking Supervision Department published a circular entitled "Additional adjustments to Proper Conduct of Banking Business Directives for the purpose of addressing the coronavirus pandemic (transitional provision)", which involved an update to Proper Conduct of Banking Business Directive No. 250, according to which the leverage ratio will be no less than 4.5%, on a consolidated basis, as compared with 5% prior to the change.

In the circular of the Banking Supervision Department dated December 20, 2023, the period of the expedient was extended until December 31, 2025.

A banking corporation which has used the expedient on this date will be required to return to the leverage ratio which was required before the transitional provision within two quarters, such that, upon conclusion of the transitional provision, the Bank will be subject to a minimum leverage ratio according to the actual leverage ratio or the minimum ratio which applied to the banking corporation prior to the transitional provision, whichever is lower. The Bank did not use this expedient.

On June 19, 2024, the Banking Supervision Department published a circular which updated Proper Conduct of Banking Business Directive 206, regarding capital measurement and adequacy - operational risk. The circular updated the method used to calculate weighted risk assets with respect to operational risk. The amendments will enter into effect on January 1, 2026. The Bank believes that the adoption of this update is expected to result in an increase in the Tier 1 capital ratio and in the total capital ratio, at a rate of approximately 0.3% and approximately 0.2%, respectively.

Dividend distribution policy

On October 26, 2021, the Bank's Board of Directors resolved to adopt a dividend distribution policy (the "Previous Dividend Distribution Policy"), as specified in the immediate report which was published by the Bank on October 26, 2021 (reference number 2021-01-160020), the information included wherein is included herein by way of reference. In accordance with this policy, at least 30% of the Bank's net profit in accordance with the Bank's financial statements may be distributed, provided that, inter alia, the Bank meets the regulatory capital adequacy targets which apply to it, including after the dividend distribution.

Due to the uncertainty which was created due to the Swords of Iron War and its main consequences, the Commissioner of Banks published, on November 12, 2023, guidelines regarding capital planning and the profit distribution policy. According to the requirements, the banks are required to re-evaluate the dividend distribution policy in light of the war's consequences and the uncertainty regarding the continuation of the war, and the extent of its impact on the economy. In light of the status and goals of capital adequacy, and the expected business development plan, the Board of Directors resolved, on November 28, 2023, that it would not be appropriate to change the conservative policy from 2021. It was also decided that the distribution dates will be adjusted according to the development and fulfillment of the capital adequacy target.

On December 26, 2024, the Bank's Board of Directors approved an updated dividend distribution policy (the "Updated Dividend Distribution Policy"). The updated dividend distribution policy is not essentially different from the previous dividend distribution policy. This policy was updated according to the Bank's updated multi-year strategy. In accordance with this policy, at least 30% of the Bank's net profit in accordance with the Bank's financial statements may be distributed as dividends, with respect to the profits in the period from the date of the previous resolution to distribute dividends, and the date of the Board's decision regarding the subsequent distribution, provided that, inter alia, the Bank meets the regulatory capital adequacy targets which apply to it, including after the dividend distribution.

The actual dividend distribution is subject to specific resolutions of the Board of Directors, before any distribution, and subject to the provisions of the law which apply to a dividend distribution, including the provisions of the Companies Law, 5759-1999, and the instructions of the Bank of Israel, as determined from time to time, and therefore, under certain circumstances, it is possible that a dividend distribution may be disallowed for the Bank.

The updated dividend distribution policy will remain in effect so long as the Board of Directors has not decided otherwise, and may be subject to changes from time to time, and its provisions will not derogate from the authority of the Bank's Board of Directors to decide, from time to time, in light of business considerations and the provisions of the law and the regulatory directives which apply to the Bank, to change the policy, or to change the rate of the dividend which will be distributed with respect to a certain period, or to decide not to distribute dividends with respect to a certain period.

On May 9, 2024, the Bank's general meeting of shareholders approved, as a final dividend for 2023, the following dividend:

- A total of approximately NIS 21.6 million (gross), in cash, based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of June 30, 2023. The aforementioned dividend was paid on September 11, 2023, to shareholders who held shares of the Bank on August 29, 2023.
- A total of approximately NIS 12.5 million (gross), in cash, based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of December 31, 2023. The aforementioned dividend was paid on April 8, 2024, to shareholders who held shares of the Bank on April 1, 2024.

For additional details, see the immediate report regarding the convention of a shareholder meeting which the Bank published on April 3, 2024 (reference number: 2024-01-032626), and the immediate report regarding the results of the general meeting, which the Bank published on May 9, 2024 (reference number: 2024-01-046372), whose provisions are included in this report by way of reference.

On August 20, 2024, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the first half of 2024, in the total amount of approximately NIS 26.0 million. This dividend was paid on September 5, 2024, to shareholders who held shares of the Bank as of August 28, 2024 (the effective date). For additional details, see the immediate report regarding a dividend distribution which was published by the Bank on August 20, 2024 (reference number: 2024-01-091090), whose provisions are included in this report by way of reference.

On March 18, 2025, after the balance sheet date, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the second half of 2024 in the total amount of approximately NIS 20.4 million, which will be paid to the Bank's shareholders on April, 9, 2025.

It is hereby clarified, for the avoidance of doubt, that the approval of the dividend distribution policy does not create any undertaking whatsoever, towards any third party whatsoever, to distribute dividends in practice and/or regarding dividend payment dates and/or rates, and that any dividend distribution in practice will be subject to the fulfillment of all of the conditions which are required for a distribution in accordance with the law and in accordance with the restrictions which apply to the Bank, with reference to the distribution and the specific resolution of the Board of Directors.

2.4 Description of the banking corporation's business by supervised operating segments

The Bank operates through the Bank's headquarters, branches and subsidiaries, and provides a variety of banking services, in five main operating segments.

The approach of management to the segmentation of the Bank's activities is not significantly different than the approach to the segmentation of supervised segments, as described below:

(1) **Household segment** - The customers of this segment are private individuals (excluding those who are included in the private banking segment).

In the household activity segment, the Bank offers a variety of financial services and products to private individuals (excluding those which are associated with the private banking segment). The main products which are currently available to the Bank's customers within the framework of this operating segment include: loans for the acquisition of residential apartments and commercial properties, general purpose loans to secure residential apartments, consumer loans, checking accounts, deposits and savings, capital market transactions involving securities, credit cards and prepaid cards for the Bank's customers.

Most of the Bank's customers who belong to this operating segment receive banking services from the Bank by means of the Bank's branches, through digital means, and by means of the Bank's customer service center, including IVR services.

In the prepaid credit card issuance activity the Bank issues, under a MasterCard license, various charge cards for different business needs, under the Business2Business2Customer model. The current activity is focused on the issuance of prepaid cards, mostly to foreign residents, and constitutes a simple and high-quality alternative to a bank account. The cards are marketed through several distributors which have engaged with the Bank in distribution agreements, and also provide the first line of service for customers. For quantitative data regarding this activity, see the analysis of the household segment activity below.

(2) **Private banking segment** - The customers of this segment are private individuals who have a balance in the financial assets portfolio exceeding NIS 3 million.

(3) **Business segment -** The customers of this segment are construction companies, contractors and real estate companies, corporations, associations, and small and medium businesses.

As part of the activities in the business segment, the Bank provides banking services to business customers. These services are given to the Bank's customers mostly through the Business Division, and through the Retail Division. The segment includes activities in the real estate sector, including accompaniment of residential construction projects, primarily in accordance with the closed accompaniment method, including, inter alia, the financing of projects in accordance with the various types of National Outline Plan 38, and the provision of credit to small and medium business customers, against various types of collateral.

<u>The business segment is divided into the following subsegments:</u>

- Small and micro businesses segment - businesses with a turnover of less than NIS 50 million.
- Medium and large business segment(1) - Businesses with a turnover equal to or greater than NIS 50 million.

(4) **Institutional segment** - The customers of this segment include stock exchange member companies which manage customer funds, insurance companies and additional institutional entities.

(5) **Financial management segment** - The segment includes the Bank's nostro activity and assets and liabilities management activity. The activities in this segment include the Bank's financial management, and do not include activities vis-à-vis the Bank's customers. The main operating areas in this segment are:

The management of the Bank's available financial capital, the management of assets and liabilities, the management of the Bank's nostro portfolio, including base exposures, interest and liquidity, activity vis-à-vis banks in Israel and abroad, activities involving purchase, sale and the services for the credit portfolio.

For additional details, see the chapter regarding corporate governance.

(1) This segment includes the activity with large businesses, which are of an immaterial scope.

For details regarding the main principles which were applied in the division of the results of operations among the various segments, and for additional details regarding the results of operations, see Note 28 to the financial statements.

Table 24 - Information regarding supervised operating segments (NIS millions):

	For the year ended December 31, 2024								
	Households [1]								
	Total households	Of which: housing loans	Of which: Other	Private banking	Small and micro businesses	Medium and large businesses [2]	Institutional entities	Financial management segment[3]	Total
Margin from credit provision activity	306.5	178.2	128.3	0.1	89.3	23.4	-	18.9	438.2
Margin from deposits receipt activity	102.6	-	102.6	20.2	25.7	9.1	6.3	-	163.9
Other	42.0	23.3	18.7	2.0	10.4	2.7	0.6	43.8	101.5
Total interest income, net	**451.1**	**201.5**	**249.6**	**22.3**	**125.4**	**35.2**	**6.9**	**62.7**	**703.6**
Total non-interest income	**79.9**	**8.4**	**71.5**	**4.9**	**33.9**	**12.4**	**-**	**80.3**	**211.4**
Expenses (income) with respect to credit losses	62.5	(2.4)	64.9	-	9.6	1.9	-	5.7	79.7
Operating and other expenses	470.8	185.7	285.1	17.8	57.4	20.8	5.9	18.2	590.9
Provision for taxes on income	(0.7)	9.2	(9.9)	3.2	31.6	8.5	0.3	40.7	83.6
Net profit (loss) before attribution to non-controlling interests	**(1.6)**	**17.4**	**(19.0)**	**6.2**	**60.7**	**16.4**	**0.7**	**78.4**	**160.8**
Attributed to non-controlling interests	6.2	-	6.2	-	-	-	-	-	6.2
Attributed to the Bank's shareholders	**(7.8)**	**17.4**	**(25.2)**	**6.2**	**60.7**	**16.4**	**0.7**	**78.4**	**154.6**
Direct expenses	289.2	99.3	189.9	10.8	32.4	10	3.5	9.3	355.2
Indirect expenses	181.6	86.4	95.2	7.0	25.0	10.8	2.4	8.9	235.7
Net profit before loading indirect expenses	**117.5**	**73.9**	**43.6**	**10.8**	**78.0**	**23.5**	**2.4**	**84.3**	**316.5**
Balance of credit to the public at the end of the reporting period	11,179.4	9,692.5	1,486.9	13.2	3,345.4	933.3	-	189.4	15,660.7
Balance of public deposits at the end of the reporting period	10,981.1	-	10,981.1	2,998.3	1,252.9	596.0	1,958.1	-	17,786.4
	For the year ended December 31, 2023								
Margin from credit provision activity	329.3	187.9	141.4	0.3	73.5	17.1	-	14.9	435.1
Margin from deposits receipt activity	88.4	-	88.4	18.8	25.0	10.7	4.9	-	147.8
Other	45.1	27.9	17.2	1.4	7.6	2.0	0.5	92.2	148.8
Total interest income, net	**462.8**	**215.8**	**247.0**	**20.5**	**106.1**	**29.8**	**5.4**	**107.1**	**731.7**
Total non-interest income	**67.6**	**11.1**	**56.5**	**5.0**	**28.8**	**12.2**	**-**	**47.2**	**160.8**
Expenses (income) with respect to credit losses	118.4	9.2	109.2	-	5.9	1.4	-	7.6	133.3
Operating and other expenses	465.6	170.6	295.0	11.1	39.7	11.4	2.4	16.0	546.2
Provision for taxes on income	(19.2)	16.8	(36.0)	5.2	31.9	10.4	1.1	46.9	76.3
Net profit (loss) before attribution to non-controlling interests	**(34.4)**	**30.3**	**(64.7)**	**9.2**	**57.4**	**18.8**	**1.9**	**83.8**	**136.7**
Attributed to non-controlling interests	2.1	-	2.1	-	-	-	-	-	2.1
Attributed to the Bank's shareholders	**(36.5)**	**30.3**	**(66.8)**	**9.2**	**57.4**	**18.8**	**1.9**	**83.8**	**134.6**
Direct expenses	292.4	96.3	196.1	7.0	21.7	5.8	1.7	7.9	336.5
Indirect expenses	173.2	74.3	98.9	4.1	18.0	5.6	0.7	8.1	209.7
Net profit before loading indirect expenses	**76.9**	**78.1**	**(1.2)**	**11.8**	**69.0**	**22.4**	**2.3**	**89.0**	**271.4**
Balance of credit to the public at the end of the reporting period	11,445.1	9,834.1	1,611.0	10.5	2,904.4	745.6	-	176.7	15,282.3
Balance of public deposits at the end of the reporting period	10,338.4	-	10,338.4	2,840.5	980.9	716.1	1,603.2	-	16,479.1

	For the three months ended December 31, 2024								
	Households [1]								
	Total households	Of which: housing loans	Of which: Other	Private banking	Small and micro businesses	Medium and large businesses [2]	Institutional entities	Financial management segment[3]	Total
Margin from credit provision activity	74.3	43.6	30.7	-	23.4	6	-	3.7	107.4
Margin from deposits receipt activity	26.9	-	26.9	5.1	6.0	2.1	1.7	-	41.8
Other	13.6	8.8	4.8	(0.2)	0.7	0.7	0.2	0.4	15.4
Total interest income, net	**114.8**	**52.4**	**62.4**	**4.9**	**30.1**	**8.8**	**1.9**	**4.1**	**164.6**
Total non-interest income	**21.0**	**2.1**	**18.9**	**1.5**	**12.4**	**3.0**	**0.0**	**19.2**	**57.1**
Expenses (income) with respect to credit losses	14.8	(0.6)	15.4	-	3.9	(1.1)	-	(0.7)	16.9
Operating and other expenses	129.8	51.1	78.7	4.9	17.2	6.6	1.7	5.3	165.5
Provision for taxes on income	(3.0)	1.6	(4.6)	0.5	7.9	2.2	-	6.9	14.7
Net profit (loss) before attribution to non-controlling interests	**(5.8)**	**2.4**	**(8.2)**	**1.0**	**13.5**	**4.1**	**0.2**	**11.8**	**24.8**
Attributed to non-controlling interests	2.2	-	2.2	-	-	-	-	-	2.2
Attributed to the Bank's shareholders	**(8.0)**	**2.4**	**(10.4)**	**1.0**	**13.5**	**4.1**	**0.2**	**11.8**	**22.6**
Direct expenses	82.3	27.6	54.7	3.1	10.2	3.3	1.0	3.0	102.9
Indirect expenses	47.5	23.5	24.0	1.8	7.0	3.3	0.7	2.3	62.6
Net profit before loading indirect expenses	**24.0**	**17.2**	**6.8**	**2.2**	**19.0**	**6.3**	**0.8**	**13.3**	**65.6**
	For the three months ended December 31, 2023								
Margin from credit provision activity	82.4	47.4	35.0	0.1	20.4	4.9	-	0.2	108.0
Margin from deposits receipt activity	23.3	-	23.3	5.0	6.2	2.7	1.4	-	38.6
Other	16.5	12.1	4.4	0.2	2.3	0.6	0.4	12.0	32.0
Total interest income, net	**122.2**	**59.5**	**62.7**	**5.3**	**28.9**	**8.2**	**1.8**	**12.2**	**178.6**
Total non-interest income	**16.7**	**1.6**	**15.1**	**1.1**	**5.6**	**3.6**	**-**	**17.7**	**44.7**
Expenses (income) with respect to credit losses	33.2	2.9	30.3	-	(1.4)	0.7	-	2.6	35.1
Operating and other expenses	127.2	44.0	83.2	2.9	11.5	3.5	0.6	3.7	149.4
Provision for taxes on income	(8.5)	4.5	(13.0)	1.4	9.0	2.8	0.5	8.9	14.1
Net profit (loss) before attribution to non-controlling interests	**(13.0)**	**9.7**	**(22.7)**	**2.1**	**15.4**	**4.8**	**0.7**	**14.7**	**24.7**
Attributed to non-controlling interests	0.3	-	0.3	-	-	-	-	-	0.3
Attributed to the Bank's shareholders	**(13.3)**	**9.7**	**(23.0)**	**2.1**	**15.4**	**4.8**	**0.7**	**14.7**	**24.4**
Direct expenses	79.3	23.4	55.9	1.8	6.2	1.7	0.5	2.0	91.5
Indirect expenses	47.9	20.6	27.3	1.1	5.3	1.8	0.1	1.7	57.9
Net profit before loading indirect expenses	**18.5**	**23.8**	**(5.3)**	**2.9**	**19.0**	**6.0**	**0.7**	**15.8**	**62.9**

Main changes in net profit:

Households segment

In the household segment, net profit attributed to the Bank's shareholders amounted to loss of NIS 7.8 million in 2024, as compared with loss of NIS 36.5 million in 2023, an improvement of NIS 28.7 million. Pre-tax profit increased by NIS 51.3 million, as follows:

	Difference in the housing loans subsegment		Difference in the other subsegment		Total difference
	Total	**Explanation**	**Total**	**Explanation**	
Interest income, net	(14.3)	Decrease in margin from credit provision activity	2.6	Increase in the margin from the deposits receipt activity in the amount of NIS 14.2 million, which was offset by the decrease in the margin from the credit provision activity in the amount of NIS 13.1 million	(11.7)
Non-interest income (*)	(2.7)	Decrease in fee revenue	15.6	increase in revenue from prepaid credit cards (**)	12.9
Expenses with respect to credit losses	(11.6)	Increase in 2023 of the collective provision with respect to the Swords of Iron War	(44.3)	Increase in 2023 of the collective provision with respect to the Swords of Iron War, and decrease in credit balances of NIS 124.1 million	(55.9)
Operating expenses	15.1	Increase in indirect expenses due to the increase in the scope of activity	(9.9)	Decrease in direct expenses due to the decrease in the scope of credit activity	5.2
Income (loss) after tax attributed to the Bank's shareholders	(12.9)		41.6		28.7

(*) It is noted that the income from the sale of mortgage portfolios and syndication is recorded in the financial management segment, while mortgage creation expenses are recorded in the household segment.

(**) In 2024, revenue from prepaid credit cards amounted to NIS 41.5 million, as compared with NIS 26.1 million in 2023, an increase of NIS 15.4 million. The expenses from this activity amounted to NIS 33.3 million in 2024, as compared with NIS 20.4 million In 2023, growth of NIS 12.9 million. The total amount loaded onto these cards (operating turnover) in 2024 amounted to NIS 4,591 million, as compared with NIS 2,802 million in 2023, growth of NIS 1,789 million.

Private banking segment

In 2024, net profit in the amount of NIS 6.2 million was recorded in this segment, as compared with profit of NIS 9.2 million in 2023. The decrease was mostly due to the increase in operating expenses in the segment.

Business segment (small and micro business, medium and large businesses)
In 2024, net profit was recorded in this entire segment in the amount of NIS 77.1 million, as compared with profit in the amount of NIS 76.2 million in 2023.
In this segment, an increase in net interest income of NIS 24.7 million was recorded, due to the increase in credit balances, against the increase in operating expenses in the amount of NIS 27.1 million.
Institutional entities segment
In 2024, net profit of NIS 0.7 million was recorded in this segment, as compared with profit of NIS 1.9 million in 2023. The decrease was due to the increase in operating expenses in the segment, of NIS 3.5 million, which was partly offset by the increase in net interest income in the amount of NIS 1.5 million.
Financial management segment
In 2024, net profit in the amount of NIS 78.4 million was recorded in this segment, as compared with profit of NIS 83.8 million in the corresponding period last year. In this segment, a decrease of NIS 44.4 million was recorded in net interest income. the decrease was primarily due to the decrease in the interest rate margin. In parallel, growth of NIS 33.1 million was recorded in non-interest income, mostly with respect to income from the sale of mortgage portfolios, syndication, nostro and buyback of bonds.
For additional details regarding the scope of indirect expenses in each segment, and regarding the allocation keys, see Note 28 to the financial statements, regarding operating segments, and Chapter 2.2, "Main developments in income, expenses and other comprehensive income".

2.5 Main investee companies

On May 25, 2022, a transaction was closed in which the Bank formed an auxiliary banking corporation, Tamar Ariel Capital Ltd. (the "Subsidiary"), to which the Bank's consumer credit activity was transferred, including an existing portfolio at a scope of NIS 1.4 billion, and in parallel, member companies of Phoenix Group purchased approximately 19.99% of the subsidiary's shares. From that date onwards, all consumer credit performed in the Bank is transferred to the subsidiary. Due to the transaction, the Bank recorded a capital contribution in the total amount of approximately NIS 69.7 million.
The Bank also transfers to the company consumer credit, which is executed on an ongoing basis.
The subsidiary was formed after approval was received from the Bank of Israel for the formation and control of the subsidiary, an agreed-upon tax ruling was received from the Israel Tax Authority, which regulated the issue of tax in connection with the transfer of the Bank's retail credit activity to the subsidiary, and approval was received from the Competition Authority for an exemption from approval for a restrictive arrangement, in accordance with section 14 of the Economic Competition Law, 5748-1988 (the exemption was given for a set period of 3 years, and is conditional on the allocation of means of control to Phoenix at a rate of up to 19.99%).
As part of the transaction, the Bank engaged with the subsidiary in an agreement regarding the provision of management and operating services, according to which the Bank will provide to the Company all of the management and operating services, and will provide it with the financing sources, which are required for its activity.

Presented below are the main figures from the reports of Tamar Ariel Capital:

	As of December 31, 2024	**As of December 31, 2023**
	NIS millions	
Credit, net	1,416.2	1,521.2
Deposits from the parent company	1,257.8	1,385.1
Equity	224.2	193.3
The Company's net profit for the year	30.9	10.5

During the reporting period, no material developments occurred in the activities of the investee companies, as stated above.
For details regarding additional main investee companies, see Note 14 to the financial statements.
For additional details regarding the banking corporation's standalone (non-consolidated) report, see the Bank's website.
For additional details regarding the diagram of the Bank's structure of holdings in subsidiaries, see the corporate governance report.

Chapter 3 - Risk Review

Material developments in the exposure to risks and in risk management methods

the Swords of Iron War, which broke out on October 7, 2023, led to a sharp decline in GDP in the fourth quarter of 2023, while in the subsequent quarters a gradual recovery in economic activity was seen. In light of the geopolitical developments in recent months, primarily the relative calm in the Lebanon front and the ceasefire agreement in Gaza, the probability of security scenarios with more severe economic implications has decreased, although the security and economic uncertainty is still considerable, and as of the date of writing this report, there is significant uncertainty regarding the "day after the war", on all matters associated with the political and security situation once it concludes, and therefore also regarding the economic consequences.
The Bank manages its business affairs and risks in accordance with a framework which it established to manage and control the signicant risks to which it is exposed as part of its business activity, based on generally accepted principles and standards established by the regulator. This framework establishes the principles for the Bank's management and control of risks in case of natural events: routine period, alerts, and extreme situations. One of the main components of the Bank's framework of risk management and control is the risk appetite which was determined by the Board of Directors, which is set forth in the Bank's various policy documents, and in a designated policy document which includes the Bank's risk appetite policy, the quantitative and qualitative limits that set the exposure limits, and principles for the determination, monitoring and management of the risk appetite, in light of the development of the Bank's risk profile. Bank management is responsible, inter alia, through the lines of defense which have been established in the Bank for the management and control of various risks, for the implementation of the established principles of risk management, and for the fulfillment of the principles of risk appetite, through the definition and enforcement of risk limits as appropriate for the Bank's activities, in accordance with the determined risk appetite. These limits are determined for both ordinary periods and emergency situations, in order to support the Bank's achievement of its business objectives, and to ensure that the business objectives are achieved while fully complying with the risk profile which corresponds to the required risk appetite, as determined by the Board of Directors, and in accordance with the regulatory restrictions. The Bank continuously monitors the risk profile in light of the quantitative and qualitative limits which were determined in the risk appetite policy.
The Bank works to ensure that the risk management and control processes are applied in all of the Bank's units, with support from the three lines of defense which were established in the Bank, and which are responsible for their implementation, control and monitoring, in order to ensure the Bank's fulfillment of the determined risk appetite, and to maintain the risk profile in all natural situations - routine periods, alert situations (potential for materialization of risk), and extreme situations. The principles of handling as required for the management and control of risks are established and defined in dedicated policy documents for each significant risk. Significant risk is defined as risk which has the potential to adversely affect the Bank's capital adequacy, profitability and objectives. For each significant risk, methods, processes and systems have been established which allow identification, measurement, assessment, control, mitigation, monitoring and reporting, including the establishment of the risk appetite and risk limits of the board of directors and management.
The quality level of the risk management infrastructure, including the information system, is adapted to

various developments in the Bank, such as changes in risk assets, growth in the balance sheet and in revenue, increase in the complexity of the activity or its operational structure, segmental expansion, sales and purchases of credit portfolios, value unlocking, launch of new products or new lines of activity, full compliance with regulatory directives, and a strong system of internal control. The process of business and strategic planning includes taking into account the scope of these developments and the needs of risk management and the human resources which are required to support the planning. In recent years, the Bank has made significant progress on the implementation of the Bank's IT upgrade plan, despite the different threats in the Bank's regulatory and economic environment, and the significant increase in regulation required of the Bank, which affects the work plan and the order of priorities of the IT and business departments.

The processes of risk management and control refer to the entire set of significant risks pertaining to the Bank's activities, such that along with the risks of business activities, including credit, market, interest and liquidity risks, the risk management processes also establish the framework and principles for addressing all of the risk factors specified below, including operational risks, business continuity, embezzlement and fraud risk, information system risks, information security and cybersecurity risks, legal risk, compliance risk, money laundering risk, terrorism financing risk, conduct risk, privacy protection risk, reputation risk and strategic risk.

Most of the non-business risks specified above – the internal control risks, could affect the Bank's strength and stability, and therefore also its ability to achieve its business objectives. The Bank has established an orderly framework for addressing them, and is continuing to strengthen the framework as an ongoing process. The framework is based on routine assessment processes, which include the use of various tools to assess the risk, on a mechanism of required reports between the organization's units, and on processes for the monitoring and control of anomalies which are used to alert of any potential materialization of risk. The assessment of internal control risks is based on a comprehensive map of risks which specifies the material deficiencies, insofar as any have been found, in the Bank's main business processes.

The internal capital adequacy assessment process (ICAAP) and capital management constitute a central part of the Bank's management of its strategic business and risk management plan for the future. The capital planning process includes evaluating the impact of the strategic and business goals on the risk profile and on the Bank's required capital. The conservative capital targets, in the capital buffers which were determined, reflect the Board of Directors' assessment of the Bank's capital adequacy, with reference to the forward looking business plan for the three year horizon, the defined risk, the risk profile, the corporate governance and the Bank's financial position.

Credit and credit concentration risk - Credit risk is the most significant and major risk to the Bank's activities, since its impact on the Bank's business objectives and capital targets is significant. The risk depends on the fiscal and monetary policy and on multiple and varied risk factors, including the rates of market interest, inflation, unemployment, prepayments, and more. Due to the increased uncertainty, the potential for change in the profile of credit and sectoral credit concentration risk has increased as well. The Bank's credit portfolio management is based on a very high percent of credit, which given with significant distribution, and secured by collateral, mostly mortgages on residential homes. When the war began, the threats increased - the incomes of private borrowers suffered, and some have not yet been able to fully resume the businesses which they left due to their military service. The government support which was given when the war began, in the form of benefits and freezes, which mitigated the harm to cash flows, is concluding, and the impact of the conclusion of the freeze program on defaults in the portfolio remains unclear. The war situation has also affected business risk in the economy (which had already increased in recent years, due to the increase in their debt burden), meaning an increase of potential risk in the SMB sector, although the activity in the sector is immaterial.

Even before the war began, a certain change for the worse emerged in the Bank's credit portfolio. The rate of arrears and defaults **in mortgages** has increased due to the damage caused to the repayment ability of customers, as a result of the increase in the market interest rate. Despite this increase, the rate of default in mortgages is still relatively low, and similarly, the rate of write-offs is low (essentially near zero over time) due to the fact that the credit is given against real estate collateral. Since the war began, no significant change has occurred in the risk profile of the Bank's mortgage portfolio. The portfolio indicators, as well as the LTV (loan to value) ratio and the PTI (payment to income of the borrower) ratio, are fulfilling the determined restrictions. For details regarding the risk indicators of the mortgage portfolio, including the LTV and PTI ratios, see below in this report. The bank's mortgage provision activity in the Arab and ultra orthodox sectors may be considered more risky, relative to the other banks. However, this potential risk is priced into the margin which the Bank has established for this activity. The Bank has many years of experience and expertise in the activity of these segments, which helps it to maintain a low rate of defaults and write-offs, even in these sectors. It is noted again that the activity in the mortgage portfolio involves negligible credit damages, and is certainly at a lower risk level than the activity in the business segment, in view of the risk profile of the Bank's overall credit portfolio.

The Bank's mortgage portfolio continues serving as an "anchor" which reduces the Bank's credit risk profile, as well as its profile of capital and overall risk (due to the significance of credit risk in the Bank's overall risk profile).

The Bank sells mortgage portfolios to institutional entities according to a defined policy, and in accordance with the Bank's strategy and the Bank of Israel's restrictions. The portfolio sales constitute a part of the various tools which the Bank is devleoping for the purpose of capital clearing, including the syndication transaction which was signed with Migdal in the second quarter of 2024.

The rate of defaults in solo consumer credit, whose part in the overall mix of credit is low, at around 9%, remained stable throughout 2024, but is still at a relatively high level, both due to the lower repayment ability of customers, and due to that fact that most of the customers do not maintain checking accounts at the Bank, and the Bank is not the main bank, or even the secondary bank, for their activity. The rate of insolvencies in the consumer portfolio increased significantly since the beginning of 2023, and is having a dominant effect on the rate of defaults and write-offs. In light of the increased risk, the Bank adjusted the collective provision with respect to this credit. For additional details, see Note 29 in the financial statements as of December 31, 2024.

The Bank compensates for the risk level of the consumer credit portfolio in risk-adjusted credit pricing. The Bank tightened the underwriting and rating metrics, reduced performance, and continued working on improving its collection capabilities. The Bank is continuing to monitor the performance of the consumer credit portfolio, and is adjusting its provisions to changes in the portfolio's quality or in the macro assumptions, in accordance with a defined methodology.

The Bank’s **business** credit is implemented at a low level of risk, and through the provision of credit to finance construction accompaniment, to finance companies, or credit against collateral according to scopes which have been determined by the Bank’s Board of Directors. Most of the credit is given to the real estate sector, primarily to finance residential construction in urban renewal, and has been performed in recent years at a relatively low risk level. This credit is managed under a conservative policy of the Bank, particularly with respect to the underwriting policy. The portfolio’s various metrics indicate a low level of risk, defaults and write-offs are near zero, and the risk is shared by with the insurance companies who partner in the provision of credit. The borrowers are mostly old borrowers, with proven ability. The uncertainty due to the war, and the increase in the debt burden due to the interest rate increases in recent years, have raised the potential risk in credit for real estate. Consequently, the Bank significantly increased, already in the third quarter of 2023, its provisions for this sector. The Bank is monitoring the status of borrowers. As of the publication date of this report, no significant findings regarding the stability of customers have come up. The report regarding the Bank’s ten largest borrowers indicates that these borrowers are strong also in the current period, and no change for the worse has occurred in their credit quality, or in their credit ratings.

As stated above, the potential risk in real estate credit has increased. Consequently, the Bank of Israel issued a letter to the system, and held discussions with members of management who are responsible for this activity. In its letter, the Banking Supervision Department addressed the “increasing credit risk in the sector”, due to the high interest rate environment, the uncertainty due to the war, the slower pace at construction sites (due to the shortage of skilled workers), the increase in financing costs due to the deceleration, the increase in construction costs, and the financing costs of real estate. Emphasis was given to the sales campaigns of developers, which include sale through deferral of payments, and housing loans subsidized by developers. A quantitative test which was performed by the Bank indicated that according to various scenarios, the loss potential is covered by the additional provisions which the Bank has made since the war began.

For additional details regarding the findings of the evaluation which the Bank conducted in connection with the Bank of Israel’s letter which indicated increasing credit risk in the sector, see the chapter “characteristics of credit to finance the construction of real estate projects”.

Management of credit risk also includes the management of credit concentration risk. The impact of this risk is evaluated in the Bank’s mortgage portfolio activity and in the real estate activity, with reference to various parameters, including geographical regions, sectors (the ultra orthodox, Arab, and general sectors), and in light of the potential impact of macro factors on the mortgage portfolio and real estate activity. For this purpose, the Bank evaluates changes on the macro level such as the unemployment rate, interest rate, inflation, and housing prices. The Bank’s extreme scenario outline, and certainly the Bank of Israel’s scenario, assume a significant increase of the unemployment, interest and inflation rates, and a decline in housing prices, and evaluate the impact of these factors on the concentration of the mortgage portfolio. The results of extreme scenario tests, including reverse scenarios (scenarios aimed towards a goal / target without an outline. The intensity of the scenarios should allow the Bank to gain an understanding of the credit portfolio’s risk profile), continue indicating, as noted above, the relatively low relatively potential for damage to the portfolio, to a degree which does not pose a risk to the Bank’s stability.

Liquidity - Already before the war began, the Bank’s liquidity level was much higher than the regulatory limits. This is the Bank’s regular liquidity risk profile, in accordance with the Bank’s policy. The status of risk indicators since the war began continue showing that the Bank is maintaining a high level of liquidity. The LCR (liquidity coverage ratio) is averaging 200% in the current quarter, similarly to the average ratio in the previous quarters of 2024. The average LCR ratio is significantly higher than the minimum ratio determined by the Bank of Israel, and above the Board of Directors’ limit, as well as the ratio in the banking system. All of the other liquidity indicators used by the Bank to monitor the liquidity profile are at high levels. As part of the evaluation of the liquidity risk profile, the Bank conducted an extreme scenario with respect to the LCR, which was submitted to the Bank of Israel (the scenario assumes a higher rate of deposit withdrawals than in ordinary times, as calculated in the LCR). In this extreme scenario as well, the liquidity level is above the determined regulatory ratio.

Despite the high liquidity, due to the many possible scenarios creating uncertainty, in the third quarter of 2023 the Bank increased the liquidity risk rating in the table of risk factors, presented below, from low to low-medium, and as of the date of this document. Despite the improvements in the economy, the Bank believes that this rating should be left unchanged.

Market and interest rate - the management of assets and liabilities is conducted under tight restrictions, most of which were determined as relatively low percentages of the Bank's Tier 1 capital. Most of the investments in the Bank's investment portfolio are in low risk assets, although they can still be volatile, as has occurred since the war began, due to the volatility in bond prices due to the rating companies' view of increased political risk. The investments are in both Israeli and foreign government bonds with medium average lifetimes, and the stock holdings constitute a very low percentage of the portfolio. However, the uncertainty resulting from the war has increased the potential risk and the range of possible scenarios, due to fluctuations in the risk factors which are relevant to the Bank's interest rate and market risks. The structure of assets and liabilities, as well as the Bank's Tier 1 capital ratio, are also affected by capital clearing which the Bank applies, such as sale of mortgage and syndication portfolios which the Bank implements, as part of the Bank's business strategy. Due to the uncertainty of the war situation, in the third quarter of 2023 the Bank increased the market and interest rate risk rating in the table of risk factors, from low to low-medium, and as of the date of this document, the Bank believes that this rating should be left unchanged.

Cybersecurity - in recent years, the Bank has worked on significantly upgrading its ability to respond to cybersecurity risk, which has become the most "concerning" risk (according to a survey conducted by the Bank of Israel among executives in the financial system, as well as similar surveys conducted around the world). In the last year there was an increase in cyber attacks on the State of Israel and the banking system, led by hostile entities, including, DDoS attacks on banks, including on the Bank, and OPIsrael events. The Cybersecurity Division responded to them successfully. When the war began, and based on the understanding that the war is not behind waged only on the battlefield, but in cyberspace as well, the Cybersecurity Division increased its monitoring efforts, using various advanced tools which are at its disposal, operated the cybersecurity intelligence units, and maintaining direct contact, in order to assess the threats, with the cybersecurity unit at the Bank of Israel, the National Cybersecurity Unit, and the financial CERT (Computer Emergency Response Team). Recently there have been more attacks by hostile entities on institutions in Israel, including some on financial institutions. The Cybersecurity Division Manager reports regularly to the Bank's Board of Directors, to the CEO, to the Resources Division Manager and to the Chief Risk Officer, regarding the development of threats and the response to cybersecurity risk. In November 2024, the Cybersecurity Division conducted a dedicated cybersecurity drill as part of its routine drills plan. The Cybersecurity Division also frequently distributes various guidelines to the Bank's employees, in order to increase their awareness of cybersecurity incidents in their routine activities, whose chances of materialization have increased in the current period.

The assessment of the cybersecurity risk profile is done using a methodology based on many different elements and risk factors which affect the risk profile. It was also used to determine the risk appetite (limits). The Cybersecurity Division, in collaboration with the Risks Division, monitors the development of the risk profile through the use of this methodology.

Embezzlement and fraud - The Cybersecurity Division also plays a significant role in all matters associated with monitoring for fraud. During the last year, a system for monitoring anomalies was launched, which was developed by the Cybersecurity Division in collaboration with the Risks Division and the business entities. This system creates alerts according to determined key risk indicators (KRI's), to the embezzlement and fraud handling center which was created in the operational risks department of the Risks Division. The system also monitors the Bank's prepaid cards activity, in order to prevent abuse thereof by terrorist organizations from the Gaza Strip. The number of fraud attempted in the banking system, and at the Bank, has increased in the recent period. The Bank is continuously working, in accordance with the policy on the prevention of embezzlement and fraud, and in accordance with a dedicated plan formulated by management, to strengthen its response to these attempts, including through training and raising awareness of this potential risk, and continuous reinforcement of anomaly monitoring rules, and development of additional statistical methods.

Rules were established, inter alia, regarding the reporting of embezzlement and fraud, in accordance with the thresholds of materiality, to the Board of Directors and to the Bank of Israel.

In December 2024, an amendment to Directive 351, reporting of embezzlement by employees and officers, entered into effect. The policy document was updated in accordance with the directive.

Prohibition on money laundering and prohibition on terrorism financing - The potential of these risks has increased. The compliance department added dedicated controls to monitor activities suspected to involve terrorism financing, due to the war. Additionally, dedicated controls were added regarding the activities of associations, and particularly associations which could involve a greater risk of activity on behalf of and/or vis-à-vis Palestinian residents. The compliance department ensures to work in accordance with the principles which were established for addressing the sanctions that were imposed on Russia and Ukraine.

The department is operating in accordance with a defined work plan for routine handling of all tasks associated with the prohibition on money laundering and the prohibition on terrorism financing.

Regulatory, compliance and fairness risk - It is the Bank's standard practice to act fairly towards its customers, particularly with regard to collection processes. The first line and second line controls are implemented in order to verify that the Bank is taking all of the required actions in order to ensure fair treatment of its customers during its sensitive period. Throughout the year, the Bank operated in accordance with the program of concessions established by the Bank of Israel, with the intention of facilitating activity due to the war. The Bank is working, in accordance with its work plan, on validating the methodology of compliance risk assessment.

Operational risk - In 2024, the Bank continued its activities to strengthen the framework for addressing operational risk and various internal control risks. The process of strengthening the framework for addressing these risks includes new and updated methods of risk assessment, developing new controls and adjusting the activity of the lines of defense which are involved in managing these risks.

The Bank has an infrastructure in place to address internal control risks, based on an approach to handling them which is as standard and uniform as possible. For each of the internal control risks, a policy document has been created which establishes the principles for managing the risk, the quantitative and qualitative risk appetite, the lines of defense which were determined to address the risk, methods for measuring, assessing and minimizing the risk, as well as the series of reports which are required by the Bank's management and Board of Directors, in order to ensure that the information regarding the progress of addressing them is being properly reported.

The policy document regarding the management of operational risks, internal control and operational resilience was updated in accordance with the latest amendment which was published by the Basel committee in March 2021.

According to the Basel approach, and according to the policy document, the management of operational risks (Directive 350) and the management of operational resilience (Directive 350A) are integrated, and address the entire set of internal control risks, in order to ensure a comprehensive approach to these risks (including information technology, cybersecurity, business continuity and outsourcing risks).

Legal risk - Since the war began, the Legal Counsel Division has coordinated and updated the Bank's units regarding all of the directives and instructions which have been published due to the war situation, by the various regulators, and particularly, regarding the directives and concessions which were published by Bank of Israel, including the concession and freeze program which was agreed upon between the banks and Bank of Israel. As of December 31, 2024, the Bank has no significant exposure with respect to claims which were filed against it, whose chances are reasonably possible or not low, except as stated in sections 2 and 3 of Note 25C to the financial statements.

Model risk - When the war began, due to the possibility that the impact of the uncertainty could reduce the quality of the models which the Bank uses, and in accordance with the Bank of Israel's letter on the subject, the Bank transitioned to the use of expert assessments based on an assessment of the risks of the Bank's units, instead of the models' assessments. In addition to this, a series of sensitivity analyses and extreme scenario tests were applied which allow the Bank to adjust the risk assessments in light of the arisen uncertainty. The Bank is operating in accordance with the policy which it has established for the management of model risks, and regularly validates the models which it uses, while evaluating, as much as possible, the impact of the uncertainty on their performance and usefulness. The Bank is preparing for the adoption of the Bank of Israel's new directive regarding the management of model risk, which will enter into effect in August 2025.

3.1 Credit risk

Credit risk is the risk due to the probability that a borrower, or a group of borrowers, will not fulfill their obligations towards the Bank, in a way that is reflected in non-payment and/or arrears in payment of principal and/or interest in full and/or on time, resulting in erosion of the Bank's expected profits. Credit risk is the most material risk for the Bank's activities, as reflected in its share in total risk assets in accordance with Pillar 1 - around 90%. In order to manage credit risk, a credit policy is defined in the Bank, which are approved no less than once per year by the Board of Directors. The policy establishes sectoral limits, limits on business lines, and on the risk factors of the activity, the lines of defense which are responsible for managing the risk, principles for managing the risk, collection and collateral processes, and more. The policy also includes specification of principles and rules for the management and control of the credit portfolio, with the aim of preserving its quality and minimizing its inherent risk. These principles allow controlled management of the risks involved in the provision of credit to borrowers, on the levels of the individual customer, of groups of borrowers, and of market branches and business lines, and it also pertains to aspects of credit concentration.

Credit to the public is managed in several main segments, which are differentiated from one another by the characteristics of the customers and banking services which they require, and by the organizational unit which is responsible for handling each type of customer:

The segment of households, international activity customers and commercial customers are under the responsibility of the Retail Division. The Retail Division also handles some of the customers of the state-backed fund (licensed dealers) in the "Swords of Iron" track.

The business segment and real estate project accompaniment, which are under the Business Division. The division is also responsible for handling the customers of the state-backed fund (businesses) in the "Swords of Iron" track.

Institutional entities and financial management segment are subject to the strategy and financial management division. Credit risk is reflected in the activity vis-à-vis institutional customers, and in the nostro activity.

Purchases of consumer credit (customer) portfolios which the Bank executes in accordance with its strategy are purchased in a defined process, which includes evaluating all aspects of the loan in a checklist, in accordance with the Bank's policy regarding the handling of new products / new activities, including a strict evaluation of the acquired portfolio's quality, and of the risks associated with the activity. The bank's purchasing of credit portfolios could reduce the risk of the Bank's overall consumer credit portfolio (purchases + organic performance), since the purchased portfolios are backed by collateral, while the consumer credit which is given by the Bank is mostly sold credit. The Bank has formalized, in dedicated policies, all aspects of handling the sale of mortgage portfolios, which are executed in accordance with the Bank of Israel's instructions. As part of this process, the Bank ensures, through a dedicated evaluation process, that the portfolio's risk profile and factors have, in practice, not significantly changed due to the sale process. For additional details, see Table 35.

The Bank requires a pledge on collateral for certain types of credit, in accordance with the credit policy which was approved. The main collateral which is given to the Bank is the pledging of real estate, where the certainty factors which were established for the value of the pledge, relative to the loan, were determined conservatively in accordance with the Bank of Israel's instructions and the degree of conservatism exercised by the Bank's management and Board of Directors, which significantly minimizes the potential risk, insofar as housing prices decrease. Additional collateral is also received by the Bank in the form of pledges on vehicles, deposits and securities, third party bank guarantees, personal guarantees of debt guarantors, and more. The Bank's policy sets forth rules regarding reliance on each type of collateral, in accordance with the nature of the collateral, its marketability, speed of realization and the legal status of the collateral. The different types of collateral are adjusted according to the circumstances of the loan and the borrower's financial strength. The Bank's policies specify rules for the management of collateral, and for updating their value.

Description of the active entities which create, manage and control credit risk - lines of defense

The Bank has established, in the credit policy document, principles for the management and control of risks, which are based on a supervision circuit and on three "lines of defense". The supervision circuit includes the Board of Directors and its relevant committees for managing and controlling credit risk (the Board of Directors Risk Management Committee, Capital Planning Committee and the Audit Committee), as well as senior management. The first line of defense includes the risk takers and risk managers, including the Retail Division Manager, the Business Division Manager, authorized individuals in the credit department and the collection unit. The second line of defense includes the risk management functions in the Risk Division, led by the Risk Division Manager, who also serves as the Bank's Chief Risk Officer. The division is responsible for giving an independent opinion regarding credit transactions which are presented for approval to the internal credit committee (in amounts which are les than the amount determined by the Bank of Israel), handling the credit policy document, monitoring material debts in accordance with directive 314A of the Bank of Israel, and for assessment processes with respect to operational risks and internal control risks in the credit activity, including credit provision and collection, through the operational risks department. The Compliance Department, which operates under the Risks Division, is responsible for controlling the Bank's handling of compliance risks, the prohibition on money laundering, the prohibition on terrorism financing, fairness and preventing discrimination when handling credit, and is responsible, inter alia, for completing the implementation of controls and processes for assessing the Bank's compliance with regulatory directives, and particularly the principles which were determined to preserve fairness and prevent discrimination. The second line also includes the Bank's financial division and legal division, which is responsible for giving an opinion during the lifetime of the credit transaction, beginning from the time of its underwriting. The second line of defense maintains communication with the control units and the product managers operating on the first line. The third line includes the internal audit unit, which works in accordance with an orderly work plan to conduct audits of the credit activity, and is also responsible for carrying out the process of evaluating the effectiveness of risk management. See also the report regarding risks - disclosure in accordance with Pillar 3 as of December 31, 2024.

The Bank evaluates, through a series of sensitivity analyses and extreme scenario tests, the potential impact of the macro factors, and particularly, of the Bank of Israel interest rate and the unemployment rate, on the risk profile of customers, and of the portfolio. The Bank evaluates the status of arrears, defaults, the expected provision and write-offs in these portfolios. The monitoring processes indicate that no significant change has occurred in the credit quality of the Bank's real estate portfolio and business portfolio. Their rate remains low.

Assessment of risk and classification of debts whose terms have been changed in light of the Swords of Iron War

In order to encourage banking corporations to allow additional flexibility in the repayment of loans for borrowers who were affected by the war, the Bank of Israel published points of emphasis when handling debts to which the foregoing arrangements were applied. In light of the continuation of the Swords of Iron War, the Bank of Israel's program was extended several times in 2024.

For all customers whose terms have been changed, and particularly for customers who meet the criteria of the Bank of Israel's outline, arrangements for repayment have been established which include assessment and monitoring of the debt's and the buyer's risk, both on the date of the change and continuously, for the purpose of identifying troubled debts, including debts of borrowers facing financial difficulties whose terms have been changed. The above is in consideration of the fact that, in general, and in accordance with the Bank of Israel's instructions, the foregoing repayment arrangements in and of themselves do not necessarily indicate that the customer is facing financial difficulties.

As part of this evaluation, the Bank addressed, in general, the following circumstances:

- Background details regarding the change in terms

- Status of the borrower or debt on the date of the change, particularly the state of arrears and the classification
- Extent and scope of the concession which was granted as part of the change in terms, particularly the requested period of deferral / distribution
- Any other subject which is relevant to the assessment of whether the collection of the principal or interest according to the new terms is reasonably guaranteed.

In particular, the Bank hardened the classification for certain types of borrowers in the consumer and housing portfolio, regarding whom negative indicators were identified, such as rejections by the Bank Clearing Center, arrears and/or long deferral period relative to reasonable repayment power. This change for the worse was accompanied by an adequate increase of the provision for credit losses, and expansion of the disclosure under borrowers facing financial difficulties whose terms were changed. Debts for which debt arrangements were implemented and which were not classified are monitored as part of the routine management of debts whose risk has changed for the worse, in accordance with the Bank’s standard evaluations and criteria.

The freeze program reduced the rate of customers entering default in the mortgage and consumer segments. Therefore, since the freeze program was activated, the Bank has been monitoring the number, amount and effect of freezes on the rates of default in these two portfolios. Table no. 25 below indicates the scope of freezes by the number of frozen loans, the amount of deferred payments, and the scope troubled debts which were frozen. As shown, the amount of outlines used by customers is very low. At this stage, it is unclear what effect the conclusion of the state’s program of freezes and benefit payments will have on defaults in the portfolio. The Bank is closely monitoring the issue, and monitoring the credit risk continuously.

Table 25 - Disclosure regarding benefits to the public due to the Swords of Iron War:

	Three months ended December 31, 2024						2024	2023
	Housing	Private individuals - other	Micro and small businesses	Medium businesses	Large businesses	Total	Total	Total
A. Benefits given by the Bank during the period of the war [(1)]								
A1. Benefits used during the reporting period:								
Benefits through change in debts	0.2	0.1	-	-	-	0.3	3.0	2.5
Benefits through the provision of interest-free or reduced-interest loans	-	-	-	-	-	-	-	-
Benefits through concession of fees	-	-	-	-	-	-	-	-
Other benefits (except if material)	0.2	-	-	-	-	0.2	1.6	0.8
Total	**0.4**	**0.1**	-	-	-	**0.5**	**4.6**	**3.3**
A2. Available benefits which have not been used as of the reporting date	**4.8**	**9.1**	-	-	-	**13.9**	**13.9**	**14.9**
B. Additional information regarding activities to benefit borrowers during the war period								
	Three months ended December 31, 2024						**2024**	**2023**
B1. A. Total credit whose terms were changed during the reporting period: [(2)]								
Change in terms for borrowers facing financial difficulties (See Note 29) [(3)] [(6)]	11.9	0.5	-	-	-	12.4	34.9	11.0
Change in terms for borrowers who were not facing financial difficulties [(7)]	282.9	4.8	26.2	-	-	313.9	1,242.1	1,515.3
Total credit	**294.8**	**5.3**	**26.2**	-	-	**326.3**	**1,277.0**	**1,526.3**
	As of December 31, 2024						**As of September 30, 2024**	**As of December 31, 2023**
B1. B. Balance of credit whose terms have been changed as of the reporting date:								
Change in terms for borrowers facing financial difficulties (See Note 29) [(3)] [(6)]	60.1	7.2	-	-	-	67.3	67.2	16.6
Change in terms for borrowers who were not facing financial difficulties: [(7)]								
Credit with payment deferral and/or period extension, where the deferral period has not yet concluded [(4)]	225.6	5.3	15.4	-	-	246.3	361.7	1,515.3
Amount of deferred payments [(4)]	14.0	1.1	0.3	-	-	15.3	18.6	45.3
Average deferral of payments, in months [(4)]	10	6	5	-	-	7	5	3
credit with other change in terms	-	-	-	-	-	-	-	-
Total	**285.7**	**12.5**	**15.4**	-	-	**313.6**	**428.9**	**1,531.9**

	As of December 31, 2024						As of September 30, 2024	As of December 31, 2023
<u>Additional information regarding change in terms for borrowers who were not facing financial difficulties:</u>								
Balance of credit with payment deferral and/or period extension, where the deferral period has not yet concluded	225.6	5.3	15.4	-	-	246.3	361.7	1,515.3
Of which: troubled credit (8)	-	-	-	-	-	-	-	-
Of which: Non-troubled credit in arrears of 30 days or more (8)	-	-	-	-	-	-	-	-
Balance of credit where payment deferral has concluded	1,371.4	166.0	263.9	-	-	1,801.3	1,822.3	-
Of which: debts which defaulted after a change in terms (9)	83.9	38.9	10.9	-	-	133.7	105.4	-
	As of December 31, 2024						**As of September 30, 2024**	**As of December 31, 2023**
B2. B. Balance of interest-free or reduced-interest loans which were given as of the reporting date:								
Balance of credit	-	-	-	-	-	-	-	-
Average interest rate	-	-	-	-	-	-	-	-
Average prime interest rate during the foregoing period - X% 5)	-	-	-	-	-	-	-	-
B3. Loans given through state-backed funds as of the reporting date								
Balance of credit	-	-	64.5	-	-	64.5	67.9	36.8
Average interest rate	-	-	6.9	-	-	6.9	6.9	7.8
Of which:								
Balance of credit given with financing from the Bank of Israel	-	-	30.9	-	-	30.9	32.7	18.1
Average interest rate	-	-	6.1	-	-	6.1	6.1	6.3
B4. Balance of loans given with financing from the Bank of Israel (including through state-backed funds), as of the reporting date:								
Balance of credit	-	-	30.9	-	-	30.9	32.7	18.1
Average interest rate	-	-	6.1	-	-	6.1	6.1	6.3
C. Special payment to the state in light of the war	-	-	-	-	-	-	-	-

1. For the purpose of this disclosure, the estimated benefit is presented, in its entirety, during the reporting period when the agreement with the customer was made, and is not distributed throughout the lifetime of the agreement.
2. Credit whose terms were changed during the reporting period also includes credit for which a repeat deferral of payments was given during the reporting period.
3. In changes to debt terms which were made by December 31, 2023 - credit which has undergone troubled debt restructuring.
4. Including deferral of payments without interest during the deferral period. In case of debts for which repeated payment deferral was given, the accumulated continued deferral was presented.

The deferral of payments does not include deferrals in which an eligibility was exercised to which the borrower was entitled pursuant to any law.

5. Average prime interest rate from the beginning of the war until the reporting date.
6. The balance of borrowers facing financial difficulties whose terms were changed due to the Swords of Iron War during the reporting period amounted to approximately NIS 33.9 million.
7. Not including changes in terms for borrowers who were not facing financial difficulties which were not related to the Swords of Iron War.
8. Not including troubled debts and non-troubled debts in arrears of 30 days or more, in frameworks other than the Swords of Iron War.
9. Arrears of 30 days or more.

Credit concentration

Concentration risk is the risk which arises due to the absence of distribution from any factor in the credit portfolio. In order to minimize the potential for concentration risk, the Bank evaluates the risk level in this respect, and works to diversify the credit portfolio between many borrowers, from different market sectors. The majority of the credit portfolio constitutes housing loans and consumer credit; however, this credit is spread between various sectors, market segments, population segments, and residential (geographical) areas, and is managed as a full portfolio.

Over 70% of the Bank's mortgage portfolio is to private individuals - the mortgage portfolio constitutes approximately 62% of the Bank's total credit portfolio, while the consumer portfolio constitutes approximately 9.0%.

Commercial credit (mostly including project accompaniment, purchasing groups and commercial mortgages) constitutes 29%. See table 32.

The mortgage portfolio is divided into three sectors: the Arab (approximately 35% of the portfolio), ultra orthodox (approximately 23%), and general (approximately 42%) sectors. The Bank's analysis of all of the risk factors, and of the rates of arrears, defaults and write-offs, are performed on the level of these sectors, in order to monitor the impact of the macro factors on the risk profile of each one. The current uncertainty has the potential to affect the development of this risk, due to the impact of the unemployment rate and the status of borrowers whose revenue has suffered due to the war, on the risk level of retail credit. Despite the low level of concentration in ordinary times, the Bank routinely evaluates the entire set of concentration factors, since low concentration in ordinary times could develop into a higher rate of concentration in extreme situations, due to the potential effect of some macro factors on varied and large parts of the retail population. The Bank therefore routinely evaluates its exposure to the various population sectors on the level of sub-portfolios (since the impact of macro factors could differ between the various sectors, and their risk indices are not necessarily identical), while evaluating those metrics and risk factors which are used to evaluate the overall portfolio, and conducts scenario tests and sensitivity tests to evaluate the effect of unemployment and other risk factors on the portfolio's credit profile.

The construction and real estate segment includes construction and real estate - construction (credit to purchase land for construction and accompaniment of residential projects, including purchasing groups) and the construction and real estate segment - real estate activity (mortgages for business purposes in charges on homes and commercial properties). In projects in the construction stage, a cushion rate of less than 30% amounts to 1.0% of the total debt of projects under construction, indicating low risk, upon the occurrence of an extreme scenario which affects the risk factors that are relevant to this activity. Total credit to the Bank's ten largest borrowers constituted around 5.5% of the balance of credit to the public, and around 60% of Tier 1 capital. Most of the borrower exposure among the ten largest borrowers is with respect to project finance, and is backed by real estate collateral. The Bank's large borrowers are subject to a regulatory restriction on a single borrower (15% of Tier 1 capital) and a group of borrowers (25% of Tier 1 capital). The Bank also established effective restrictions (lower than the regulatory restrictions) with respect to a single borrower and a group of borrowers, and is fulfilling all of the restrictions. The Bank has one group of borrowers with liability exceeding 10% of Tier 1 capital. The total debt of this group constitutes approximately 13% of Tier

1 capital, as compared with the regulatory restriction of 120% for all customers with debt exceeding 10% of Tier 1 capital. For additional details, see Table 41 - Distribution of credit risk and troubled debts in the construction and real estate branch.
In light of the foregoing, the Bank believes that the concentration of its credit portfolio is low in all respects.

The Bank’s credit provision process

The Bank’s portfolio of housing loans and consumer credit is managed in the Retail Division. Business credit is managed under the Business Division. This credit includes the Project Accompaniment and Construction Financing Department, which is managed in the Real Estate Sector Department, and credit to finance companies, collateral-backed credit, and credit in the state-backed fund which is managed in the Business Division. In both divisions there is a clear division of credit authorities, credit types, customer types and credit amounts. The credit underwriting process is also defined, and each credit request is evaluated and approved according to a hierarchy of authorities and in accordance with the policy which was approved by the Bank’s Board of Directors.
An underwriting center operates in the Retail Division, which approves or presents for approval, to the hierarchy of credit approval authorities, each mortgage request or consumer credit request which is beyond the approval authority of the branch manager.
The Bank also has a central evaluation unit which evaluates mortgage portfolios before they are implemented in practice. The evaluation process focuses on the review of credit and collateral provision documents, fulfillment of the stipulations specified at the time of approval for the credit, with the aim of controlling the loan creation process, reducing the exposure to operational risk in mortgage operations, and bringing the entire process in line with an operating process which conforms with common, controlled standards. The evaluation unit is subordinate to the resources division, thereby implementing managerial separation between the process of underwriting and submitting documents, and the operational evaluation thereof.
For additional details regarding the process of providing housing credit, see below in the chapter regarding risks in the housing loans portfolio.
Loans to private individuals within the framework of the consumer credit activity, including facilities in checking accounts and in credit cards which are given through several channels, including points of sale. The loans are approved and carried out in accordance with the rating model and the recommendation regarding exposure which is given by the credit underwriting system. Requests which are not authorized by the executing entity are transferred for discussion and approval of the underwriting center at the headquarters of the Retail Division. Beginning in 2019, when the Credit Data Law entered into effect, the Bank began integrating the credit bureau’s ratings into its own underwriting model.
Housing loans are approved in accordance with established and defined criteria. The criteria are used to help determine the customer’s suitability to receive credit, and the amounts and conditions of such credit.
Among other processes, the borrower is interviewed in order to evaluate the purpose of the credit and the repayment sources, and a preliminary evaluation of the customer is conducted in the Bank’s databases, including the evaluation of several figures - the customer’s obligo at the Bank, their credit history (including a request to receive data from the credit database), asset value, existence of effective limits, effective liens, passive balance, etc.
The borrower underwriting process is based on the receipt of specific underwriting material for the credit purpose, and the receipt of real estate collateral in mortgage transactions.
All of the data provide a comprehensive picture of the customer’s risk profile, the proposed collateral, the repayment power for the requested credit, and the customer’s rating for a specific transaction.
Once the process of approving the mortgage request has concluded, the customer receives pre-approval in accordance with the regulator’s requirements, as required according to Proper Conduct of Banking Business Directive 451.

The pledge of collateral against credit is recorded in favor of the Bank in accordance with its legal status, and it remains in effect so long as the loan has not been repaid.
In the real estate sector, credit requests are prepared by the sector staff, and are evaluated by, and are given an additional independent opinion from, the CRA (credit risk management) unit which is subordinate to the Risk Division Manager, before their submission for approval to the relevant Credit Committees, in accordance with the established hierarchy of authorities.
As part of its evaluation of credit portfolios and collateral, the evaluation unit in the real estate sector evaluates the presence of all required documents and collateral, before providing the credit, and gives approval for the credit teams to provide the credit to the customer. The first line, as well as the credit control unit in the Risks Division (second line), also monitor the Bank's large borrowers through a dedicated report which is presented for discussion to the Bank's management and Board of Directors.
In the Project Accompaniment and Construction Financing Department, each project is managed through close accompaniment by the construction supervisor, who submits periodic reports about the rate of progress on the project.

Identification and handling of troubled credit

As part of the measures implemented by the Bank in its management of credit risks, a methodology was established for the identification of troubled debt, which is applied throughout all business lines. The methodology includes a routine, orderly and structured procedure which involves performing a thorough review of the credit portfolio, using criteria central monitoring advance alerts regarding the debt's reclassification as troubled debt.
As part of the review, customers with negative indicators are identified, such as debt in arrears, cash flow difficulties, as reflected in difficulty in effecting principal and/or interest payments in loans, deterioration of business operations, etc., and an evaluation is performed regarding the need to issue new recommendations for the classification of customers or changing the classification of customers with existing classifications, or their inclusion in watch lists (customers with negative indicators, in accordance with criteria which were defined in the Bank's policies, and regarding which it was decided that they do not need to be classified). The recommendations are submitted to the troubled debt committees, in accordance with the determined hierarchy of authorities, who discuss them and reach decisions on classification or performance of provisions regarding them. Upon the occurrence of significant events which could affect a group of customers or the credit portfolio, the Bank evaluates the effect of the event on the credit portfolio, and responds accordingly. The response could be implemented by means of a change in policy or by means of actions taken vis-à-vis the current borrowers. When a loan to private individuals enters arrears, the branch handles the collection of arrears in the first stages of the arrears. As the extent of the arrears increases, the handling of the loan is transferred to the collection department for handling. If the debt is secured by a pledge on a residential apartment, and after exhausting the collection processes vis-à-vis the borrower, the Bank works to forfeit the collateral. The forfeiture process is complex, and can take an extended period of time. However, in most cases, the borrowers work to sell the property themselves, and to settle the debt. In exceptional cases involving concern of fraud or deceit, the process of transferring the portfolio from the branch to the collection department is performed immediately. When the real estate sector department identifies that a borrower has encountered difficulties, or that there is concern that they may encounter difficulties, an immediate discussion is held, including the participation of the main entities who are responsible for handling the customer, and immediate decisions are reached regarding whether the customer should be transferred for handling by the Bank's collection department, through legal handling outside of the Bank, by initiating receivership or liquidation proceedings, or by initiating an arrangement regarding the debt.
The collection department concentrates all of the processes which do not take place in the branch under the collection activities in the Bank, and oversees the work performed by lawyers and other service providers who are involved in the collection process.

The Bank operates in accordance with an orderly set of procedures which deals with the identification, classification and handling of troubled debts, and there is a system for arranging shared work connections between the credit managers and the collection department.

Once a debt has been defined as troubled debt, it is included in the calculation of the provisions for credit losses (CECL).

The Bank works to reach arrangements, vis-à-vis borrowers who are in arrears, regarding their debts to the Bank, and the routine continuation of the monthly payments, provided that the loan portfolio has sufficient collateral.

In cases where the borrowers do not cooperate and/or refrain from paying the debt, receivership proceedings will be initiated which constitute a last resort option to settle the debt.

The Board of Directors and its committees receive periodic reports regarding the distribution and segmentation of credit, large borrowers and additional parameters to measure the exposure to credit risk, including reports from the credit control unit in the risk management division, which works in accordance with an orderly work plan. The credit policy includes principles for the management of significant debts, and handling of material troubled debts. A definition was also added of material debt and the corporate governance for the management of material debt, including definition of responsibilities of the Board of Directors and management on all matters associated with the management of debt settlements and processes involving the collection of material troubled debts, and definition of the required reports. Management of material debt is performed through two main forums - quarterly review meetings regarding all debts which fulfill the definition of material debts, and a material debt forum which serves as the Bank’s central function to address material troubled debts.

Tables no. 26 - 29 below present the credit quality of the Bank’s portfolios. Table 26 indicates an increase in the scope of non-performing assets of the public in commercial credit and housing. A similar phenomenon is also indicated by Table 27, which shows the changed in the balance of non-accruing debts. Table 28 shows the balance of the provision in housing loans. The table indicates an increase in housing loan in arrears of less than 90 days, while the scope of loans in arrears over 90 days has not changed significantly since December 2023.

For additional details and additional qualitative disclosure regarding the identification and handling of troubled credit and the provision for credit losses, see Tables 26-32, 38, 40 and 41, and Notes 1, 13 and 29 to the financial statements.

Table 26 - Analysis of credit quality, credit risk and non-performing assets of the public (NIS millions):

	Balance of credit risk as of							
	December 31, 2024				December 31, 2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
Performance grade credit risk (1)								
Balance sheet credit risk	4,588.2	9,380.6	1,318.9	15,287.7	4,005.4	9,542.5	1,403.2	14,951.1
Off-balance sheet credit risk (3)	1,016.7	1,394.5	74.6	2,485.8	791.7	1,151.1	81.1	2,023.9
Total performance grade credit risk	**5,604.9**	**10,775.1**	**1,393.5**	**17,773.5**	**4,797.1**	**10,693.6**	**1,484.3**	**16,975.0**
Credit risk with respect to non-performance grade credit:								
A. Non-troubled	17.3	165.7	68.6	251.6	23.7	158.8	109.9	292.4
B. Troubled accruing	44.5	-	21.5	66.0	8.9	-	21.7	30.6
C. Troubled non-accruing	44.1	146.2	5.8	196.1	20.9	132.8	1.3	155.0
Total balance sheet credit risk	105.9	311.9	95.9	513.7	53.5	291.6	132.9	478.0
Off-balance sheet credit risk (3)	7.3	-	0.2	7.5	6.1	-	0.2	6.3
Total credit risk with respect to non-performance grade credit	**113.2**	**311.9**	**96.1**	**521.2**	**59.6**	**291.6**	**133.1**	**484.3**
Of which: Accruing debts, in arrears of 90 days or more	5.9	-	12.1	18.0	2.9	-	11.2	14.1
Total credit risk of the public (2)	**5,718.1**	**11,087.0**	**1,489.6**	**18,294.7**	**4,856.7**	**10,985.2**	**1,617.4**	**17,459.3**
Additional information regarding total non-performing assets:								
A. Non-accruing debts	44.1	146.2	5.8	196.1	20.9	132.8	1.3	155.0
B. Assets which were received with respect to cleared credit	-	-	-	-	-	-	-	-
Total non-performing assets of the public	**44.1**	**146.2**	**5.8**	**196.1**	**20.9**	**132.8**	**1.3**	**155.0**

1. Credit risk whose credit rating on the reporting date corresponds to the credit rating for the provision of new credit, in accordance with the Bank's policy.
2. Credit risk and off-balance sheet credit risk, including derivative instruments. Includes: bonds, securities, and securities which were lent or purchased as part of resale agreements.
3. Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the debt restrictions of borrowers.
4. For additional information regarding debts in payment deferral of 180 days or more, which are not classified as troubled debts, see below in Table 28, and in Note 29 to the financial statements.

Table 27 - Details regarding changes in non-accruing debts (NIS millions):

	For the year ended December 31, 2024				For the year ended December 31, 2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
Balance of non-accruing credit to the public at beginning of year	**20.9**	**132.8**	**1.3**	**155.0**	**16.6**	**116.0**	**1.5**	**134.1**
Credit which was classified as non-accruing during the year	30.7	129.5	6.3	166.5	6.0	54.4	0.7	61.1
Credit which resumed accruing interest income	-	(102.9)	(0.8)	(103.7)	-	(30.2)	-	(30.2)
Credit which was written off for accounting purposes	(0.3)	-	(1.0)	(1.3)	-	-	-	-
Credit which was repaid	(7.2)	(13.2)	-	(20.4)	(1.7)	(7.4)	(0.9)	(10.0)
Other	-	-	-	-	-	-	-	-
Balance of credit to the public as of December 31	**44.1**	**146.2**	**5.8**	**196.1**	**20.9**	**132.8**	**1.3**	**155.0**
	For the three months ended December 31, 2024				**For the three months ended December 31, 2023**			
	Commercial	**Housing**	**Private**	**Total**	**Commercial**	**Housing**	**Private**	**Total**
Balance of non-accruing credit to the public as of September 30	**44.7**	**153.9**	**3.1**	**201.7**	**19.7**	**139.5**	**1.8**	**161.0**
Credit which was classified as non-accruing during the quarter	3.0	20.1	3.0	26.1	1.7	3.8	0.3	5.8
Credit which resumed accruing interest income	-	(20.7)	-	(20.7)	-	(8.0)	-	(8.0)
Credit which was written off for accounting purposes	(0.3)	-	(0.3)	(0.6)	-	-	-	-
Credit which was repaid	(3.3)	(7.1)	-	(10.4)	(0.5)	(2.5)	(0.8)	(3.8)
Other	-	-	-	-	-	-	-	-
Balance of credit to the public as of December 31	**44.1**	**146.2**	**5.8**	**196.1**	**20.9**	**132.8**	**1.3**	**155.0**

Table 28 - Housing loans in arrears, in accordance with the annex to Proper Conduct of Banking Business Directive 314 (NIS millions):

	Balance as of December 31, 2024							
	Extent of the arrears (NIS millions)							
		Arrears of 90 days or more						
	In arrears of 30 to 89 days	90 days to 6 months	6 to 15 months	15 to 33 months	Over 33 months	Total over 90 days	Balances with respect to loans in arrears which were refinanced [(1)]	Total
Amount in arrears	1.3	1.3	2.6	3.8	6.7	14.4	-	15.7
Recorded debit balance	119.8	46.7	37.4	25.9	7.6	117.6	4.5	241.9
Balance of the provision for credit losses	0.5	1.1	0.9	0.6	0.2	2.8	0.1	3.4
Net balance of debt as of December 31, 2024	**119.3**	**45.6**	**36.5**	**25.3**	**7.4**	**114.8**	**4.4**	**238.5**
Net balance of debt as of December 31, 2023	**86.7**	**41.6**	**51.2**	**15.0**	**7.3**	**115.1**	**5.5**	**207.3**

(1) Loans in which an arrangement was signed for the repayment of a borrower's amounts in arrears, where a change was implemented to the amortization schedule with respect to the balance of the loan which has not yet come due, without waiving the income.

(2) Housing loans in arrears constitute approximately 1.2% of housing credit.

Analysis of expenses for credit losses and main developments in credit risks

In 2024, the collective provision with respect to credit losses (CECL) increased in the amount of approximately NIS 4.8 million, including an increase in the collective provision with respect to commercial credit and portfolio purchases in the amount of approximately NIS 7.5 million, against the decrease in the provision with respect to other credit to private individuals in the amount of approximately NIS 1.9 million, and the provision with respect to housing loans in the amount of approximately NIS 0.8 million.

For additional details, see the Chapter 4.1, Accounting policy and accounting estimates regarding critical issues.

Table 29 - Changes in the provision for credit losses (CECL)

	2024				2023			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
Balance of the collective provision for credit losses at beginning of year	**25.6**	**55.2**	**129.7**	**210.5**	**18.9**	**44.7**	**93.7**	**157.3**
Impact of change in the balance of debt	4.2	(1.4)	(13.5)	(10.7)	(0.2)	2.1	(0.9)	1.0
Other effects (1)	3.3	0.6	11.6	15.5	6.9	8.4	36.9	52.2
Balance of the collective provision for credit losses as of December 31 (2)	**33.1**	**54.4**	**127.8**	**215.3**	**25.6**	**55.2**	**129.7**	**210.5**

(*) Additionally, interest income in housing loans in arrears of over 90 days were canceled, in the amount of approximately NIS 9.5 million as of December 31, 2024.

For details regarding the composition and development of expenses for credit losses, see above in chapter 2.2, “Main developments in income, expenses and other comprehensive income”.

(1) Updates to average lifetime, qualitative and macro adjustment factors, mostly due to the changes in the economic environment and the expected impact of the Swords of Iron War.

(2) Of which: A balance of NIS 2.4 million with respect to debts which were evaluated on an individual basis as of December 31, 2024.

Table 30 - Rates of the provision for credit to the public risk:

	December 31, 2024				December 31, 2023			
	Commercial	Housing	Other	Total	Commercial	Housing	Other	Total
Quality analysis of credit to the public								
Rate of non-accruing credit out of the balance of credit to the public	0.97%	1.51%	0.41%	1.25%	0.53%	1.35%	0.08%	1.01%
Rate of credit which is non-accruing or in arrears of 90 days or more, out of the balance of credit to the public	1.16%	1.51%	1.27%	1.38%	0.61%	1.35%	0.81%	1.11%
Rate of troubled credit out of the balance of credit to the public	2.11%	1.51%	1.94%	1.72%	0.92%	1.35%	1.51%	1.26%
Rate of non-performance grade credit to the balance of credit to the public	2.49%	3.22%	6.79%	3.33%	1.52%	2.97%	8.66%	3.17%
Analysis of expenses with respect to credit losses in the reporting period								
Rate of expenses with respect to credit losses to from the average balance of credit to the public	0.40%	(0.02%)	4.61%	0.51%	0.39%	0.09%	6.89%	0.87%
Rate of accounting write-offs, net, out of the average balance of credit to the public	0.18%	0.01%	4.39%	0.45%	0.18%	0.01%	4.61%	0.52%
Analysis of the provision for credit losses with respect to credit to the public								
Rate of the provision for credit losses out of the balance of credit to the public	0.81%	0.56%	9.39%	1.43%	0.71%	0.59%	8.45%	1.41%
Rate of the provision for credit losses out of the balance of non-accruing credit to the public	84%	37%	2,290%	114%	132%	43%	9,985%	139%
Rate of the provision for credit losses, out of the balance of credit to the public which is non-accruing or in arrears of 90 days or more	70%	37%	742%	103%	116%	43%	1,037%	127%
Ratio of the balance of the provision for credit losses with respect to credit to the public to net write-offs with respect to credit to the public	4	106	2	3	4	80	2	3

Table 30 above indicates that the rate of expenses with respect to credit losses, and the rate of new charge-offs from the average balance of credit in 2024, are lower than those values in 2023.

These values, which were low with respect to commercial credit and near-zero with respect to housing loans in 2023, remained at these levels in 2024 as well.

The rate of the provision for credit losses from the balance of credit to the public (the coverage ratio) increased slightly, and amounts to 1.43%, as compared with 1.41% in the corresponding period last year. The increase was recorded in private and commercial credit.

As of the end of 2024, the Bank's net charge-offs ratio, as presented in the last row of the table, indicates that in all sectors, the rate of the provision covers the net charge-offs

at a rate which significantly exceeds the projected lifetime of the commercial portfolio and the housing loans portfolio, and is similar to the projected lifetime of the consumer portfolio.

Estimation of the provision for credit losses due to the Swords of Iron War

Further to the Bank of Israel's letter dated November 9, 2023, regarding additional areas of emphasis in public reports for the third quarter of 2023, in which the banks were required to include, in the calculation of expected credit losses for the third quarter, the expected impact of the Swords of Iron War, and to increase accordingly the amounts which were included in the provision for credit losses, the Bank increased the collective provision with respect to the war's expected impact beginning from the third quarter of 2023 in the amount of approximately NIS 49.6 million. When estimating the collective provision with respect to the war, the Bank took into account a forecast of macro data, such as the expected unemployment rate, the effect on residential property prices, the forecasted Bank of Israel interest rate, and other parameters.

See below for a sensitivity analysis regarding the impact of changes in unemployment rates and residential real estate prices relative to the forecast (main factors used in calculating the impact of macro factors on the provision):

Table 31 - Actual rates of coverage and sensitivity to changes in estimates (2)

	As of December 31, 2024 (2)			
	Private individuals - housing	**Private individuals - other**	**Commercial and other**	**Total**
Balance of the provision (*)	54.7	132.8	36.9	224.4
Balance of credit to the public	9,692.5	1,414.8	4,553.4	15,660.7
Rate of the balance of the provision out of credit to the public	0.56%	9.39%	0.81%	1.43%
Rate of the loss provision assuming:				
Change in the unemployment rate relative to the forecast (1)				
Increase of 1 percentage point	0.56%	9.60%	0.82%	1.46%
Increase of 2 percentage points	0.56%	9.81%	0.83%	1.48%
Increase of 3 percentage points	0.57%	10.02%	0.84%	1.50%
Change in residential real estate prices relative to the forecast (1)				
Decrease of 5%	0.58%	9.39%	0.82%	1.45%
Decrease of 10%	0.59%	9.39%	0.82%	1.46%
Decrease of 15%	0.60%	9.39%	0.83%	1.47%

(*) Of which, NIS 3.8 million with respect to the provision for off-balance sheet credit risk.

(1) Changes rounded to 0.01 percentage points.

(2) The sensitivity analysis was conducted relative to the impact of fixed hypothetical changes in main factors which were used to calculate the provision.

In housing loans, the impact of unemployment is fairly low, since the Bank's current provision, with respect to the war situation, already assumed an increase in the unemployment rate. The impact of the decline in housing prices is fairly low, inter alia, due to the low average LTV ratio in underwriting, and certainly also the actual ratio (which is less than the underwriting ratio). As noted above, the impact of unemployment on consumer credit is high - an increase of 1 percentage point in the unemployment rate would result in an increase of 0.21 percentage points in the rate of the provision.

Table 32 - Total risk of credit to the public by market branches (NIS millions):

	December 31, 2024									
	Total credit risk (1)(2)			Debts (2) and off-balance sheet credit risk (excluding derivatives) (3)						
	Total	Of which: Credit performance grade (4)	Of which: Troubled credit risk (5)	Total	Of which: Debts	Troubled (5)	Of which: non-accruing credit risk	Expenses with respect to credit losses	Net accounting write-offs	Balance of the provision for credit losses
Activities of borrowers in Israel										
Public - commercial										
Construction and real estate - construction (6)	2,291.5	2,222.4	51.8	2,287.5	1,515.0	44.5	14.2	5.2	-	13.6
Construction and real estate - real estate activities	1,432.1	1,432.1	-	1,432.1	1,393.8	-	-	0.1	-	1.1
Financial services	801.5	794.3	7.2	756.6	543.3	7.2	1.9	9.7	7.6	18.4
Others	1,193.0	1,156.1	36.9	1,101.3	1,101.3	36.9	28.0	2.2	0.3	3.8
Total commercial (7)	**5,718.1**	**5,604.9**	**95.9**	**5,577.5**	**4,553.4**	**88.6**	**44.1**	**17.2**	**7.9**	**36.9**
Private individuals - housing loans	11,087.0	10,775.1	146.2	11,087.0	9,692.5	146.2	146.2	(2.4)	0.5	54.7
Private individuals - other	1,489.6	1,393.5	27.5	1,489.6	1,414.8	27.3	5.8	64.9	61.9	132.8
Total public - activities in Israel	**18,294.7**	**17,773.5**	**269.6**	**18,154.1**	**15,660.7**	**262.1**	**196.1**	**79.7**	**70.3**	**224.4**
Banks in Israel and the Israeli government	1,279.5	1,279.5	-	284.0	284.0	-	-	-	-	-
Total activities in Israel	**19,574.2**	**19,053.0**	**269.6**	**18,438.1**	**15,944.7**	**262.1**	**196.1**	**79.7**	**70.3**	**224.4**
Foreign banks and governments	80.3	80.3	-	-	-	-	-	-	-	-
Other foreign	15.7	15.7	-	-	-	-	-	-	-	-
Total	**19,670.2**	**19,149.0**	**269.6**	**18,438.1**	**15,944.7**	**262.1**	**196.1**	**79.7**	**70.3**	**224.4**

(1) Credit risk and off-balance sheet credit risk, including derivative instruments. Includes: Debts (2) - NIS 15,944.7 million, bonds - NIS 1229.1 million, assets with respect to derivative instruments - NIS 3.1 million, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of a borrower's liability limits - NIS 2,493.3 million.

(2) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(3) Including with respect to off-balance sheet credit instruments (presented in the balance sheet under the item for other liabilities).

(4) Credit risk whose credit rating on the reporting date corresponds to the credit rating for the provision of new credit, in accordance with the Bank's policy.

(5) Risk of balance sheet or off-balance sheet credit which is non-accruing, subordinated or subject to special supervision.

(6) Including housing loans which were provided to certain purchasing groups which are currently under construction, in the amount of NIS 82.7 million and facilities which were provided to those groups, in the amount of NIS 69.7 million.

(7) Includes loans backed by cash flows from car loans and any purpose credit in the amount of NIS 189.4 million, for which a collective provision was made in the amount of NIS 11.9 million.

(8) The Bank applied the new provisions regarding provisions for credit losses beginning on January 1, 2022, while carrying the cumulative effect to retained earnings on the date of initial adoption.

(9) For details regarding the impact of the Swords of Iron War, see chapter 3- risk review, and tables 25 and 31 above.

	December 31, 2023									
	Total credit risk [1][2]			Debts [2] and off-balance sheet credit risk (excluding derivatives) [3]						
	Total	Of which: Credit performance grade [4]	Of which: Troubled credit risk [5]	Total	Of which: Debts	Troubled [5]	Of which: non-accruing credit risk	Expenses with respect to credit losses	Net accounting write-offs	Balance of the provision for credit losses
Activities of borrowers in Israel										
Public - commercial										
Construction and real estate - construction [6]	2,000.2	1,961.3	15.2	1,995.2	1,338.6	9.1	9.1	7.0	(0.1)	8.2
Construction and real estate - real estate activities [(*)]	1,472.3	1,472.3	-	1,472.3	1,451.4	-	-	(0.2)	-	1.4
Financial services	680.4	672.4	8.0	627.1	506.7	8.0	2.0	7.3	6.9	16.5
Others [(*)]	703.8	691.1	12.7	615.4	615.4	12.7	9.8	0.7	-	1.5
Total commercial [7]	**4,856.7**	**4,797.1**	**35.9**	**4,710.0**	**3,912.1**	**29.8**	**20.9**	**14.8**	**6.8**	**27.6**
Private individuals - housing loans	10,985.2	10,693.6	132.8	10,985.2	9,834.1	132.8	132.8	9.3	0.7	57.6
Private individuals - other	1,617.4	1,484.3	23.2	1,617.4	1,536.1	23.0	1.3	109.2	73.1	129.8
Total public - activities in Israel	**17,459.3**	**16,975.0**	**191.9**	**17,312.6**	**15,282.3**	**185.6**	**155.0**	**133.3**	**80.6**	**215.0**
Banks in Israel and the Israeli government	1,016.0	1,016.0	-	240.9	240.9	-	-	-	-	-
Total activities in Israel	**18,475.3**	**17,991.0**	**191.9**	**17,553.5**	**15,523.2**	**185.6**	**155.0**	**133.3**	**80.6**	**215.0**
Foreign banks and governments	74.6	74.6	-	-	-	-	-	-	-	-
Other foreign	15.0	15.0	-	-	-	-	-	-	-	-
Total	**18,564.9**	**18,080.6**	**191.9**	**17,553.5**	**15,523.2**	**185.6**	**155.0**	**133.3**	**80.6**	**215.0**

(*) Reclassified

(1) Credit risk and off-balance sheet credit risk, including derivative instruments. Includes: Debts [(2)] - NIS 15,523.2 million, bonds - NIS 1010.1 million, assets with respect to derivative instruments - NIS 1.3 million, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of a borrower's liability limits - NIS 2,030.3 million.

(2) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(3) Including with respect to off-balance sheet credit instruments (presented in the balance sheet under the item for other liabilities).

(4) Credit risk whose credit rating on the reporting date corresponds to the credit rating for the provision of new credit, in accordance with the Bank's policy.

(5) Risk of balance sheet or off-balance sheet credit which is non-accruing, subordinated or subject to special supervision.

(6) Including housing loans which were provided to certain purchasing groups which are currently under construction, in the amount of NIS 85.3 million and facilities which were provided to those groups, in the amount of NIS 55.4 million.

(7) Includes loans backed by cash flows from car loans and any purpose credit in the amount of NIS 176.7 million, for which a collective provision was made in the amount of NIS 13.9 million.

(8) The Bank applied the new provisions regarding provisions for credit losses beginning on January 1, 2022, while carrying the cumulative effect to retained earnings on the date of initial adoption.

(9) For details regarding the impact of the Swords of Iron War, see chapter 3- risk review, and tables 25 and 31 above.

Characteristics and risks of the housing loans portfolio

The mortgage activity primarily includes the provision of housing loans against the pledging of residential apartments for residents of Israel, through various linkage bases and according to several different interest tracks, and for foreign residents, in primary currencies (mostly the USD, GBP and EUR). Performance in foreign currency is very low to negligible, both historically and in 2024. The Bank gives credit to the ultra-orthodox sector, to the Arab and Druze sectors, and to the general sector, in accordance with a defined underwriting policy, and subject to a process of control and analysis conducted by various units in the Bank, on the first and second lines.

In 2024, due to the Swords of Iron War, the Commissioner of Banks updated his instructions regarding the expansion of the maximum finance rate in any purpose loans against mortgages on residential apartments.

As a result, the banking system extended its performance in this segment by around 20%, in a manner which reduced the Bank's share of the system's total performance in this segment.

Table 33 below shows that the performance in 2024 featured an increase in the LTV ratio above 60% relative to 2023, although at a similar rate to the pre-war years. The bank's understanding is based on many and varied evaluations, that activity at this LTV ratio, less than 75% according to the Bank of Israel's instructions, doe not increase the rate of default and write-offs in the housing loan portfolio. The average PTI ratio is stable, at 30%.

Table 34 below shows that, in accordance with the Bank's policy, the Bank's exposure at an LTV over 60%, and at a PTI of over 40%, is low. For details regarding the risk factors in the mortgage portfolio (including refinancing), see the public risks report in accordance with Pillar 3 as of December 31, 2024.

In accordance with the credit risk management policy, the Bank implements various measures to mitigate risks which are due to the provision of housing credit. The Bank established, within the framework of the credit policy, its risk appetite with respect to the housing credit segment, in consideration of the main risk factors. The main parameters in the definition of the risk appetite in the housing loans segment include: the financing (LTV) rate, location of the property, the payment to income (PTI) ratio – which the Bank considers to be the main factor affecting default, loan purpose, loan period, and the ability to realize the property in case of default. The Bank continuously monitors, including on the level of sub-portfolios, the risk profile of the mortgage portfolio, in light of the determined risk appetite, while monitoring the development of these parameters and their effect on the risk level of the mortgage portfolio, or of its various segments, trough control reports, some of which are generated on a daily basis. The monitoring of the mortgage portfolio is based on an analysis of the performance in light of the broad series of limits (risk appetite) which was determined by the Board of Directors, based on the risk factors which affect the portfolio's quality, and the combination thereof.

The Bank continuously monitors prepayments and refinancing in its mortgage portfolio, the volatility of which has increased since the beginning of the war and the implementation of the freeze program. The Bank has also developed a prepayment forecasting model. For additional details, see Note 29 to the financial statements.

Table 33 - Development of housing credit performance[1] and main performance indicators

	For the year ended December 31				
	2024	**2023**	**2022**	**2021**	**2020**
Performance in Israeli currency (NIS millions)	1,647	2,083	2,791	2,426	1,681
Performance in foreign currency (in NIS millions)	-	2	47	81	69
Total performance (NIS millions)	**1,647**	**2,085**	**2,836**	**2,507**	**1,750**
Percent of change relative to last year	(21%)	(26%)	13%	43%	(3%)
Variable interest, at a frequency of less than 5 years	56%	45%	58%	53%	32%
Average loan period (in months)	300	303	294	274	263
Average income per capita (NIS)	7,451	6,761	6,391	5,949	5,725
Distribution of performance amount by asset LTV ratio [2]					
0%-60%	70%	77%	70%	67%	75%
61%-75%	30%	23%	30%	33%	25%
over 75%[3]	-	-	-	-	-
Distribution of performance amounts by the payment to income (PTI) ratio in housing loans [2]					
Average PTI	30%	30%	29%	28%	28%
0%-40%	100%	100%	100%	100%	100%
Over 40%	-	-	-	-	-
Of which: Percentage of performance with financing rates over 60%	-	-	-	-	-
Distribution of number of agreements by performance amount (NIS thousands)					
0-500	43%	43%	47%	48%	50%
500-1,000	34%	34%	34%	35%	35%
Over 1,000	24%	23%	19%	17%	15%
Average agreement amount	876	875	771	715	669
Loans in amounts exceeding NIS 2 million per loan:					
Number of loans	75	84	92	74	76
Total amount (NIS millions)	232	228	270	209	237

(1) New loans only (not including refinancing).
(2) The data are in accordance with Report 876 of the Banking Supervision Department.
(3) Less than 1%.

Table 34 - Various risk characteristics in the portfolio of housing loans (NIS millions):

		Balance as of December 31, 2024						
		Loan age (time passed since the loan provision date)						
Finance rate	**Rate of repayment from fixed income**	**Up to 3 months**	**3 months to 1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**10 years or more**	**Total**
Up to 45%	Up to 40%	85.7	559.5	735.2	1,059.8	426.1	279.0	3,145.3
	40%-50%	0.1	5.5	1.2	2.4	5.6	5.7	20.5
	50%-80%	-	1.6	1.6	0.2	0.6	0.7	4.7
	Over 80%	-	-	-	-	-	-	-
	Total	**85.8**	**566.6**	**738.0**	**1,062.4**	**432.3**	**285.4**	**3,170.5**
45%-60%	Up to 40%	109.7	571.2	611.5	972.9	336.7	404.4	3,006.4
	40%-50%	-	4.8	4.7	-	5.5	6.8	21.8
	50%-80%	-	0.1	-	-	4.8	6.1	11.0
	Over 80%	-	-	-	-	-	-	-
	Total	**109.7**	**576.1**	**616.2**	**972.9**	**347.0**	**417.3**	**3,039.2**
60%-75%	Up to 40%	116.6	502.9	508.8	1,426.9	317.6	174.2	3,047.0
	40%-50%	3.2	10.0	12.0	5.0	3.6	3.2	37.0
	50%-80%	-	-	-	4.2	0.1	2.0	6.3
	Over 80%	-	-	-	-	-	-	-
	Total	**119.8**	**512.9**	**520.8**	**1,436.1**	**321.3**	**179.4**	**3,090.3**
Over 75%	Up to 40%	5.4	70.1	66.6	177.8	29.6	37.1	386.6
	40%-50%	-	2.4	1.5	-	-	1.0	4.9
	50%-80%	-	-	-	-	-	-	-
	Over 80%	-	-	-	-	1.0	-	1.0
	Total	**5.4**	**72.5**	**68.1**	**177.8**	**30.6**	**38.1**	**392.5**
Total		**320.7**	**1,728.1**	**1,943.1**	**3,649.2**	**1,131.2**	**920.2**	**9,692.5**

(1) In case of refinancing, age is counted from the date the refinancing was implemented.

(2) The finance rate and the rate of return from fixed income are presented as of the original date of provision of credit, and do not reflect changes in the property's value, in the value of credit, or in fixed income.

Sale of housing, commercial and syndicated credit portfolios

The Bank provides management and operation services with respect to two types of loans:

A. Loan portfolios which were sold to institutional entities, in which the Bank manages and operates on their behalf the part of the portfolio of loans which was purchased by them, in exchange for management fees, in the same manner and according to the same rules as those by which the Bank manages and operates loans for itself, including the part of the portfolio of loans which remains owned by it.
   The cumulative balance of sold credit portfolios and joint provision of housing loans as of December 31, 2024 amounted to approximately NIS 3,210.3 million (including approximately NIS 2,976.4 million in housing loans). The Bank has no credit risk on some of the sold loans (true sale).
B. Loans from government funds, and its liability to entitled individuals according to the Ministry of Construction & Housing (hereinafter: "Budget Loans") the balance of which amounted, as of December 31, 2024, to a total of approximately NIS 192.5 million. The Bank has no credit risk on the budget loans.

Regarding housing loans which were sold to institutional entities, in accordance with the Bank's business strategy, it is noted that on October 6, 2022, the Banking Supervision Department published Proper Conduct of Banking Business Directive 329B, regarding the sale of housing loans and collaborations regarding the provision of housing loans. The directive's main provisions establish principles for the execution of sale transactions; Section 12 determines that the banking corporation may not selective choose the "good" loans ("cherry picking") or the "bad" loans ("lemon picking"). Section 16 of the directive determines that the banking corporation must maintain at least 10% of each loan in the sale transaction, the loans portfolio will include loans which have been included in the banking corporation's portfolio for at least 12 months before the sale, section 17 determines that the amount of housing loans sold by the banking corporation, plus housing loans under the responsibility of the institutional entity in the syndication transaction, will not exceed 10% of the balance of the housing loan portfolio (hereinafter: the "Limit Ratio");

The Bank of Israel approved for the Bank a sale rate of up to 25%, and another 10% through joint provision (syndication). Alternatively, the Bank may execute syndication loans at a rate of up to 35% of the portfolio (while in any case, the scope of sold portfolios (without syndication) will not exceed 25%). The Bank sells these portfolios in accordance with the Bank of Israel's instructions.

As of December 31, 2024, the scope of sales of housing loan portfolios, out of the balance of the housing loan portfolio (including the managed portfolio, and excluding commercial credit and joint provision), amounted to approximately 23.5%, as compared with a limit of 25% and approximately 1.1% in syndication.

In 2024, the Bank sold 90% of its rights and obligations in connection with credit portfolios in the total amount of approximately NIS 1,021 million. The Bank recognized profit (before tax) of approximately NIS 37.4 million in the financial statements for 2024.

On June 10, 2024, an agreement was signed between the Bank and member companies of an institutional entity group, regarding the joint provision of housing loans (hereinafter: the "Syndication Agreement"), whereby the Bank will provide 10%, and the member companies of the institutional entity's group will provide 90% of each of loans which will be provided to customers in accordance with the agreement. The syndication agreement was signed for a period of 3 years, and the scope of housing loans which will be provided thereunder is estimated at a total of up to approximately NIS 1.8 billion. In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the member companies of the institutional entity's group, the part of the portfolio of loans which they provided, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans was provided by the Bank, and it will also receive, from the member companies of the institutional entity's group, initiation fees with respect to the loans which will be provided within the framework of the collaboration. The syndication agreement is an alternative platform to the Bank's revenues from the sale of mortgage portfolios. Accordingly, the Bank believes that the syndication agreement will allow the Bank to increase its scopes of activity in the mortgage market, while reducing the exposure to in mortgage sales. During the second half of

2024, joint housing loans were provided in the total amount of approximately NIS 203.6 million.

On March 2, 2025, after the balance sheet date, the Bank sold 90% of its rights and obligations in connection with a portfolio of commercial credit loans in the total amount of approximately NIS 350 million.
The Bank recognized profit (before tax) of approximately NIS 12.5 million in the financial statements for the first quarter of 2025.
For additional details, see Chapter 1.6 - Various issues and significant events during the reporting period and after the balance sheet date.
The Bank considers the sale of credit portfolios as part of the realization of its long term business strategy, which is intended for optimal management of capital and realization of the Bank's growth potential, and intends to work to realize those transactions in the future, while complying with regulatory restrictions, if any. The portfolio sale activity is performed subject to monitoring, which evaluates the impact o the sale on the portfolio's various risk factors. The results of this evaluation indicate that the sale of the portfolios does not significantly affect the risk profile of the Bank's credit portfolio, particularly due to the fact that around 96% of the Bank's housing loans portfolio was executed with a finance rate no greater than 75% of the property's value, around 64% of the Bank's housing loans portfolio was executed with a finance rate no greater than 60% of the property's value, and around 99% of the housing loans portfolio was executed with a finance rate no greater than 40% of the property's value.
It is noted that, in parallel with the sale of the credit portfolios in the years 2019-2024, the Bank continued presenting growth in the housing credit portfolio (while fulfilling the capital restrictions), such that the foregoing sales had a positive impact on the Bank's profitability, while they did not have a significant negative impact on excess interest income. The Bank also recognized gross profit from the sale of the housing credit portfolios in the amount of approximately NIS 284 million during the years 2019-2024. Additionally, in accordance with the management agreement which was signed between the parties, the Bank manages and operates, on behalf of the buyers, the part of the portfolio of loans which it purchased, in exchange for management fees.

Table 35 - Various risk characteristics in the portfolio of sold housing loans (NIS millions):

Finance rate	Fixed PTI ratio	Distribution of housing loans as of December 31, 2024	
		Housing loans in the Bank's balance sheet	Housing loans which were sold by the Bank
Up to 45%	Up to 50%	32.7%	56.2%
	Over 50%	-	0.2%
	Total	**32.7%**	**56.4%**
45%-60%	Up to 50%	31.2%	43.4%
	Over 50%	0.1%	0.2%
	Total	**31.3%**	**43.6%**
60%-75%	Up to 50%	31.8%	-
	Over 50%	0.1%	-
	Total	**31.9%**	**-**
Over 75%	Up to 50%	4.1%	-
	Over 50%	-	-
	Total	**4.1%**	
Total		**9,692.5**	**2,976.4**

The finance rate and the rate of return from fixed income are presented as of the original date of provision of credit, and do not reflect changes in the property's value, in the value of credit, or in fixed income.
As of December 31, 2024, the rate of loans in arrears in the old housing loan portfolio was approximately 0.9%, as compared with approximately 2.5% of housing loans in the Bank's balance sheet.

Characteristics of the credit portfolio and credit underwriting for the Bank’s solo consumer loan customers

Solo consumer loans are given to private customers, residents of Israel who request to receive credit for any purpose, for a set period. Most of the credit is given to customers who manage their checking accounts in another bank, through digital channels and call centers, or through the Bank’s branches. These customers are rated in accordance with the underwriting model on the date of provision of the loan at the Bank.

The credit underwriting system includes the credit policy rules and the rating model, which are used to obtain a recommendation regarding credit approval. Since the credit database went live, the Bank has relied, in addition to the foregoing, also on information which was received from the database and on the credit rating which is received from the credit bureau with which the Bank works. Based on the customer’s rating, as given by the rating model, the decision table of, the values of which were determined in accordance with the Bank’s policy, and the risk appetite, which was approved by the Board of Directors, determines the exposure limit, the customer’s interest rate and the loan repayment period. The underwriting model allows the Bank to improve the value offer to customers, and also to monitor the customer’s rating after the provision of the loan.

The activity is characterized by significant distribution of customers, each of whom was given credit in a relatively low amount, and therefore, the Bank has no significant dependence on any individual customer.

The Bank’s new underwriting system, as well as the rating model, are subject to routine and comprehensive control processes. As part of these processes, the Bank calculates the probability of default and the probability of loss given default, LGD (non-collection rate), and uses them to calculate the expected provision (economic provision).

In the last quarter of the year, the development of a new rating model for consumer credit was completed, which is based on the Bank of Israel’s credit database, and which is used to offer credit to the Bank’s customers in accordance with the customer’s risk characteristics.

Supervision and monitoring of risk characteristics

The Bank conducts processes to monitor and control the risk, and reports are routinely submitted to management and the Board of Directors, including:

1. Reports regarding the findings of underwriting and credit management controls. This report is produced by the credit control unit in the Risks Division (second line of defense). The findings of these controls are presented for discussion to the board committee on risk management, and to the Bank’s Board of Directors.

   Controls and risk assessments in connection with credit provision processes are reported through the Risks Division, and by the supervision unit in the Retail Division (controls in the first line of defense). Controls in connection with compliance, the prohibition on money laundering, as well as fairness and initiated credit, are reported through the Bank’s Compliance Officer, and by the supervision unit in the Retail Division. The Bank has an operating model for the application of the first line and second line controls, and some of the Bank’s branches have full time supervision officers.
2. Monitoring and reporting regarding the rates of arrears, freezes and provisions from the activity. This monitoring is performed both routinely and in extreme situations, through routine control reports, and by extreme scenario tests which are conducted by the Bank.
3. Reports regarding characteristics and trends in the credit portfolio and compliance with all of the restrictions which were determined in the credit policy. This report is, in part, produced daily, and monitors the performance in underwriting and the underwriting rating of customers on the level of the performance track. The results of compliance with the risk appetite (risk profile in light of the risk appetite), as well as the analysis and quarterly development of risks in the portfolio, as performed by the CFO and CRO, are presented as part of the Bank’s quarterly risks document, which is presented for approval to management, the risk management committee, and the Bank’s Board of Directors.

Table 36 - Balance of credit to private individuals (non-housing) (NIS millions):

	Balance as of December 31	
	2024	**2023**
Solo consumer loans	1,254.1	1,496.0
Other retail credit (1)	160.7	40.1
Total credit to private individuals (non-housing)	**1,414.8**	**1,536.1**
Of which: non-troubled	1,387.5	1,513.1
Troubled non-accruing	5.8	1.3
Troubled accruing	21.5	21.7
Total credit to private individuals (non-housing)	**1,414.8**	**1,536.1**
Rate of credit classified as troubled out of total credit to private individuals (non-housing)	1.9%	1.5%
(1) Composition		
Checking account balances in debt	4.0	4.8
Other (vehicle and credit cards) *	156.7	35.3
Total other retail credit	**160.7**	**40.1**

* Including car-backed purchases by customers in 2024.

For details regarding the scope of loans for which payment deferral requests were made, see Table 25 – Debts for which payment deferrals were implemented as part of the process of responding to the Swords of Iron War.

Table 36 above indicates a decrease of approximately NIS 121 million (8%) in the exposure of the Bank's consumer credit portfolio in 2024. This decrease was due to the Bank's proactive reduction of performance in this portfolio during the last year, due to the increase in the rate of defaults and write-offs in recent quarters. The decrease in the scope of performance, relative to previous years, is shown in table 39. At the same time, the average loan amount increased to NIS 85 thousand, as compared with NIS 60 thousand in previous years. Table 39 below indicates a 10% increase in the average period of loans given in 2024 relative to last year, an increase of approximately 40% in the average loan amount given.

Table 38 below shows the decrease in the rate of net charge-offs from the balance of consumer credit, relative to the end of 2023, as noted above.

Table 37 - Distribution of the balance of credit to private individuals (non-housing) (NIS millions):

	Balance as of December 31	
	2024	**2023**
Total credit to private individuals (non-housing)	**1,414.8**	**1,536.1**
By average remaining loan period		
Up to 1 year	4%	2%
1 to 3 years	15%	16%
3 to 5 years	33%	32%
5 to 7 years	15%	20%
Over 7 years	34%	29%
By extent of borrower's debt (NIS thousands)		
Up to 10	3%	3%
10 to 20	6%	8%
20 to 40	14%	17%
40 to 80	26%	30%
80 to 120	21%	19%
120 to 150	18%	17%
150 to 300	12%	8%
Over 300	-	-
By credit type		
Monthly spitzer amortization table at variable interest	96%	98%
Monthly spitzer amortization table at fixed interest	3%	2%
Collateral		
Financial assets at the Bank	1%	1%
Other collateral	-	-
No collateral	99%	99%
Regular income in the account		
Credit customers who do not maintain a checking account at the Bank with fixed income in the account [1]	90%	90%
Credit customers who maintain a checking account at the Bank with fixed income in the account	10%	10%

(1) The entry into effect of the Credit Data Law will allow the Bank to continuously monitor the risk characteristics of customers.

Table 38 - Accounting write-offs with respect to credit to private individuals (non-housing) (NIS millions):

	For the year ended December 31	
	2024	2023
Accounting write-offs	82.8	89.9
Collection of debts which were written off in previous years	(20.9)	(16.8)
Net accounting write-offs	**61.9**	**73.1**
Rate of net write-offs from the balance of credit at end of year *	4.4%	4.8%

* In effective annual terms

Table 39 - Development in the performance of solo consumer loans and key performance indicators

	For the year ended December 31		
	2024	2023	2022
Performance during the period (NIS millions)	415	878	1,040
Performance rate by original loan period			
Up to 6 years	39%	47%	57%
Over 6 years	61%	53%	43%
Average loan period (in years)	7.5	6.9	6.5
Performance rate by loan amounts			
Up to 50	30%	28%	39%
50 to 60	4%	6%	8%
60 to 70	4%	5%	7%
70 to 80	4%	3%	7%
Over 80	58%	58%	40%
Average loan amount (NIS thousands)	85	60	63

* For an explanation of changes during the reporting period, see below in the chapter regarding characteristics of the credit portfolio for the Bank’s solo consumer loan customers.

Consumer credit to existing customers

Table 40 - Consumer credit to existing customers (NIS millions):

	For the year ended December 31	
	2024	**2023**
1. Amount of credit given to existing customers [(1)(3)]	**123.1**	**158.5**
2. Additional details regarding credit which was refinanced in the last two years, and which was not reclassified under troubled debt restructuring:		
A. By the borrower's credit rating [(2)] upon refinancing the credit:		
High rating	95.6	141.3
Medium rating	15.3	9.2
Low rating	9.5	6.6
Very low rating	2.7	1.5
Total	123.1	158.5
B. By condition of the borrower's arrears on the date of credit refinancing:		
Borrower in arrears of 30 days or more	-	-
Borrower not in arrears of 30 days or more	123.1	158.5
Total credit which was refinanced in the last two years and was not classified as restructuring	**123.1**	**158.5**
C. By number of credit refinancing processes which were performed for the borrower during the last two years		
1	99.7	124.0
2	21.4	30.7
3 or more	2.0	3.8
Total credit which was refinanced in the last two years and was not classified as restructuring	**123.1**	**158.5**
D. By extent of fulfillment of the Bank's credit refinancing policy		
Fulfilled the Bank's credit refinancing policy	120.2	157.0
Credit for which the underwriting center has approved flexibility relative to the policy	3.0	1.5
Total credit which was refinanced in the last two years and was not classified as restructuring	**123.1**	**158.5**
3. Registered balance of debt on the total sum of credit to borrowers whose credit has been refinanced	**110.9**	**139.6**

(1) Consumer credit which, during the last two years, has been renewed or extended, or which was given to an existing borrower prior to the repayment of their previous credit, except for credit for which a deferral of payments was implemented according to the program with respect to the Swords of Iron War, and which was not classified under troubled debt restructuring.

(2) In accordance with the Bank's rating model, the rating scale of low to high indicates the loan's quality accordingly.

(3) Not including debts to which payment deferrals according to the program with respect to the Swords of Iron War and which were not classified under troubled debt restructuring.

Characteristics of credit to finance the construction of real estate projects

Activities in the construction and real estate segment are intended for the accompaniment of residential construction projects in Israel, and provide a full financing package to the customer, which mostly includes the acquisition of land and the construction of residential projects, projects in the urban renewal segment, mezzanine loans to complete part of the equity for the project, and the provision of various types of guarantees, in accordance with the transaction requirements. Financing for the construction of residential projects is for the most part given through the accompaniment method, according to the specific needs of each project, and in accordance with its characteristics. In the accompaniment method, the project is separated from the customer's other activities. A designated account is opened for the project, which is used for the purpose of that project only, to which are deposited the funds which are received from the buyers of residential units, as well as equity and the Bank's credit. These funds are used to perform the project and are released in accordance with the rate of progress on construction, in accordance with reports issued by an expert supervisor. The Bank has collaboration agreements with several insurance companies regarding the joint financing of projects. As part of the financing of the construction project, the Bank provides monetary credit facilities to finance construction, performance guarantees, monetary guarantees, and Sale Law guarantees, to buyers of units in the project, which are issued by the insurance company which partners in financing the project. The land and receipts are pledged in favor of the Bank.

The collaboration with the aforementioned insurance companies (hereinafter: the "Operator Model") allows the Bank to optimally use capital and to achieve profitable returns, while distributing credit risks and fulfilling the required regulatory restrictions. The collaboration with the insurance companies includes various types of credit or collateral which they provide: provision of collateral in accordance with the Sale Law; Provision of collateral to land owners in a combination and demolition-construction transaction; and the provision of financial credit, in accordance with predefined financing ratios.

The operator model in the real estate and construction segment is implemented in accordance with the following principles:

The project is also evaluated and approved by the institutions of the financial partner; The collateral in the project is provided pari-passu, where the distribution ratio in case of realization of the collateral was predetermined between the Bank and the financial partner; The ratio of credit provision amounts is maintained throughout the lifetime of the project. The release of surpluses which are received with respect to the project to the entrepreneur is performed in the Bank's discretion, in accordance with the surplus release formula which is approved by the Bank, and included in the collaboration agreement. Management of the project according to this model is performed by the Bank in its independent judgment, and in accordance with conventional banking standards; Monitoring reports regarding the project are submitted by the supervisor to the Bank and to the additional entity, whereby the Bank reports to the additional entity regarding extraordinary events in the project.

The Bank's credit portfolio is distributed, and the Bank is not dependent on any individual customer or on a limited group of customers. The credit balance of the Bank's customers does not overlap with the regulatory restriction of any single borrower. The distribution of the portfolio is also made possible through the Bank's strategic collaboration with insurance companies, regarding the provision of monetary credit, and the issuance of policies in accordance with the Sales (Apartments) Law, as stated above.

The Bank applies a mechanism to determine the scope of equity which is required in projects, which is derived from the rate of performance and sales in the project. The aforementioned mechanism incentivizes early sales in the projects, thereby reducing the risk level in these projects.

The Bank finances the projects from the land acquisition stage through the various construction stages. In general, credit to finance land available for construction is available up to 24 months after the date of financing the land. As of December 31, 2024, credit which was given for projects in the land stage constitutes 19%, in terms of debt, of the Bank's real estate portfolio.

The Bank manages, as of December 31, 2024, a total of 230 projects with a total scope of approximately 11.4

thousand residential units, of which approximately 154 are projects which are operated, including the scopes of financing, in collaboration with institutional entities. Additionally, the scope of the managed portfolio is approximately NIS 12 billion, of which approximately NIS 2.2 billion is the Bank's responsibility, and the remainder is the responsibility of the institutional entities.

As of December 31, 2024, credit which was given for projects under active construction in Central Israel constitutes 43%, in terms of scopes of credit in the Bank's real estate portfolio, 11% in Greater Jerusalem, and 46% in the rest of the country. As regards sales in accompanied projects, following a downturn in sales during the last two years, due to the significant impact of the interest rate increase in the economy, in recent quarters the rate of sales has increased. However, the sales payments are paid in a non-linear distribution which reduces the project's inflows, and sometimes requires increasing the credit facilities for the project, while on the other hand, more and more developers have launched subsidization campaigns which include mortgages for buyers and the receipt of more significant cash flows to the project account. In terms of the progress on performance in accompanied projects, when the war began, construction was suspended in most of the projects, except for projects using foreign workers. However, it has become clear that over time the contractors have fully or partially renewed construction on the sites, and the pace of construction has begun improving month on month, up to the achievement of a satisfactory pace, although still slightly slower than in the past.

Out of total credit given by the Bank to finance lands, only around 3% was given at a finance rate exceeding 80% - a decline relative to previous quarters. Additionally, the cushion rate in accompanied projects has remained mostly unchanged, and practically all have a cushion rate of over 30%. The collaboration with the insurance companies which are financing the accompanied projects together with the Bank (including in monetary credit) helps to reduce this risk.

It is further noted that the Bank does not have significant credit balances on credit for revenue-generating real estate, or credit to finance the activity of executing contractors.

According to the Bank of Israel's letter from October 2024, regarding developments in the construction and real estate sector, the banking system's exposure to the construction and real estate sector has increased further.

It is emphasized that the Bank's construction accompaniment activity involves a low risk level relative to the banking system, and also in general, due to several main factors: the Bank accompanies residential projects only, a conservative and stable field of activity relative to the other types of activity in the real estate sector (such as financing executing contractors, financing revenue-generating properties in the office and residential segment, etc.), the Bank is active through the operator model (sharing of risk with insurance companies), the ratio of credit to finance land purchases to the Bank's total construction accompaniment portfolio is low relative to the banking system, most of the borrowers in the sector are veteran customers, where the projects have high credit ratings.

In light of the developments referenced in the Bank of Israel's letter, the Bank evaluated, and continues to evaluate, the effects of the various developments on the quality and risk of the credit portfolio.

This evaluation included conducting various scenarios, including an extreme scenario, in order to assess the credit risk, both in projects which are in active accompaniment, and in the financing of lands in the portfolio, which include an assumed increase in construction and financing costs, along with a decrease in housing prices and in the balance receivable from buyers of apartments in the projects. The analysis indicates that the Bank's current provision for this field of activity, which has been increased since the war began, corresponds to the results of the evaluation.

The Bank is continuously evaluating the developments in the real estate sector, and from time to time makes the required adjustments to the credit policy, including adjustment of the cushion rate, financing costs and pricing of credit in projects involving significant sale with non-linear distribution of proceeds, in order to ensure that the low risk level in the Bank's construction accompaniment portfolio remains this way even with the ongoing uncertainty.

Distribution of credit risk and troubled debts in the construction and real estate branch:

Table 41 - Distribution of credit risk and troubled debts in the construction and real estate branch (in NIS millions):

	As of December 31, 2024					As of December 31, 2023					
	Credit to the public	Guarantees	Unused facilities	Total credit risks	Of which: troubled credit	Credit to the public	Guarantees	Unused facilities	Total credit risks	Of which: troubled credit	Rate of change in credit risk
	NIS millions										%
Credit to purchase land for construction	349.8	8.0	40.2	398.0	-	406.6	9.4	67.0	483.0	-	(17.6%)
Accompaniment of residential projects	974.8	163.5	463.1	1,601.4	51.0	769.1	212.6	297.6	1,279.3	14.8	25.2%
Purchasing groups	82.7	0.6	69.7	153.0	-	85.3	0.5	55.4	141.2	-	8.4%
Other	107.7	-	31.4	139.1	0.8	77.6	-	19.1	96.7	0.4	43.8%
Total - construction and real estate construction	**1,515.0**	**172.1**	**604.4**	**2,291.5**	**51.8**	**1,338.6**	**222.5**	**439.1**	**2,000.2**	**15.2**	**14.6%**
Total - construction and real estate - real estate activities	**1,393.8**	**-**	**38.3**	**1,432.1**	**-**	**1,451.4**	**-**	**20.9**	**1,472.3**	**-**	**(2.7%)**
Total - construction and real estate - real estate construction and activity	**2,908.8**	**172.1**	**642.7**	**3,723.6**	**51.8**	**2,790.0**	**222.5**	**460.0**	**3,472.5**	**15.2**	**7.2%**

The construction and real estate segment includes construction and real estate - construction, and the construction and real estate - real estate activity. Construction and real estate item - Construction refers to credit to purchase land for construction and accompaniment of residential projects (including purchasing groups).

Construction and real estate item - The real estate activity applies to mortgages for business purposes and pledges on apartments and commercial properties.

As of December 31, 2024, the sectoral regulatory limit with respect to debts of the construction and real estate sector is 22% (due to the temporary provision, which applies until December 31, 2027). The Board of Directors' limit for this purpose was set at 21%, and the Bank is fulfilling this Board of Directors' limit.

As of December 31, 2024, the total credit risk in the construction segment increased by 14.6% relative to December 31, 2023. The increase was due to increase in credit given to accompany residential projects and in unused facilities, along with a decrease in the balance of credit given for the purchase of land for construction. Total risk of credit in the real estate operating segment, which is given for business purposes, upon pledges of apartments and commercial properties, decreased by approximately 2.7% relative to December 31, 2023. The decrease was mostly due to the sale of the portfolio of business credit with a pledge on apartments and commercial properties. For additional details, see Chapter 1.6 - Various issues and significant events during the reporting period and after the balance sheet date.

For details regarding the impact of the Banking Supervision Department's directive entitled "Update to directive 203 - capital measurement and adequacy - standard approach - credit risk", in which it was determined that a risk weight of 150% should be used with respect to loans to purchase land for development or construction purposes, at a rate exceeding 80% of the value of the acquired property (LTV). The directive's

impact on the Bank is immaterial.
According to the Bank’s assessment, the balance of the current collective provision as of December 31, 2024, based on the use of qualitative adjustments and macro factors, covers the anticipated loss.
For additional details, see Note 24B to the financial statements.

Characteristics of other business credit

In early 2022, the Bank began giving business credit to finance the activities of financial companies engaged in the provision of credit. The activity is focused on growth companies offering credit in the Bank’s areas of specialization, with preference for companies whose operations are synergistic with those of the Bank, and with potential for collaboration. In 2022, the Bank also began giving state-backed credit to small and medium businesses. This credit is distributed between businesses in different lifecycle stages, including growing businesses in various sectors. The development of the small and medium business activity was in response to competition in the current business lines, due to the Bank’s intention to carefully and gradually expand the business credit activity, while increasing the diversification of the Bank’s activities, and receiving appropriate collateral for the risk. Following the implementation of the first stage, when it was decided to begin the business credit activity for corporations and licensed dealers as part of the state-backed fund for small and medium business loans (including in the program with respect to the Swords of Iron War), and in accordance with the Bank’s defined multi-year plan, the Bank continued developing its business activities, and also expanded to financing of working capital for business customers through financing payment to suppliers, activity involving the provision of short term credit covered by credit insurance, and the provision of credit to businesses against collateral such as vehicles, trucks, mechanical and engineering equipment, etc. The credit policy for business credit activities includes the determination of principles for the provision of credit and hedging of risks, the required collateral, the operating framework, and the risk appetite. The following business credit activity is performed under the oversight of the lines of defense, and involves a relatively low level of risk. The Bank monitors this credit permanently and continuously. As stated above, no significant events were identified which could have indicated a change for the worse in this credit quality, due to the war and in the current uncertainty in the market. For additional details, see Table 16 - Developments in the credit portfolio.

Main exposures to foreign countries (on a consolidated basis) [1]

Part A - Information regarding total exposure to foreign countries, and regarding exposures to countries where the total exposure amount to each of them is over 1% of total consolidated assets, or over 20% of capital, whichever is lower:

Table 42 - Main exposures to foreign countries (NIS millions): [1]

Country	Balance as of December 31, 2024			Balance as of December 31, 2023		
	Balance sheet exposure [2]	Off-balance sheet exposure [2][3][6]	Total	Balance sheet exposure [2]	Off-balance sheet exposure [2][3][6]	Total
United States	257.4	-	257.4	240.5	-	240.5
Others	48.8	-	48.8	57.9	-	57.9
Total exposure to foreign countries	**306.2**	**-**	**306.2**	**298.4**	**-**	**298.4**
Of which: total exposure to PIGS [4] countries	-	-	-	-	-	-
Of which: total exposure to LDC [5] countries	-	-	-	-	-	-
Of which: total exposure to countries with liquidity problems	-	-	-	-	-	-

(1) Based on final risk, after the impact of guarantees, liquid collateral and credit derivatives.

(2) Balance sheet and off-balance sheet credit risk, as well as troubled credit and non-accruing debts risk, are presented according to the effect of the provision for credit losses and before the effect of the deductible collateral for the purpose of the liability of a borrower or group of borrowers.

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the debt restrictions of a single borrower.

(4) Exposure to the PIGS countries, including Portugal, Italy, Greece and Spain.

(5) The exposure to LDC (least developed countries), classified by the World Bank as low or medium income.

(6) There is no balance sheet or off-balance sheet troubled credit, and there are no non-accruing debts in the exposures to foreign countries.

Part B - Information regarding countries where the total exposure to each of them is between 0.75% and 1% of total consolidated assets, or between 15% to 20% of capital, is immaterial.

Part C - The balance sheet exposure to foreign countries with liquidity problems for the reporting period is immaterial.

Credit exposure [1][2] to foreign financial institutions [3]

Table 43 - Credit exposures to foreign financial institutions (NIS millions):

	Total credit exposure as of December 31	
External credit rating [4]	**2024**	**2023**
AAA to AA-	35	32
A+ to A-	151	104
BBB+ to BBB-	-	-
Unrated	-	-
Total exposure	**186**	**136**

1. Deposits and checking account balances in foreign financial institutions, the Bank has no off-balance sheet credit risks in foreign financial institutions.
2. There is no exposure to financial institutions which are classified as debt which is non-accruing, subordinated or subject to special supervision, and there is no provision for credit losses with respect to those institutions.
3. Foreign financial institutions include banks, holding companies of banks, investment banks and brokers.
4. According to the rating company S&P.

The balances presented in the above table mostly include institutions operating in the United States, Belgium, Canada and Switzerland.

As of December 31, 2024, the Bank's exposure to banks in the United States amounted to a total of approximately NIS 70.0 million. The exposure is to three banks: the first in the amount of NIS 32.0 million, which is rated A+, the second in the amount of NIS 21.6 million, which is rated A+, and the third in the amount of NIS 16.4 million, which is rated AA-. The Bank has no exposure to regional banks in the United States.

The Bank established restrictions on the maximum permitted exposure to foreign financial institutions, and conducts routine monitoring of the stability of such entities, based on the rating of the companies and other market data which indicate their economic situation.

Exposure to environmental risks, climate risks and transition risks, and methods for managing them

The Bank's current activities mostly focus on borrowers from the retail segment, which have a low exposure to environmental risks. As a result, the Bank's exposure to this risk is insignificant. The Bank's credit provision activities in the real estate, construction and commercial segments for corporations and individuals does not expose the Bank to any significant environmental risk, inter alia, in light of the Bank's avoidance of the provision of credit in segments which are prone to environmental pollution, and the receipt of appropriate approvals before providing credit in the real estate sector. This activity is defined in a dedicated policy, which is monitored by the Bank and reported on regularly.

The Bank's investments in the nostro corporate bonds portfolio are generally made in low scopes, and are particularly made in companies with negligible exposure to environmental risk. A report regarding the impact of environmental risk on the Bank's activity is submitted in the Bank's quarterly risks document.

In accordance with the instructions regarding public disclosure due to climate change, which were published by several entities around the world, the banking corporations were required to evaluate the need for expanded disclosure on this subject in the Report of the Board of Directors and Management and in the corporate responsibility report, in order to reflect significant changes in the environmental risks to which the Bank is exposed. The circular's provisions have been applied beginning with the financial statements for 2021. Additionally, in December 2022 the disclosure requirements which were determined, as stated above, were expanded, by including examples of quantitative and qualitative disclosure regarding the management of climate risks.

On November 22, 2020, the Bank's Board of Directors adopted its policy regarding the management of environmental risks.
On June 12, 2023, Proper Conduct of Banking Business Directive No. 345, "Principles for the Effective Management of Climate-Related Financial Risks", was published, which establishes "meta-principles" for the effective management of financial risks related to the climate and to other environmental risks. These principles address aspects of corporate governance, the internal control framework, the adequacy of capital and liquidity, the process of managing, monitoring and reporting risks, comprehensive management of credit / market / liquidity / operational / other risks, and requires an analysis of possible scenarios. The directive enters into effect on June 12, 2026. The Bank is studying the directive, and is preparing for its adoption. At this stage, the Bank believes that the adoption of the directive is not expected to have a significant impact on the financial statements.
As part of the policy, three principles were established regarding the evaluation of potential environmental risk in the provision of credit:

- Sectoral classification - weighing the exposure to potential environmental risk, in accordance with the relevant sector;
- Classification of groups of borrowers - the Bank strives to refrain from providing credit to customers whose activities could expose the Bank to environmental risk;
- Type of collateral - the Bank strives to avoid reliance on collateral which involves exposure to environmental risk.

Additionally, as part of the policy, the Bank has established for itself a policy of avoiding exposure to environmental risks, which is comprised of two stages:

- Identifying the risk before executing the transaction - including verification of the collected information;
- Identifying the risk in the credit management process - if conditions have been established for the credit, the credit managers are required to verify the fulfillment of those conditions before opening the land/construction stage for project accompaniment / credit provision.

As an example of activity in accordance with the policy in the provision of credit for the real estate sector, when the main potential risk component is pollution of the land on which residential construction projects are located, where the Bank provides banking services to the entrepreneurs of those projects, as the Bank's customers. The Bank monitors this issue in two stages:

- Transaction approval stage in the credit risks analysis unit - this stage requires environmental due diligence, an environmental survey if necessary, determination of suspensory conditions, and more;
- Stage of providing banking services in the testing unit - evaluating whether the suspensory conditions have been fulfilled, and adding them to the contract.

In cases where there is a concern regarding exposure to environmental risk, the Bank evaluates the transaction and considers its steps in light of the exposure, and does not execute accompaniment transactions or ventures until the issue has been evaluated.
During the reporting period, the Bank (or any officer thereof) was not party to any significant legal or administrative proceedings in connection with the environment.
Initiatives pertainig to the environment, climate change, and the transition to a low-carbon economy, are presented above in the chapter regarding additional significant ESG activities, which were done in 2022.
The Bank has begun preparing for the adoption of Directive 345 regarding the management of climate risks.

Clearing risks and counterparty risks

Clearing risk is the risk that a counterparty to an agreement will not fulfill its part, and will not transfer to the Bank, on the specified date, the required amount at the time of the clearing of the transaction. The exposure to clearing risk is in the short term, and is generally intra-day. The main source for the Bank's exposure to settlement risks is the clearing of derivative transactions (OTC). The Bank does not operate vis-à-vis its customers with OTC derivatives, but rather with derivative instruments which are traded on various stock exchanges, including minimum settlement risk. The Bank is exposed to settlement risks in its activities on its own behalf, although the scope of these activities is immaterial. Additionally, the Bank is exposed to settlement risks due to the trading of foreign securities, which is performed vis-à-vis brokers by means of non-DVP (non delivery versus payment) settlement processes. The scope of these transactions is minimal.

Most of the Bank's exposures to counterparty risk materialize vis-à-vis banks in Israel and abroad, and vis-à-vis recognized foreign financial institutions, with respect to the settlement of derivative transactions (OTC), and vis-à-vis brokers and providers of custodian service for securities, with respect to the settling of transactions with foreign securities. The framework for activities with these institutions is approved at least once per year by the Bank's Board of Directors, as part of the credit facilities of those institutions, following an evaluation of the institutions' financial quality.

During the quarter, no settlement risks or counterparty risks materialized for the Bank.

Risk mitigation - the Bank signed ISDA agreements and CSA annexes vis-à-vis most of the banks with which activities with derivatives are performed. This allows offsetting of the transactions, in a manner whereby the amount transferred between the parties to the transaction amounts to the net exposure amount, thereby decreasing each party's exposure. The CSA annexes regulate monetary transfers between the parties to the transaction, insofar as the exposure amounts to a certain predetermined scope, thereby reducing the exposure to the counterparty.

3.2 Market risk

Market risk is the risk due to the probability that unexpected changes in market prices - interest rates, price indices, exchange rates, stock prices, and more - could adversely affect the Bank’s revenues, or the value of its capital, due to balance sheet and off-balance sheet positions which are affected by changes in the fair value of financial instruments, due to changes in market conditions.
The Bank’s business results, the fair value of assets, liabilities, equity and cash flows are exposed to market risks which are due to the fluctuation of interest rates, exchange rates, the consumer price index, the prices of Israeli and foreign securities, and other economic indicators.
Market risk includes several specific types of risks, as follows:

1. **Interest rate risk** - The risk affecting capital and the Bank’s profits due to negative changes in interest rates, which affect the current positions in the Bank’s portfolio. When interest rates change, the present value and timing of future cash flows also change accordingly. These in turn cause changes in the base values of the Bank’s assets, liabilities and off-balance sheet items, and therefore change the corporation’s economic value. Changes in interest rates also affect the Bank’s profits, by changing the income and expenses which are sensitive to interest rates, which in turn affects net interest income (NII).
2. **Exchange rate risk** - The exposure to loss in the Bank’s profits due to changes in the exchange rates of various currencies which the Bank uses as part of its business activities.
3. **Inflation risk** - The risk of loss due to unexpected changes in the inflation rate, i.e., changes in the consumer price index.
4. **Other basis risks** - Exposure to loss due to changes in the prices of stocks, parameters affecting option value, etc.

These types of risk specified below are managed by the Bank in a similar fashion, based on the frameworks, policies and risk appetite which have been determined by the Board of Directors. As part of the Bank’s overall strategy regarding the management of exposure to market risks, the Bank executes, inter alia, transactions with derivative financial instruments, in order to reduce its exposure to these risks. The Bank’s activities in derivative financial instruments are performed as an intermediary, trader, or end user. The Bank has derivative financial instruments such as future foreign currency swap transactions and forward foreign currency contracts. Transactions with derivative financial instruments are recorded at fair value, and changes in fair value are routinely recorded in the statement of income. The Bank also has independent contracts which do not in themselves constitute derivative instruments, but which do contain embedded derivatives, and activity with hedge options which do not involve increasing risk in the underlying asset. For an extensive description of the work system regarding the management and control of market risks, see the risks report - disclosure in accordance with Pillar 3, as of December 31, 2024.
The Bank’s market and interest rate risk profile in the fourth quarter of 2024 remained with no significant change relative to the previous quarter. The Bank’s market risk is moderate relative to the volatility in markets, with the Bank’s rate of exposure to exchange rates and stocks being relatively low.
In light of the wide range of scenarios which could develop due to the war, as specified in this report, in the third quarter of 2023 the Bank increased the overall market risk rating (including interest rate risk, stock and bond price risk, and inflation risk), from low to low-medium, in order to reflect the increased risk level, due to the uncertainty that has arisen because of the war. Foreign currency risk remains low.
In light of the continued uncertainty, and despite the stability of the Bank’s market and interest rate risk profile, as of the date of this document, the Bank believes that these risk levels should be left unchanged.

VaR

The Bank also quantifies market risks according to the Value at Risk (VaR) methodology.

The VaR estimates the maximum loss which the Bank is expected to incur in case of the realization of market risks during a given time period, and according to a predetermined statistical confidence level, according to previously observed market conditions. The calculation is performed in the Bank once per month according to the historical method, with respect to the entire portfolio, for a holding period of 10 days, with a significance level of 99%, and for various historical time periods. The Bank measures its overall risk using the VaR for the overall portfolio (bank and nostro), and the held for trading portfolio, separately. The bank's VaR value is maintaining a relatively low level relative to the established limit, where the limit established by the Board of Directors (in gross terms) is also low, at 4% of Tier 1 capital, such that the Bank's limit, as of December 31, 2024, is NIS 59.5 million. In addition to management and control using the VaR model, the Bank also uses other models for the quantification of risks and the determination of the risk appetite, with an emphasis on models based on scenarios to estimate risk in extreme scenarios. The Bank evaluates the risk profile against the risk appetite using various scenarios of changes in the Bank's risk factors in the various portfolios. These scenarios, which were determined with respect to ordinary situations and extreme situations, include the ability to respond to the limits of the VaR model, based on its reliance on the correlations between the risk factors in the Bank's portfolio, and the limited ability of the model, as defined, to handle extreme events.

The VaR results as of December 31, 2024, as presented in table 44 below, indicate a value which is at a reasonable distance from the limit set by the boards of directors, with its value at the end of 2024 being slightly lower than its value at the end of 2023. VaR is mostly affected by market volatility and the risk factors in October 2023 when the war began.

Table 44 - Estimated VaR (NIS millions):

	Estimated VaR for the year ended			
	December 31, 2024		December 31, 2023	
	End of reporting period	Maximum value during the year	End of reporting period	Maximum value during the year
	NIS millions			
Actual exposure	33.1	50.3	36.2	44.0
The Bank's restriction *	59.5	58.3	54.6	53.2

* The limit corresponds to the maximum value date.

Risk hedging and/or mitigation policy

The Bank's financial risk management policy is based on the management of its exposures to market and liquidity risks, by determining quantitative restrictions which correspond to the Bank's risk appetite. The measures which are used to comply with the restrictions include, inter alia, buying and selling marketable securities (primarily Israeli government bonds), raising non-marketable deposits (from private and institutional customers), raising marketable deposits and activities with derivative financial instruments and derivative hedge options.

Back testing of the model's quality

The model's quality is evaluated according to the results of back testing. This evaluation includes comparing the result which is obtained using the forecast on which the model is based, to actual performance, i.e., the actual profit and loss are compared to the profit and loss forecasted by the model.

According to this method, the results of the test are classified into three areas according to the "traffic light" system: green, yellow and red, depending on the number of exceptions identified in the test. The determination regarding which area applies requires a minimum of 250 data points.

As of the fourth quarter of 2024, and in the other quarters of this year, back testing vs. historical VaR data for one day and 10 day holding periods found that the model is in the green area.

Interest rate risk

Interest rate risk (without the credit risk margin) is the risk to the Bank's capital, economic value and profit, due to negative changes in the interest rates which affect the current positions in the Bank's portfolio. When interest rates change, the present value and timing of future cash flows also change accordingly. These in turn cause changes in the base values of the Bank's assets, liabilities and off-balance sheet items, and therefore change the Bank's economic value. Changes in interest rates also affect the Bank's profits, by changing the income and expenses which are sensitive to interest rates, which in turn affects net interest income. A high level of interest rate risk could pose a significant threat to the Bank's current capital base, or to its future profits, if not managed properly, and particularly if risk appetite limits are not applied to interest exposure values. The main forms of interest rate risk are:

A. Repricing risk - A risk due to timing differences in repayment periods (at fixed interest) and in repricing periods (at variable interest) of the Bank's assets, liabilities and off-balance sheet positions. Inconsistencies on repricing dates could expose the profits and the economic value to unexpected changes due to changes in the interest rates.
B. Yield curve risk: Risk due to unexpected changes of the yield curve, which negatively affect the Bank's profits or economic value. Changes in the yield curve are due to changes in the links between interest rates for different repayment periods, of the same index or market. Changes in the links between interest rates are reflected in changes to the yield incline (steepening or flattening) or form (twisting).
C. Basis risk: Risk due to an imperfect factor in changes of interest rates in the various financial markets, or in various instruments, which are similar in terms of repricing characteristics. These differences could lead to unexpected changes in cash flows and in the margin of revenue between assets, liabilities and off-balance sheet instruments with similar repayment periods or frequencies of repricing.
D. Optionality risk: Risk due to changes in the timing or scope of a financial instrument's cash flows, due to changes in market interest rates. (For example - loans which give borrowers the right to prepayment, various types of deposit instruments with no repayment date, which give the depositor the right to withdraw funds at any time, sometimes without penalties).

The Bank's main exposure is in the CPI-linked segment, which mostly is due to the housing loans activity in the banking portfolio.

The Bank monitors conventional indicators for the measurement of interest rate risk of loans against deposits, with the aim of adjusting the effect of a possible change in interest rates on the value of its net financial cash flow to the Bank's risk appetite. These tools include the measurement of differences in average lifetime, quantification by means of the VaR model, and estimation of exposure in various scenarios which reflect various fluctuations (parallel and non-parallel) in the interest rate curve, in both routine and extraordinary times. The Bank also monitors the scope of early repayments on housing loans and consumer credit, which have a significant impact on the effective average lifetime.

For details regarding the main methods and assumptions used by the Bank when estimating the fair value of financial instruments, see Note 32A - Balances and Fair Value Estimates of Financial Instruments.

Quantitative data regarding interest rate risk - sensitivity analysis

Table 45 - Adjusted fair value of the financial instruments of the Bank and its consolidated companies (NIS millions):

	As of December 31, 2024			As of December 31, 2023 *		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
Net balance sheet balance [(1)]	**1,231.2**	**(141.4)**	**1,089.8**	**1,084.4**	**(109.7)**	**974.7**
Adjusted fair value [(1)]	958.7	(22.3)	936.4	987.4	(32.2)	955.2
Of which: banking portfolio	879.7	(44.2)	835.5	978.2	(32.4)	945.8
Of which: impact of the distribution into periods of deposits from the public on demand	39.8	13.8	53.6	36.1	12.5	48.6
Of which: impact of housing loan prepayments	(41.5)	(18.1)	(59.6)	(20.1)	(31.7)	(51.8)
Of which: impact of prepayments in public deposits	21.2	-	21.2	95.8	-	95.8

* Reclassified

(1) The net fair value of financial instruments, excluding non-monetary items, and after the impact of the liability for employee rights, and the attribution of periods of on demand deposits.

For additional details, see Note 32A to the financial statements.

Table 46 - Impact of scenario involving changes in interest rates on the adjusted net fair value [(1)] of the Bank and its consolidated companies (NIS millions):

	December 31, 2024			December 31, 2023		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions			NIS millions		
Corresponding changes						
Parallel increase of 1%	(82.0)	(7.9)	(89.9)	(70.8)	(4.4)	(75.2)
Of which: banking portfolio	(81.2)	(6.5)	(87.7)	(70.3)	(5.4)	(75.7)
Of which: impact of behavioral assumptions (2)	145.1	2.4	147.5	104.5	2.7	107.2
Of which: impact of the distribution into periods of deposits from the public on demand	7.9	2.0	9.9	7.5	2.4	9.9
Of which: impact of housing loan prepayments	138.7	0.4	139.1	98.2	0.3	98.5
Parallel decrease of 1%	56.5	8.6	65.1	48.3	4.8	53.1
Of which: banking portfolio	55.6	7.1	62.7	47.6	5.9	53.5
Of which: impact of behavioral assumptions (2)	(212.1)	(2.5)	(214.6)	(161.2)	(2.9)	(164.1)
Of which: impact of the distribution into periods of deposits from the public on demand	(8.2)	(2.1)	(10.3)	(7.7)	(2.6)	(10.3)
Of which: impact of housing loan prepayments	(205.5)	(0.3)	(205.8)	(154.8)	(0.4)	(155.2)
Non-corresponding changes						
Steepening	(48.0)	(3.9)	(51.9)	(41.8)	(3.3)	(45.1)
Flattening	34.2	2.1	36.3	31.0	2.4	33.4
Short term interest rate increase	8.4	(1.2)	7.2	9.3	0.1	9.4
Short term interest rate decrease	(7.1)	1.0	(6.1)	(7.7)	(0.1)	(7.8)

	December 31, 2024			December 31, 2023		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions			NIS millions		
Corresponding changes						
Parallel increase of 2%	(153.0)	(15.3)	(168.3)	(131.1)	(8.3)	(139.4)
Of which: banking portfolio	(151.4)	(12.5)	(163.9)	(130.1)	(10.3)	(140.4)
Of which: impact of behavioral assumptions (2)	266.6	4.7	271.3	191.4	5.3	196.7
Of which: impact of the distribution into periods of deposits from the public on demand	15.4	4.0	19.4	14.5	4.8	19.3
Of which: impact of housing loan prepayments	254.4	0.3	254.7	179.0	0.5	179.5
Parallel decrease of 2%	121.9	18.0	139.9	105.4	10.1	115.5
Of which: banking portfolio	120.1	14.8	134.9	104.1	12.3	116.4
Of which: impact of behavioral assumptions (2)	(465.7)	(5.2)	(470.9)	(355.4)	(5.8)	(361.2)
Of which: impact of the distribution into periods of deposits from the public on demand	(16.7)	(4.4)	(21.1)	(15.7)	(5.2)	(20.9)
Of which: impact of housing loan prepayments	(452.4)	(0.4)	(452.8)	(342.0)	(0.6)	(342.6)

(1) The net fair value of financial instruments, excluding non-monetary items, and after the impact of the liability for employee rights, and the attribution of periods of on demand deposits with no maturity date.

(2) Impact of the attribution for deposit periods with no maturity date, prepayments on housing loans, and other behavioral assumptions.

(3) The calculation does not include the impact of the change in the options' fair value due to the interest rate change, since the scope of the current options portfolio is very low, and the RHO (change in the option's price given a 1% change in the interest rate) is negligible.

(4) Steepening: short term interest rate decrease and long term interest rate increase.
Flattening - short term interest rate increase and long term interest rate decrease.

(5) The rate of prepayments in housing loans was adjusted in the various scenarios in accordance with Proper Conduct of Banking Business Directive 333, which will enter into effect in July 2025.

Table 46 above shows the change in the adjusted net fair value of all of the financial instruments, assuming that the specified change has occurred throughout the entire yield curve, and in all linkage segments. The Bank was exposed to interest rate increases, where in 2024 the exposure to increases of 1%, based on the rate of prepayments in housing loans according to the base assumption, ranging from NIS 66 million (minimum value) to NIS 90 million (maximum value). The exposure was mostly due to the banking portfolio.
In general, changes in this exposure are mostly due to changes in exposures in the nostro portfolio and from business activities, i.e., provision of credit and raising deposits and changes in behavioral assumptions, mostly pertaining to prepayments in housing loans and the distribution of public deposits on demand.
In this quarter, as in all of 2024, the interest exposure in the banking portfolio and in the overall portfolio is to an interest rate increase, and below the Bank's risk appetite limits.

The Bank's fair value exposures to a corresponding increase of 1% and 2% in the interest rate in December 2024 were higher than those in the corresponding period last year. The increase in the exposure to interest rate increases in 2024 was mostly due to the activity in the nostro portfolio and the credit provision activity (mostly mortgages), whose effects were partly offset by the decrease in the exposure to interest rate increases in the unlinked segment, due to the raising of deposits and the increase in the projected rate of prepayments in housing loans.

Table 47 - Impact of scenarios involving changes in interest rates on net interest income and on non-interest financing income (NIS millions):

	December 31, 2024			December 31, 2023		
	Interest income, net	Non-interest financing income	Total	Interest income, net	Non-interest financing income	Total
Corresponding changes						
Parallel increase of 1%	5.2	(1.5)	3.7	8.3	0.7	9.0
Of which: banking portfolio	5.2	0.0	5.2	8.3	0.1	8.4
Parallel decrease of 1%	(6.4)	1.6	(4.8)	(8.4)	(0.7)	(9.1)
Of which: banking portfolio	(6.4)	-	(6.4)	(8.4)	(0.1)	(8.5)

For additional details regarding the assumptions which will be used to calculate fair value, see Note 32A to the financial statements.

In recent years a growth trend has been recorded in household deposits raised at variable interest instead of fixed interest, a trend which contributed to a reduction in the excess of assets over liabilities at variable interest, and as a result, the exposure of interest income in the scenario of a 1% increase or decrease in the interest rate, as presented in table 47, decreased. It is noted that the Bank has significantly lower checking account balances than the rest of the banking system, and the sensitivity of the Bank's financial revenues to interest rate changes (increase and/or decrease) is therefore relatively very low.

Table 48 - Impact of scenarios involving interest rate changes on equity (in NIS millions, before tax impact):

	December 31, 2024	December 31, 2023
Parallel increase of 1%	(37.1)	(22.9)
Parallel decrease of 1%	37.1	21.3

Exchange rate risk and inflation risk

The exposure to basis risk, as reflected in loss which may be incurred due to changes in the CPI and in the exchange rate. The Bank's policy is to manage the risks from the base exposure in a controlled manner, and in accordance with developments in the financial markets. As part of the management of market risks, the Bank manages, on an ongoing basis, its positions in the linkage and foreign currency segments, through the variety of financial instruments which are available to it, in consideration of changes which occur in relevant economic figures, and routine monitoring of the risks which are due to this exposure.

In order to restrict the exposure to this risk, the Bank's Board of Directors determined the maximum rates of exposure. The restrictions were determined while retaining the Bank's flexibility and its ability to change the various positions in a short period, in accordance with economic forecasts. Calculation of the exposure

includes the impact of derivatives.
The limit on the base exposure (long/short) linked to the CPI, which is defined in the financial risks policy and which includes swap transactions, is up to 80% of Tier 1 capital.
The exposure to inflation risk as of December 31, 2024 amounts to NIS 868 million (long), constituting 58.4% of Tier 1 capital, lower than the risk limit, as stated above, which was defined by the Board of Directors. See also table 50.

In general, the impact of the change in the exchange rate on fair value was immaterial, since the Bank does not manage significant exposures in the foreign currency segment (the activity in each one of the foreign currencies, separately, does not exceed 5% of the total balance sheet). The bank's low exposure to foreign currency is also reflected in the limit which was determined for this activity, which is at +/- USD 10 million only.
The impact of the various scenarios due to exchange rate changes is therefore also low. See table 52.

Table 49 - Restrictions on the exposure rates of each linkage segment, as determined by the Board of Directors (which is not necessarily the exposure that affects profit and loss). Restrictions are on the surplus (deficit) amounts of the assets on the liabilities in each segment (NIS millions):

	2024 limit	Actual exposure as of December 31, 2024
Linked (percent of Tier 1 capital)	80% (+/ -)	58.4% (+)
In foreign currency and linked to foreign currency	+ / - USD 10 million	USD 2.2 million

The Bank measures its positions in the various linkage bases every day by means of its information system. This information is reported to the units which are responsible for management of the position and adjusting it to the applicable restrictions. The information regarding the amount of the positions is routinely reported in the meetings of the assets and liabilities management committee, and in the meetings of other forums which are engaged in risk management. Inter-currency exposure is managed through a limited policy, and the Bank's policy is to avoid, as much as possible, exposure to exchange rate risks between the various foreign currencies. The Bank only operates with the major currencies, and in scopes which are proportional to financial capital.
In Note 30 to the financial statements, which is presented in accordance with generally accepted accounting principles, funds not held for trading are presented as non-monetary items, as opposed to the Bank's policy, which accounts for these investments, as part of the calculation of inter-currency exposure, in accordance with the investment currency.

Table 50 - Summary of the Bank's linkage bases as of December 31, 2024 (NIS millions):

	Balance as of December 31, 2024					
	Israeli currency		Foreign currency			
	Unlinked	CPI-linked	US Dollar	Other	Non-monetary items	Total
Assets	15,119.7	5,946.0	589.1	281.4	453.1	22,389.3
Liabilities	14,986.0	4,824.7	826.9	225.2	30.4	20,893.2
Derivative instruments	63.7	(253.0)	242.5	(53.2)	-	-
Total	**197.4**	**868.3**	**4.7**	**3.0**	**422.7**	**1,496.1**

Table 51 - Effect on the Bank's capital, before tax effect, due to theoretical changes in the consumer price index[(1)] (NIS millions):

Scenario	Impact of the scenario as of December 31, 2024	Maximum positive impact of the scenario in 2024	Maximum negative impact of the scenario in 2024
CPI increase of 3%	41.6	42.8	-
CPI increase of 3%	(41.6)	-	(42.8)

(1) Measured according to the CPI publication date in the months January to December 2024.

Table 52 - Sensitivity of the Bank's capital to changes in currency rates, in NIS millions (the theoretical change in economic value as a result of the scenario, where the scenario involving an increase means an increase of the relevant currency relative to the NIS):

	As of December 31, 2024		Maximum for 2024		Minimum for 2024	
Scenario	US Dollar	Other	US Dollar	Other	US Dollar	Other
Increase of 10%	4.3	(0.2)	4.3	1.0	(2.0)	(0.7)
Decrease of 10%	(4.3)	0.2	2.0	0.7	(4.3)	(1.0)

The above table presents a sensitivity analysis of the Bank's capital to changes in exchange rates, based on a revaluation in the risk management system, using generally accepted models for the revaluation of each instruments, and using the representative rates as the base rate. For the purpose of the calculation, the managed portfolio in foreign currency was revalued, which includes banking activity such as mortgages, loans, deposits and transactions with foreign securities (the options component in the portfolio is immaterial). As stated above, in accordance with the Bank's policy, the Bank does not manage significant exposures to exchange rates, and exchange rate changes therefore also do not significantly affect the Bank's economic value, as demonstrated in this table. For additional details regarding the various linkage bases, see Note 30 to the financial statements.

Stock price, debt fund and private equity fund risk

As part of the management of assets and liabilities, the Bank invests in private equity and debt funds of leading Israeli and international managers, in accordance with the policy which was approved by the Board of Directors for this purpose. The investment is distributed over various industries, geographical locations and investment managers. Most of the funds have an investment period of several years, during which time the fund manager calls for the balance of the liability amounts. As part of the financial risks policy, the Bank established a limit framework of NIS 50 million for investment in ETF's, on stock indices and foreign stocks. The balance of the investment as of December 31, 2024 amounted to NIS 13.8 million, as compared with NIS 11.6 million as of December 31, 2023.

The Bank also established an investment facility of NIS 150 million, and the balance of the investment in debt funds specialized mostly in senior loans in the real estate segment as of December 31, 2024 amounted to NIS 82.1 million, as compared with NIS 77.0 million as of December 31, 2023.

The total liability for investment in private debt funds, as of December 31, 2024, amounted to NIS 16.4 million.

3.3 Liquidity and financial risk

Liquidity risk

"Liquidity" is defined as a corporation's ability to finance an increase in assets, and its ability to service its liabilities. Liquidity risk is the risk due to uncertainty regarding unexpected withdrawals of deposits and unexpected demand for credit which the Bank must immediately provide, and which could result in a situation where the Bank is unable to fulfill its undertakings towards depositors.

The Bank is exposed to liquidity risk and to the concern of a downturn or difficulty in the ability to raise marketable debt or debt from institutional customers due to market changes, legislative changes and/or changes in the preferences of depositors. In order to deal with this risk, the Bank has implemented, for several years, a policy of expanding the depositor base and reducing its reliance on large depositors, while particularly focusing on raising deposits from households. An emphasis is also placed on maintaining a high level of liquidity, as reflected in the scope of available liquid assets and the high LCR ratio, and in small flow gaps between the repayment of assets to the liabilities. The characteristics of the credit and the depositors, prepayment rates in deposits and in credit in the various linkage segments and the extent of refinancing deposits, have a significant impact on the estimated exposure to this risk.

During the last two years, the Bank was able to further improve its liquidity profile, and increased its deposits from the public. The rate of deposits of private individuals constitutes approximately 79% of total deposits from the public, due to the Bank's ability to offer its private customers some of the best value offers in the market.

The liquidity coverage ratio (LCR) remains high, and was in the range of 200% or higher during the period, significantly higher than the minimum ratio determined by the Bank of Israel, and above the limit and safety margins determined by the Board of Directors. All of the other liquidity indicators used by the Bank to monitor the liquidity profile are at high levels. The scope of liquid assets is maintained at a very high level, approximately NIS 5.8 billion, despite the Bank's high liquidity and high liquidity management capability, and due to various possible scenarios which create uncertainty regarding the behavior of macro factors during and after the war, in the third quarter of 2023 the Bank increased the liquidity risk rating in the risk factors from low to low-medium and it remains at this level as of the date of this document.

In the Bank's assessment, in consideration of the deposit refinancing rates in recent years, the exposure to the aforementioned risk is not high, inter alia, because the Bank diversifies its financing sources, ensures to expand the depositor base and to reduce its reliance on large depositors.

The Bank has established a policy of expanding the raising of sources, while increasing the weight of the sources from households out of total public deposits, and maintaining the ability to raise sources from institutional customers. The mix of raised deposits is based on the multi-year credit performance forecast, and balance sheet requirements. Additionally, the Bank, through the subsidiary Jerusalem Finance & Issuance (2005) Ltd., raises bonds according to the Bank's raising needs, and CoCo bonds in accordance with its capital needs.

The Bank strives to achieve the targets through variety in the mix of products and adjusting it to the needs of customers and to the changing market conditions. The Bank also conducts sales campaigns for depositing customers, through advertising in various media and direct mailing to existing and potential customers. The Bank also offers banking services in a closed system which allows the raising of funds from customers of all banks.

The Bank routinely evaluates its ability to rely on each active source, and acts in accordance with such evaluations.

The Bank has models for estimating liquidity risk in different time frames, and continuously monitors gaps in liquidity, while building a corresponding plan for raising sources, while continuously maintaining its emergency plan in case of a liquidity event, whether system-wide and/or specific to the Bank.

The balance of high quality liquid assets as of December 31, 2024 was NIS 5,763 million, and includes cash in NIS and in foreign currency, deposits of up to one week at the Bank of Israel and at foreign banks, and securities, mostly government bonds. This balance takes into account the Bank's balance of pledged assets, where in accordance with public reporting regulations, pledged assets are assets whose liquidation, sale, transfer or designation is restricted or prohibited for the Bank, due to legal, regulatory, or contractual or other restrictions, and are not included under "assets used as collateral for a central bank".

Currently, the Bank's activities for which assets are pledged include:

A. A pledge to secure credit from the Bank of Israel - for the purpose of the Bank's activities vis-à-vis the Bank of Israel (management of the Bank account, tenders, deposits, credit), the Bank pledges, towards the Bank of Israel, through a first charge and an assignment by way of charge (through a designated bond), with no restriction as to amount, all of the assets and interests in accounts / deposits at the Bank of Israel / collateral of the loan portfolio.

B. Pledge on activity vis-à-vis the Stock Exchange Clearing House and the MAOF - As part of the Bank's activities vis-à-vis the Stock Exchange Clearing House and the MAOF, the Bank is required to deposit collateral in cash and/or securities, in accordance with a calculation which is mostly based on the Bank's scope of activity. Accordingly, the Bank is required to deposit securities as collateral for the risk reserve activity if the stock exchange and the MAOF. This figure is calculated on a quarterly basis. The Bank also deposits collateral for MAOF activities, which change daily, based on MAOF positions which are held by the Bank's customers (against which are pledged the customers' assets at the Bank).

C. A pledge on the Bank's assets within the framework of clearing failure arrangements - Depositing of collateral for various clearing operations (Bank Clearing Center, Masav, payment cards). Each arrangement includes the definition of minimum conditions for demanding the depositing of collateral funds (cash) in a designated account.

D. The balance of pledged assets as of December 31, 2024 was NIS 132.8 million, of which:
NIS 81.4 million of collateral for MAOF activities, NIS 8.6 million of collateral for the Stock Exchange Clearing House, and NIS 42.8 million of collateral for credit to the Bank of Israel RTGS.

For details regarding a pledge on cash and securities, see Note 26 to the financial statements.

As part of the management of projected cash flows, differently from the contractual cash flows, the Bank takes into account the projected behavior of customers with respect to withdrawal of deposits which include withdrawal options (exit points). The Bank identified all of the financing sources which are intended for use in emergency situations, including cash balances in NIS and in foreign currency, execution of swap transactions to transfer liquidity from foreign currency to NIS and vice versa, sale of securities, raising deposits beyond the plan, raising marketable debt, repo loans, monetary loans, one day inter-banking trading, spot transactions, sale of credit portfolios

and loans from the Bank of Israel (the Bank can receive overnight loans from the Bank of Israel in case of an emergency).

The Bank is working to keep the financing sources active and to use them from time to time, even when there is no real need in terms of liquidity.

The Bank also periodically conducts drills and evaluates the ability to raise the sources which are specified above and, in greater detail, in the emergency plan which the Bank has prepared for a situations of crisis in the Bank's liquidity.

Management of liquidity at the Bank is active and tight, and includes various tools for mitigating liquidity risk, including through the implementation of detailed models in different situations, both by ensuring to hold liquid resources with immediate ability to withdraw, and through active management and distribution of the sources.

The Bank also has a liquidity forum, under the responsibility of the financial management and strategy division, which discusses the liquidity position and works to coordinate between liquidity "needs" and liquidity "providers". The risk management division also applies routine and independent controls on the risk indicators,

the risk development, and incident investigations as required.
The Bank's strategy involves expanding the depositor base and reducing the reliance on large depositors, while particularly focusing on raising deposits from households, as part of the management of liquidity risk and to minimize concentration risk and the difficulty and/or downturn in raising sources in crisis situations.
In 2024, the balances of public deposits grew (by around 8%), especially in household deposits. The raising margin remained relatively stable throughout the year.
In the Bank's assessment, in consideration of the deposit refinancing rates in recent years, the exposure to concentration risk is not high.
The balance of the Bank's three largest depositor groups as of December 31, 2024 amounted to NIS 1,505 million, approximately 8.5% of public deposits, as compared with NIS 1,435 million - 8.7% - as of December 31, 2023. For details regarding the development of balances and revenues by supervised operating segments and public deposits, see Note 18 to the financial statements.
As part of the management of financing sources, the Bank issues bonds and CoCo bonds. For details see Table 18 and Chapter 1.6, Various issues and significant events during the reporting period and after the balance sheet date.
As required according to the Bank of Israel's directives and according to generally accepted standards around the world, the Bank has models for the assessment of short term and long term liquidity risk.
The Bank maintains a higher ratio than the minimum ratio which was determined in the Bank of Israel's directives regarding liquidity ratios. The minimum liquidity ratio is evaluated both in the ordinary course of business when an economic crisis is not expected and there are no liquidity pressures on the Bank, and three emergency scenarios are also applies, with different degrees of severity:

- Emergency situation on the level of the Bank - specific scenario, this scenario is also defined as the worst scenario.
  The scenario includes assumptions of aggressive withdrawal factors reflecting panic, mostly on the part of private customers, and inability to raise sources from raising channels other than households at market prices, with the peak effect occurring in the first two weeks after the beginning of the crisis, and a moderation taking place after about a month.
  The impact on deposits is in the short term, when a sharp increase is seen in the rate of deposit withdrawals, including deposits with exit options and deposits of institutional investors, as well as non-renewal of deposits by customers.
- An emergency situation in the Israeli banking system constitutes a medium severity system-wide scenario.
  Changes in the Bank's liquidity environment which result in the inability to liquidate assets in order to meet liquidity needs, both due to illiquidity in markets, and as a result of erosion in asset prices. A sharp increase in the rate of deposit withdrawals is assumed in the first two weeks, reflecting mistrust in the banking system, followed by moderation after around a month. The withdrawal factors were lower than emergency events at the Bank itself.
  The impact on deposits is short term, when it appears that the public considers the banking system unstable, and a panic environment ensues, leading to withdrawal of deposits from all banks, and an increase in the deposit raising prices.
- State-wide economic crisis in Israel - a combined scenario, specific for the Bank and also involving system-wide pressure.
  A crisis specific to the Bank while the entire banking system in Israel also undergoes a crisis. The withdrawal rates in the scenario were determined as the average withdrawal rates of the specific scenario and the system-wide scenario. In this scenario, the Bank's risk involves both increased deposit withdrawals and the inability to liquidate assets in order to meet liquidity needs, both due to illiquidity in markets, and as a result of erosion in asset prices. The scenario assumes that the peak effect will occur in the time range of one to two months, and moderation will occur after 3 months, during which

time there will be a decline in the scope of activities and in market output. Most of the damage is on the assets side, along with an increase in deposit withdrawals by the public, due to the need for cash. Cash leaves Israel in favor of safer markets. The various scenarios are differentiated from one another, in quantitative terms, primarily by the refinancing rate of deposits, and by the ability to realize liquid assets.

The following are also measured:

- Liquidity gap by periods: the gap between the balance of high-quality liquid assets and net cash outflows. The Bank evaluates the development of this gap throughout various periods (from one day to one year) in order to identify, in advance, possible liquidity pressures in future periods.
- Resiliency outlook: The resiliency outlook measures the time period of time during which the Bank is capable of serving all of its payment obligations due to ongoing business activities in a severe extreme scenario, The withdrawal factors were determined according to the product type and the customer segment.
- Short long ratio: The Bank's balance sheet structure includes long uses. Approximately 71% of the credit portfolio is housing and any purpose credit characterized by long periods to maturity. On the other hand, the period to maturity of the sources is shorter. As of the reporting date, the gap in average lifetime between the financial assets and liabilities according to the amortization schedules is approximately 3 years. However, this gap does not take into account behavioral components, such as prepayments and effective average lifetime of sources, which significantly reduce the risk.

  For the purpose of short / long risk management, the Bank's Board of Directors has determined several restrictions, including a limit on the maximum loss in a scenario involving an increase in the price of deposits.

Tools are also applied to monitor liquidity risk through endogenous and exogenous indicators which may indicate an increase in risk to a liquidity crisis situation.

The management of liquidity and financing risk included the establishment of restrictions by the Board of Directors and management for liquidity ratios in various scenarios, at a threshold which includes a security cushion regarding the minimum regulatory requirements.

Despite the increase in risks, and as opposed to the reduction of Israel's rating in 2024, the rating company S&P left the Bank's rating unchanged at ilAA- (local rating), while the rating outlook remained negative.

The rating of the Bank's long term deposits and senior debt remained Aa2.il, stable outlook. The contingent convertible bonds (CoCo Series 17) remained at A2.il hyb, stable outlook.

A reduction of the Bank's rating, if any, could negatively affect raising costs.

As stated above, this risk has not materialized until now, as reflected in the low risk premium which was reflected in the cost of the Bank's bond raising in January 2025.

Liquidity coverage ratio (LCR)

The Bank measures the liquidity coverage ratio (LCR) in accordance with the provisions of Proper Conduct of Banking Business Directive 221. Regarding the liquidity coverage ratio (LCR) of the Bank of Israel, which adopts Basel committee's recommendations regarding the liquidity coverage ratio in the Israeli banking system. The liquidity coverage ratio evaluates a horizon of 30 days in an extreme scenario, and is intended to ensure that the banking corporation has an inventory of high quality liquid assets (HQLA) in order to provide a response to the Corporation's liquidity requirements in this time horizon, according to the scenario specified in the directive.

The liquidity coverage ratio includes two components:

- Value of high quality liquid assets (HQLA) in extreme circumstances (numerator).
- Total net outgoing cash flows during the coming 30 calendar days (denominator).

According to the directive, except in case of financial stress, the ratio's value will not fall below 100%. In other words, the inventory of high quality liquid assets must equal, at a minimum, the total net outgoing cash flows on a routine basis. The Bank fulfills the liquidity ratio specified in the directive.

Table 53 below shows that the Bank's average liquidity coverage ratio was around 200% in the fourth quarter of the year, similar to its values in the previous quarters of 2024.

Table 53 - Liquidity coverage ratio, presented in terms of simple averages of daily observations during the reported quarter:

	For the three months ended December 31	
	2024	2023
Liquidity coverage ratio	200%	199%
Minimum liquidity coverage ratio required by the Commissioner of Banks	100%	100%

Net stable funding ratio (NSFR)

The coverage ratio of the net stable funding ratio is intended to improve the long term resilience of the liquidity risk profiles of banking corporations, by requiring banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets, and their off-balance sheet activities. Maintaining a financing structure over time is intended to reduce the risks that disruptions in the Bank's regular financing sources will erode the liquidity position in a manner which disrupts or prevents business activities, and results in a more widespread system-wide scenario.

The Bank monitors its long term liquidity using the principles of the net stable funding ratio (NSFR) model, as specified in Proper Banking Management Directive 222 (net stable funding ratio). The Bank applies an internal model to estimate financial risk, in addition to the regulatory model. The net stable funding ratio (NSFR) is measured weekly,

in accordance with the directive.

The net stable funding ratio includes two components: available stable funding components and required stable funding components.

In accordance with the directive, the calculation of the stable funding ratio is defined as the ratio between available stable funding sources (existing sources, which are highly likely to be available to the Bank, divided by the required amount of stable funding). The ratio is calculated using standard (uniform) factors, and on total currencies of no less than 100%.

The bank has established internal restrictions on the net stable funding ratio, which are added to the management of restrictions in connection with the management of liquidity risk.

The bank's net stable funding ratio in 2024 remained above the required regulatory ratio, and as of December 31, 2024, amounted to 137%, a slight increase relative to the stable funding ratio as of December 31, 2023,

which amounted to 132%.
The volatility of this ratio throughout the year remained low.
For additional details regarding the stable funding ratio, see Note 37 to the financial statements.
For additional details regarding financial risk, see the report regarding risks in Pillar 3 as of December 31, 2024.

3.4 Other risks

Operational risk

Operational risk is defined as the risk of loss due to the inadequacy or failure of internal processes, people, systems, or external events, The Bank's definition of operational risk includes the entire set of internal control, operational, embezzlement and fraud, technological, information security and cybersecurity, privacy protection, prohibition on money laundering, prohibition on terrorism financing, legal, compliance, fairness and reputation risks. The risks are covered in case of any natural disaster (routine, alert, threat / extreme).
The operational risks are different from the other banking risks, being passive risks, which are not directly related to activities generating expected remuneration, but rather exist as a natural part of the Bank's activities. Operational risks are represented in the activity of each employee at the Bank, and in all of the organization's work processes, due to the variety of activities therein, being the organization which owns assets, operates information systems, and maintains contact with customers, employees and suppliers. due to this fact, operational failure events were classified according to the types which were determined by the Basel Committee, and similarly, in Directive 350 of the Bank of Israel, regarding the management of operational risks - Embezzlement, fraud, damage to physical assets, IT failures, extreme events, including natural disasters (earthquake, IT malfunction, pandemic), etc. Additionally, an operational failure or near-failure event could signify the materialization of other risks. In particular, reputation risk could materialize due to a different internal control risk event, such as a cybersecurity incident, which could lead to the materialization of liquidity risk and reputation risk. The Bank is working, in accordance with an orderly work plan, on addressing all aspects of operational risk, based on a broad perspective which includes the entire series of internal control risks, and particularly reputation risk, as mentioned above. However, each of the Bank's internal control risks is managed in a specific treatment framework, set forth in a dedicated policy document specifying the principles for the management and control of each internal control risk.
The Bank applies a comprehensive framework of processes, tools and methods in order to reduce the exposure to losses due to operational risks, and routinely conducts surveys and assessment processes which are integrated into the overall risk map of the Bank's main activities, and also conducted an organizational process of learning lessons from default events or near-default events. The Bank is preparing to adopt the two new directives of the Bank of Israel in connection with operational risk (350 and 350A), which are based on the Basel Accords, and which are currently in the draft stages.

Operational risk factors

The main operational risks faced by the Bank are the risks faced by all financial entities. In recent years, external risks have increased due to activity outside the Bank have increased, mostly in terms of cybersecurity risks, and the Bank is investing a great deal of resources in protection from hostile entities, and is operating in accordance with the guidelines of the Bank of Israel, while enlisting the assistance of external consultants. The main aforementioned risk factors (in routine periods as well as in war situations) are cybersecurity and information security risks, business continuity and disaster recovery, information system risks, including systems failure, embezzlement and fraud, and outsourcing.

Mitigation of operational risk

The Bank maintains a comprehensive framework of processes and methods intended to reduce the exposure to losses which are due to operational risks. These preparations include, inter alia, the following measures:

- Reducing the operational exposure, through the implementation of ongoing control measures and a demand for the implementation of double controls over every process which involves significant operational risk.
- Implementation of system-wide controls over various operating segments, in accordance with the risk associated with the process, with an emphasis on processes regarding which there is no double control over the process.
- Conducting operational risk surveys which are as comprehensive and integrative as possible, and formulating plans for mitigating the risks which were identified in the survey, on the level of operations and business lines.
- Creating the Bank's overall map of risks, which reflects the various internal control risks to which the Bank is exposed, including operational risk, technological, compliance and fairness risk, the prohibition on money laundering and terrorism financing, embezzlement and fraud, cybersecurity, privacy protection, and more, in each of the business processes which are material to the Bank's activity. The Bank ensures to manage these risks in an independent handling framework, using the tools and methods which are required according to the regulation, and works continuously to integrate them into the map of operational risks, in order to also maintain the overall handling framework in the entire set of internal control risks.
- Implementation of an organizational culture regarding the management of operational risks, and increasing awareness of such risk among employees, including lesson learning processes and learning from events, and the creation of forums to identify, characterize and address operational risks and internal control risks.
- Implementation of capabilities allowing continuous analysis of extreme scenarios for operational risk and additional internal control risks.
- Implementation of an approval process prior to the activation of each new product / operation / process - requires conducting a comprehensive risk survey, creating a mitigation program in accordance with the risk level, and approval of each new significant product in the established forums, on the level of each division, on the level of management, or in the Bank's Board of Directors, in accordance with the Bank's dedicated policy regarding the handling of new or significantly updated products / operations.
- Collection of information regarding loss or near loss events, and learning of lessons - the Bank collects data regarding operational failure events which occurred and which caused actual operational damage, or which could have caused operational damage. In significant or company-wide events, an investigation and lesson learning process is implemented by all involved entities. The Bank's management and Board of Directors receive reports regarding operational events in which material losses were incurred, and regarding events which involved the potential for loss.
- The map of operational risks, risk mitigation plans, and reports regarding loss and near loss events are managed in a designated system for the management of operational risks.
- The appointment of division-based referents for the management of operational risks - with the aim of improving and implementing the management of operational risks in all of the Bank's units. The referents work together with a central unit for handling operational risks, the operational risks department, and the Risks Division (second line).
- The quarterly risks document includes a designated chapter in which reports are given regarding the failure events which occurred during the reporting period, the existing risk areas, including technology, cybersecurity and information security, business continuity, and other internal control risks, and the status of progress on the implementation of the mitigation plan.

- The Bank acquires, each year, professional liability insurance, property insurance and cybersecurity insurance, which provides extensive insurance coverage for IT crimes and technological failures.
- The internal audit unit, which is the third line of the activity, conducts audit procedures in accordance with the internal audit work plan for evaluating the Bank's system of internal controls, and is responsible for executing the process of evaluating the effectiveness of internal control.

The Bank established a comprehensive framework of processes and methods in order to manage and minimize the exposure to losses due to operational risks, and works according to a clear framework for handling that risk, which is based on determination of the lines of defense involved in the process, dedicated forums, the risk appetite and the established limits, and assessment processes which the Bank continues expanding, including lesson learning processes. The Bank's assessment processes include coverage of operational risk and additional internal control risks, such as business continuity, model risk, reputation risk, information system risks, and embezzlement and fraud. The Bank is continuing processes and procedures to upgrade its control capabilities in both routine and emergency situations, while continuing to monitor and upgrade the handling of internal control risks. As part of this approach, a routine process of evaluating and drilling its emergency / business continuity plans is conducted. In November 2024, a combined cybersecurity - business continuity drill was conducted. Additionally, during the third quarter of the year, the Business Impact Analysis (BIA) procedures were updated. The Bank's framework for handling operational risk and internal control risks is managed routinely, as an ongoing process.

Presented below is a description of the Bank's method for addressing internal control risks:

Business continuity risk - The Bank is required to maintain continuity of service provision and operations. The Bank's business continuity plan established an organizational structure in case of emergency, and the actions which should be performed in accordance with the development of events in practice, mostly on all matters associated with risk assessment. The Bank ensures to drill its plan in accordance with a defined drill schedule.

When the Swords of Iron War began, the Bank's business continuity plan was activated immediately. The plan operated properly.

Cybersecurity and information security risk - The Bank is aware of the ongoing increase in the cybersecurity threat level, and is continuing to invest the required resources as part of a continuous process of upgrading the handling of risk, in light of the increase in its level and in its potential damage in recent years. The risk level with respect to this risk is defined in the table of risk factors as medium-high. This level reflects the Bank's understanding of the severity of cybersecurity threats, despite the high quality of risk management. Since the war began, the cybersecurity control room has been operating in accordance with the established principles of monitoring, updates are given to the cybersecurity oversight unit and national entities, including the cybersecurity unit, regarding special events, and activities are also performed to raise awareness. The Bank is continuing to maintain a high level of monitoring and control of this risk, in light of the potential risk and its impact on the Bank's activities and on the increased risk level.

The Cybersecurity Division is in a high state of readiness to block DDOS attacks, in light of the increase in these attacks even before the war, which are continuing during the war period as well. The division has responded to this threat successfully until now. The Cybersecurity Division also emphasizes employee awareness, including distribution of newsletters to the Bank's employees through email and the Facebook group, enhancement and optimization of monitoring rules - especially regarding remote access to the Bank's network and systems (along with the permanent monitoring, at all hours of the day, on-call specialists are also available 24/7 to address alerts and events), continuous contact with the Banking Supervision Department, the National Cybersecurity Unit and the financial CERT (Computer Emergency Response Team). Risk management includes the monitoring of anomalies for the purpose of monitoring embezzlement and fraud, inter alia, with an emphasis on the risks due to the war, i.e., monitoring of transactions executed in Gaza, and monitoring all activities in the accounts of associations (Israeli / international).

The management and control of cybersecurity risk are based, inter alia, on an analysis of reference scenarios and a defined methodology for determining the level of the controls. The Bank regularly drills its preparedness for cybersecurity events through drills combining both cybersecurity events and liquidity events, which test the Bank's emergency plans. The Bank's cybersecurity unit, which operates under the Resources and Technology Division, is responsible for formulating the cloud computing usage policy, in accordance with Proper Conduct of Banking Business Directive 362 of the Bank of Israel, and for conducting surveys at the sites of the Bank's providers, if required for the purpose of mapping out the provider's activity. The Cybersecurity Division has a direct interface with the Bank's privacy protection unit (which operates in the division), in order to ensure the resilience of the Bank's systems and of the defined databases, and collaborates, in coordination with the Risks Division, on processes for upgrading the Bank's monitoring capabilities to address anomalies which could indicate potential embezzlement and fraud.

The Bank has applied a methodology for the monitoring of cybersecurity risk in various risk factors and indicators. This allows provides a general and comprehensive perspective on aspects of cybersecurity and information security in the Bank, and expands risk appetite management aspects to include other matters, including corporate governance, operations and control, risk management processes, and the ability to respond in real time to cybersecurity and information security incidents.

Information technology risks - The risk is managed by the Resources and Technology Division, while the risk is controlled in the Risk Management Division, which serves as the second line for the activity. The Bank has appointed a dedicated risk controller who operates on the first line (in the Resources and Technology Division), and works through professional coordination with the Risks Division. In 2023, the Bank completed the formulation of the IT, digital and data strategy, including a modernization plan, and is in the process of implementing it under the control of the lines of defense and supervision which have been established in the Bank, including management, the Board of Directors, and the board committees. The principles for addressing information technology risks are formalized in a dedicated policy document. The Bank has completed a survey of the systems. The results of the survey will be incorporated into the Bank's overall map of risks.

Since the war began, the division has made developments for implementing the concessions program which was published by the Bank of Israel, which includes, inter alia, a payment freeze and distribution of mortgage and consumer credit loans, a fee exemption for certain population groups, changes to the Uncovered Checks Regulations, and more. As is done in ordinary periods as well, the Bank performs all actions which are required to ensure the proper functionality of the Bank's IT systems, which are a significant component of the Bank's business continuity plan.

In 2024, following the provider's announcement that it was will discontinue its support of the system in 2026, a project for implementation of the BankWare system, the Bank's core system, was begun.

This project is highly significant for the Bank, from both a business and technological perspective, and as such, it is managed under a tight corporate regime, a defined work plan, under the leadership of the CEO.

Prevention of embezzlement and fraud - The Bank has a dedicated policy on handling this risk, the principles of which were established in accordance with the Bank of Israel's expectations and instructions. The policy establishes the principles for handling the risk, handling the event or potential event, reporting methods, and monitoring anomalies through business rules and advanced statistical methods. In particular, the policy defines all of the mitigation tools which are available to the Bank for the prevention of embezzlement and fraud. The handling of embezzlement and fraud risk is incorporated in the Bank's overall map of risks.

When the war began, a dedicated assessment of embezzlement and fraud risk was performed with respect to embezzlement and fraud (similarly to the other internal control risks), and the controls (or the frequency of controls) were increased. Additionally, in collaboration with the Cybersecurity Division and the business entities, additional monitoring rules were implemented which are relevant to the war period, as noted above.

Compliance, prohibition on money laundering and terrorism financing – Compliance risk is the risk that the Corporation will be subject to the imposition of legal or financial sanctions, significant financial loss or harm to reputation, as a result of a failure on its part to comply with the entire set of provisions of the law and regulation which apply to the Bank, or with internal policies.

As part of compliance risk management, the policy for managing the aforementioned risk is formulated, compliance risks are identified, compliance breach cases are handled, and the implementation of the entire set of legal provisions, policies and regulations which apply to the Bank, is overseen.

Compliance risk management is implemented in accordance with the provisions of the law and of the Proper Conduct of Banking Business Directives which apply to the Bank in this regard, including in accordance with Proper Conduct of Banking Business Directive 308.

The Bank works in accordance with the Bank of Israel's instructions regarding the handling of these risks, in accordance with the risk appetite which the Bank determined in the policy document on the handling of such risks. The activity is performed in accordance with an orderly work plan, in order to continue upgrading the method for handling these risks, the risk assessment processes, and the handling, by the lines of defense, of deficiencies, if found. The Bank's work plan emphasizes the continuation of the processes involved in implementing fairness risk in the Bank's units, upgrading the first line controls (the business lines) and second line controls (the compliance and prohibition on money laundering unit in the risk management division), inter alia, through technological means, and the training processes which are required in order to continuously increase awareness regarding the handling of these risks.

When the Swords of Iron War began, control processes focused on potential risk factors were increased, including the activities of associations which could have ties to hostile entities, as well as the prepaid card activity in the Gaza Strip.

During the current quarter, the compliance unit continued controlling the Bank's fulfillment of the Bank of Israel's instructions in connection with the sanctions which were imposed on banks in Russia and Ukraine.

The Bank ensures its compliance with all of the Bank of Israel's guidelines and expectations on this matter.

For details regarding the committee's decision to impose sanctions on the Bank in connection with an evaluation regarding the Bank of Israel's prohibition on money laundering and the prohibition on terrorism financing, see above.

Legal risks

Due to the potential for loss as a result of a breach of laws, regulations, or regulatory directives, or due to the Bank's rights or obligations which have not been established, as required; Legal risk also exists in case of unenforceable contracts, material lawsuits, or deficient or incorrect legal basis, which the Bank has relied upon in providing service to customers, receiving service from suppliers and/or receiving from customers or third parties collateral which cannot be realized due to a defect in its creation or registration. Since the war began, the Legal Counsel Division has coordinated and updated the Bank's units regarding all of the directives and instructions which have been published due to the war situation, by the various regulators, and particularly, regarding the directives and concessions which were published by Bank of Israel, including the concession and freeze program which was agreed upon between the banks and Bank of Israel. As of December 31, 2024, the Bank has no significant exposure with respect to claims which were filed against it, whose chances are reasonably possible or not low, except as stated in sections 2 and 3 of Note 25C to the financial statements.

3.5 Impact of risk factors on the banking corporation's business operations

The Bank is required, as are all banking corporations, to include a table of risk factors in each of the following categories, and to estimate the impact of each risk factor on its business operations.

Additionally, the adequacy of control regarding the risk environment, as well as the other actions which the Bank performs for the purpose of managing and controlling the risk, have an impact on the level of exposure to the risk. Therefore, the assessment of the risks specified in the following table constitutes the Bank's subjective assessment of the Bank's risk profile (which may be affected by external developments, such as macro changes, the ongoing uncertainty, due to the war situation, and the Bank's new or current business activities), in light of the effectiveness of the controls, i.e., the impact of residual risk on its business affairs.

As stated above in this chapter, the Bank conducts tests of various extreme scenarios, including according to the uniform scenario method, as well as sensitivity tests which are intended to challenge the Bank's risk profile, and the risk factors.

Risk assessment in the Bank is performed on a quarterly basis, and is subject to the approval of bank management, the Board Committee on Risk Management, and the board plenum. since the war began, in light of the ongoing elevated uncertainty, management and the Board of Directors increased the frequency of their risk assessment, while evaluating changes to the Bank's risk profile relative to business and regulatory objectives and restrictions (the risk appetite) specified in the Bank's policy.

Table no. 54 below presents the Bank's risk factors as of the end of 2024, as compared with the end of 2023. Following the evaluation which was conducted by the Bank's board of directors and management regarding the Bank's current risk profile, it was decided to leave the table of risk factors unchanged, relative to the values at the end of the third quarter of the year. Changes made to the risk factors in the third quarter of 2023 (the first financial statements after the war began) are marked in the table with an asterisk. An description of the change is given in the relevant chapters of this report.

Table 54 - Summary impact of risk factors on the business operations of the banking corporation:

	Risk factor	Impact of the risk as of December 31, 2024	Impact of the risk as of December 31, 2023
1	**Total impact of credit risks** Risk due to the possibility that the borrower will not fulfill its contractual liabilities to the Bank. Deterioration in the stability of various borrowers and/or in their ability to repay the credit may have an adverse effect on the value of the Bank's assets and its profitability. The exposure to this risk is managed, inter alia, in accordance with the Bank's credit policy and the exposure restrictions with respect to different types of borrowers in the various operating segments.	Medium	Medium
1.1	**Risk with respect to the quality of borrowers and securities** Risk due to a deterioration in the quality of borrowers and/or in the value of securities provided as collateral for the credit to the Bank, which may have an adverse effect on the chances of collecting the credit, and therefore also on the value of the Bank's assets and profitability. The exposure to this risk is managed, inter alia, by implementing a clear definition of the credit policy, ensuring strict implementation of the underwriting process, and restricting activities to specific types of borrowers in the various operating segments and products.	Medium	Medium
1.2	**Risk due to branch concentration** Risk due to the high scope of credit given to borrowers who belong to a certain branch of the economy, with respect to the credit portfolio. Deterioration in the results of the business activities in that sector in the economy could result in harm to the repayment ability and/or to the value of the securities which were given by some of the borrowers in this sector, and as a result, could have an adverse effect on the value of the Bank's assets and profitability. This exposure to this risk is managed, inter alia, in accordance with restrictions determined by the Bank of Israel on this matter, and in accordance with restrictions determined by the Board of Directors, regarding the maximum scope of the exposure to the different sectors of the economy. The Bank is complying the aforementioned restrictions.	Medium	Medium
1.3	**Risk due to concentration of borrowers / group of borrowers** Risk due to a deterioration in the condition of a large borrower or large group of borrowers (relative to the credit portfolio) which may result in an adverse effect on the chances of collecting the credit, and on the value of the Bank's assets and its profitability. The exposure to this risk is managed, inter alia, in accordance with the restrictions of the Bank of Israel and of the Board of Directors on the maximum scope of exposure to a borrower and to a group of borrowers. Compliance with these restrictions is also continuously monitored. The Bank is complying with all of the restrictions.	Low	Low
2	**Total impact of market risks** Risk due to changes of prices or rates in financial markets or of other economic parameters, which affect the value of the Bank's assets or liabilities, and which could result in erosion of its capital, or could reduce its profitability. The exposure to this risk is managed separately with respect to each risk factor, as specified above, and in concentrated form, using the VaR model and extreme scenarios.	Low - medium	Low-medium*

	Risk factor	Impact of the risk as of December 31, 2024	Impact of the risk as of December 31, 2023
2.1	**Interest rate risk** Risk due to the difference between the sensitivity of the assets' value to unexpected changes in interest rates, and the same sensitivity of liabilities and the interest rate level - changes which may result in the erosion of the Bank's capital. Due to the exposure to interest in the various linkage bases, a future decline in financing income may occur (throughout the lifetime of the assets or liabilities). The management of the exposure to this risk is implemented, inter alia, in accordance with the estimates regarding market variables, and subject to the restrictions on sensitivity from the Bank's net discounted financial cash flow to a scenario involving a change in the NIS interest curves and the CPI-linked interest rate. The exposure restrictions are monitored on a routine basis.	Low - medium	Low-medium *
2.2	**Inflation risk** Risk due to changes in the inflation rate, which may result in loss in the amount of the economic difference between the assets and the liabilities (active financial capital) in the CPI-linked segment. The exposure to this risk is managed, inter alia, subject to restrictions on the amount of active financial capital, in consideration of the changes which apply to relevant economic figures, in accordance with market conditions. The exposure restrictions are monitored on a routine basis.	Low - medium	Low-medium *
2.3	**Exchange rate risk** Risk due to changes in the inflation rate, which may result in loss in the amount of the economic difference between the assets and the liabilities (active financial capital) in the foreign currency and foreign currency-linked segments. The exposure to this risk is managed, inter alia, subject to restrictions on the amount of active financial capital, in consideration of the changes which apply to relevant economic figures, in accordance with market conditions. The Bank's policy is to avoid, as much as possible, exposure to exchange rate risks between the various foreign currencies. The exposure restrictions are monitored on a routine basis.	Low	Low
2.4	**Stock and bond price risk** Risk due to the loss of value of stocks and bonds held by the Bank. The Bank has a securities portfolio which is mostly comprised of government bonds, and to a lesser degree, of corporate bonds. The Bank's policy does not allow significant activity in stocks (whether for trading purposes or for investment purposes). The Bank's rate of holding (including indirect holding) in stocks and stock indices is negligible. Management of the exposure to this risk is implemented through restrictions on the amounts and characteristics of the investments, and on the exposure in both ordinary and extreme situations.	Low - medium	Low-medium *

	Risk factor	Impact of the risk as of December 31, 2024	Impact of the risk as of December 31, 2023
3	**Liquidity risk** Risk which is due to the uncertainty regarding the availability of sources and the ability to raise them (without having an exceptional impact on prices) and regarding the ability to realize assets within a defined period of time, and at a reasonable price. In situations involving irregular supply and demand in financial markets, unplanned dependency may be created on the raising of sources, which could affect financing income. The exposure to this risk is managed, inter alia, through the expansion of the base of depositors, and the reduction of reliance on large depositors, extension of the average lifetime of the sources and maintaining high level of liquidity. The Bank has a control system which is based on an internal model that includes the evaluation of several scenarios. The Bank also evaluates, over time, the behavior of its customers, which could have an effect on the exposure to this risk.	Low -medium	Low-medium *
4	**Operational risk** Risk of loss due to inadequacy or failure of internal processes, people, systems, or external events. The Bank's definition also includes model risk (model validation) due to the incorrect use of the models which are used by the Bank, human resources risk, which was recently reflected in the difficulty in recruiting employees, mostly for the technological activity, and additional internal control risks, as noted above, including business continuity, embezzlement and fraud, and outsourcing. The exposure to this risk is managed, inter alia, through a survey of operational risks, creation of policies, estimation of the severity of risks, writing of policies, application of controls and implementation of systems regarding issues which have an impact on risk exposure, such as human resources, information security, processes, etc. The Bank has an orderly approval process prior to the launching of any new product / activity / process, which includes an evaluation of the risks and the application of appropriate controls. The Bank monitors operational loss and near loss events, for the purpose of learning lessons and improving control.	Medium -High	Medium-High
5	**Model risk** Risk due to failure or inappropriate use of the results of the Bank's model, which could cause the Bank to incur significant damage.	Medium	Medium
6	**Information technology risks** Risk which is due to failure in the routine operation of the Bank's information systems, which is comprised of work processes that are performed in the various IT units, or the routine operations of a system, and/or hardware or software infrastructure component, Including information security risks and online banking risks, which could impact business and/or operational processes in the Bank.	Medium	Medium
7	**Information security and cybersecurity risks and privacy protection** Risk of harm to a material asset of the Bank, by means of an attack through cyberspace, including exposure of information (leak), availability of information (shutdown) and the reliability and completeness of information (disruption). Management of information security risks in the Bank supports the response to threats and risks, and protection of the Bank's information assets and IT systems.	Medium -High	Medium-High

	Risk factor	Impact of the risk as of December 31, 2024	Impact of the risk as of December 31, 2023
8	**Legal risk** Risks which are due to unexpected events, such as legal claims, including class actions, inability to enforce contracts, or judgments issued by judicial instances against the Bank, which may result in harm to the Bank's profitability. The exposure to this risk is managed, inter alia, through legal controls and an internal and external legal counsel system. Past experience indicates that such events have not exposed the Bank to significant losses.	Low	Low
9	**Regulatory risk** Regulatory risk is a current or future risk applicable to the Bank's income and capital, which could be created due to changes in regulation or legislation, and which could have a significant impact on the Bank's activities and duties. The Bank, as a banking corporation and public company, is subject to many regulatory provisions, as reflected in legislation, secondary legislation, and policies and execution procedures issued by various authorities and supervised entities. The management of the exposure to this risk is implemented, inter alia, by conducting routine monitoring of draft legislation and legislative memoranda, provisions of the law, and drafts and directives issued by the various regulators (the Banking Supervision Department, the Israel Securities Authority, the Prohibition of Money Laundering and Financing of Terrorism Authority, the Registrar of Companies, etc.). Additionally, monitoring is performed regarding new rulings issued by the various judicial instances in Israel. In order to ensure the completeness of the provisions with respect to which monitoring is performed, the legal department is responsible for reviewing the current professional publications issued by several leading law firms in Israel, on subjects pertaining to banking, capital markets, real estate, labor laws, etc.	Medium	Medium
10	**Reputation risk** Risk which is due to harm to the Bank's reputation as a stable and reliable financial institution due to publications, whether true or false, from the perspective of its customers, investors, and various regulatory authorities. Harm to reputation may result in deviation of customers' activities to other providers of financial services, causing a deterioration in the Bank's operations and profitability (mostly from the exposure to margin risk). Management of this exposure is divided into two parts: prevention of the risk, and management of the risk after an event has occurred, or in case of indications regarding the occurrence of an event.	Medium	Medium
11	**Strategy risk** Strategy risk is due to wrong business decisions, inadequate implementation of decisions, or lack of response to sectoral, economic or technological changes, and wrong decisions due to unfulfilled macro assessments. The risk is also due to, inter alia, entry into new segments, expansion of existing services and increasing investments in infrastructure with the aim of realizing the business strategy. This risk is a function of the correspondence between the Bank's strategic goals, the business plans which were developed to achieve such goals, the resources which were allocated towards the fulfillment of its goals, and the quality of implementation. The exposure to this risk is managed, inter alia, by creating an orderly strategic process, receiving external advice from experts in the field, and additional actions intended to mitigate the risk.	Medium	Medium

	Risk factor	Impact of the risk as of December 31, 2024	Impact of the risk as of December 31, 2023
12	**Internal compliance and enforcement risk** Compliance risk is due to the Bank's failure to comply with consumer directives, provisions of the law, directives issued by the Commissioner of Banks, and other relevant regulatory directives. The duties which apply to the Bank are cross-organizational and pertain to a wide variety of activities, processes and products. Internal enforcement risk is the risk of the imposition of significant financial sanctions and/or sanctions which restrict engagement on any of the Bank's employees due to non-compliance with securities laws. To mitigate this risk, the Bank formulated an internal enforcement program in accordance with the principles which were determined by the Israel Securities Authority, conducting a survey intended to identify gaps in the area, and closing such gaps, performing training and implementation activities, and routinely handling events which could be considered breaches, including appropriate learning of lessons.	Medium	Medium
13	**Risk associated with the prohibition on money laundering and terrorism financing** Risk associated with the prohibition on money laundering and terrorism financing involves the risk of the imposition of significant financial sanctions on the Bank, due to its non-fulfillment of the provisions of the law regarding the prohibition on money laundering and the prohibition on the terrorism financing, as well as the risk that criminal responsibility will materialize for the Bank and its employees. Additionally, the realization of an offense in breach of the provisions of the law regarding the prohibition on money laundering and terrorism financing may cause the realization of reputation risk.	Medium	Medium

* In the third quarter of 2023, the Bank updated the table of risk factors due to the war situation, and the uncertainty it has created. Market risk (including interest rate risk, inflation risk, stock and bond price risk) increased from a rating of low to a rating of low-medium. Liquidity risk also increased from a rating of low to low-medium. This increase was due to the significant uncertainty in markets, despite the strong quality of management of these risks.

For additional details, see the report regarding risks on the Bank's website.

Chapter 4 - Accounting Policy and Critical Accounting Estimates, Controls and Procedures

4.1 Accounting policy and accounting estimates regarding critical issues

The Bank's consolidated financial statements as of December 31, 2024 are prepared in accordance with directives and guidelines issued by the Commissioner of Banks. These directives mostly adopt generally accepted accounting principles in the United States (US GAAP). The significant accounting policies are specified in Note 1 to the financial statements.

Provision for credit losses

Starting with reporting periods beginning on January 1, 2022, the Bank has adopted the generally accepted accounting principles in the United States regarding the provisions for current expected credit losses, as published in ASC 326, "Financial Instruments - Credit Losses".

In order to estimate the expected credit losses throughout the contractual period of the assets, the Bank relies on historical data, while evaluating the need to adjust the historical data in order to reflect the extent to which the current conditions and reasonable and substantiable forecasts will differ from the conditions in the period during which the historical data was estimated. For the purpose of reaching this determination, the Bank takes into account the financial assets' characteristics, including factors which are relevant to the determination of the expected ability to collect.

The measurement of the provision for credit losses is based on a division of the Bank's credit portfolio into groups which share similar risk characteristics (a process known as "segmentation"). The Bank's overall approach to segmentation is as follows: The Bank segments credit to the public into private individuals - housing loans, private individuals - consumer, commercial assets, project accompaniment, purchasing groups, portfolio acquisition, financial services, and other business.

The provision for credit losses is comprised of both a quantitative layer and a qualitative layer, as follows:

The provision is generally estimated using the loss rate method. This process is initially based on the average of past losses in the portfolio, as represented by net charge-offs in each economic sector during the determined period.

Past losses are adjusted as part of the process with respect to a series of risk characteristics and economic characteristics, including changes in the credit policy, concentration of the credit portfolio, LTV ratios, changes in the scope of credit and in classification, and other conditions. This process is intended to adjust the historical information in order to reflect the extent to which the existing conditions and reasonable and substantiable forecasts may differ from the conditions which existed during the period when the historical information was estimated. In the next stage, the Bank incorporates reasonable and substantiable forecasts for one year, after which it reviews, with respect to a period of one year, the historical data adjusted for the current conditions, on a linear basis.

The provision with respect to off-balance sheet credit is recognized with respect to liabilities which are not unconditionally cancelable by the Bank, and is based on the same segmentation described above, while taking into account the usage factors of the different off-balance sheet components (i.e., credit conversion factors). This provision is presented in the balance sheet under other liabilities.

This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding expected credit losses.

The Bank's estimates include estimates which reflect, inter alia, conditions of uncertainty, and by nature, may change from time to time.

Additionally, from the beginning of the Swords of Iron War until December 31, 2024, the Bank increased the collective provision for credit losses with respect to the war's impact in the amount of approximately NIS 49.6 million. When estimating the collective provision with respect to the war, the Bank took into account a forecast of macro data, such as the expected unemployment rate, the effect on housing prices, the forecasted Bank of Israel interest rate, and other parameters.

The significant accounting policies are specified in Note 1 to the financial statements.

Deferred taxes

Deferred taxes are calculated with respect to the temporary differences between the value of assets and liabilities in the financial statements and the amounts which will be taken into account for tax purposes. The calculation of deferred taxes was performed according to the tax rates which are expected to apply when these taxes are carried to profit and loss, as known proximate to the approval date of the financial statements. Deferred taxes are calculated according to the tax rates which are expected to apply upon usage of the reserve or realization of the tax benefit, based on the tax laws which ere in effect on the balance sheet date.

Upon the recording of deferred taxes receivable, the Bank performs estimates and assessments regarding the possibility of their future realization.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

For details regarding the quantitative impact - see Note 8 to the financial statements.

Uncertain tax positions

The Bank applies the rules for recognition and measurement which were established in ASC 740 regarding uncertain tax positions, and accordingly, the Bank recognized the impact of only if it is more likely than not that the positions will be accepted by tax authorities or the Court. Recognized tax positions are measured according to the maximum amount with probability of occurrence of over 50%.

Derivative instruments

The derivative instruments in the Bank are presented in the balance sheet at fair value. Which are divided into 3 levels:

Level 1 inputs: quoted prices (not adjusted) in active markets for identical assets or liabilities.

Level 2 inputs: quoted prices for similar assets or liabilities in active markets; Quoted prices for identical assets or liabilities in inactive markets; Prices which are derived from valuation models, in which all significant inputs are observable or supported by observable market inputs.

Level 3 inputs: unobservable inputs for the asset or liability which are due to valuation models where one or more of their significant inputs are unobservable.

The fair value of derivatives was determined based on quoted market prices in active markets, or on the estimated fair value which was determined according to the prices of similar assets, or similar liabilities (Mark to model). The estimation methods include use of various parameters, including interest curves, currency rates and standard deviations. The estimation includes taking into account assumptions regarding various factors, such as the credit risks and liquidity of the counterparty to the transaction. The fair value measurement of a derivative for which quoted prices are not available on active markets for identical assets or liabilities, or for which quoted prices are not available on active markets for similar assets or liabilities; Quoted prices for identical assets or liabilities in inactive markets; Prices which are derived from valuation models, in which all significant inputs are observable or supported by observable market inputs, will be considered a capital value measurement on level 3.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

For details regarding the quantitative impact - see Notes 27 and 32D to the financial statements.

Fair value measurement of financial instruments

On April 28, 2011, the Commissioner of Banks published a circular which applies to the banking system FAS 157 (ASC 820-10), Fair Value Measurements and Disclosures. As part of the application of the standard, the Bank makes use of valuation techniques which maximize the use of relevant observable inputs, and minimizes the use of unobservable inputs. Fair value measurement is based on the assumption that the transaction is performed in the principal market of the asset or liability, or in the absence of a principal market, in the most effective market.

The Bank classifies fair value measurements using the fair value hierarchy, which reflects the significance of the data which were used to perform the measurements.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

For additional details regarding the quantitative impact of the implementation of fair value measurement, see Note 32 to the financial statements.

Available for sale securities

The Bank estimates the expected credit losses with respect to available-for-sale bonds on each reporting date, when the fair value is lower than the amortized cost. At any time when the fair value is less than the amortized cost, the Bank evaluates whether the decrease in was fair value was due to credit losses, or other factors. Impairment due to credit loss is recorded through a provision for credit losses, while impairment which was not recorded through a provision for credit losses is recorded through other comprehensive income, net of tax.

The Bank calculates the provision for expected credit losses with respect to available for sale securities on a case-by-case basis, by comparing the present value of the cash flows which are expected to be collected from the security, to the amortized cost basis. The above provision was determined against the recording of expenses with respect to credit loss, in order to reflect the credit loss component of the decrease in fair value below amortized cost. The provision for credit losses with respect to available for sale bonds is limited such that its amount will not exceed the total difference between amortized cost and lower fair value. If the security's fair value increases over time, any provision for credit losses which was not written off for accounting purposes is canceled by reducing the expense with respect to credit losses.

The main criteria in determining whether the impairment is due to the existence of credit loss refers both to factors which are specific to the issuer, and to other factors, as follows:

- The extent to which the fair value is less than the amortized cost basis;
- A significant decrease in the credit rating from the acquisition date until the publication date of the report by the rating agency;
- The intention to sell the security;
- An increase in credit margins on the level of the rating group;
- Default by the security's issuer in the execution of interest or principal payments when they come due;
- An insolvency event;
- The payment structure of the bonds, and the change that the issuer may execute payments which will increase in the future;
- Negative legal or regulatory events which apply to the issuer;
- Legal or regulatory changes for the worse which affect the issuer's sector;
- Negative conditions specifically associated with the security, the sector, or the geographical region (such as technological changes, discontinuation of the activity of a business segment, changes in the quality of credit enhancement).
- A significant change for the worse in economic conditions;
- A macro event which affects the issuer's activity;
- Disruption of the business model due to technological changes or the entry of new competitors into the sector.

The Bank does not take into account, for this purpose, the period of time during which the security's fair value was less than its cost. In case the Bank believes that the security is uncollectible, the amount of the provision for credit losses will be recognized as an accounting write-off.

In cases where the Bank has decided to perform a quantitative evaluation, the evaluation is performed through PD and LGD estimates. This includes comparing the discounted cash flows to fair value, and to amortized cost. If the discounted cash flow forecast is less than the amortized cost, the difference is recognized as a provision for credit losses. When the bond's fair value is greater than the discounted cash flows, a provision is recognized up to the lower limit of fair value.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

Contingent liabilities

The Bank is party to legal proceedings which were initiated against it by the Bank's customers, former customers and various third parties which consider themselves harmed or injured by the Bank's activities. For the purpose of risk assessment in legal proceedings, bank management relies on the opinion of the Bank's internal lawyers, or on the opinion of external legal counsel, which are evaluated by the Bank's internal counsel. These assessments are based on the best judgment of legal counsel, in consideration of the stage of the proceedings, and on the legal experience which they have accumulated on various issues in Israel.

It should be taken into account that the results of proceedings may differ from the assessment which was determined regarding a claim, due to the fact that, in the legal sector, it is not possible reach assessments with certainty.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

For additional details regarding contingent liabilities, see Note 25 to the financial statements.

Reserves to cover employee rights

In accordance with the directives issued by the Commissioner of Banks, the calculation of the discount rate to cover employee rights will be based on the market returns of CPI-linked government bonds plus a margin of high-quality American corporate bonds, and in accordance with the directives, the banking corporation has determined a policy and procedures which specify the method by which government bonds should be chosen, which will be used to calculate the discount rate.

For additional details regarding the accounting policy, see Note 1 to the financial statements.

For details regarding the quantitative impact - see Note 22 to the financial statements.

4.2 Critical accounting estimates

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and in accordance with directives issued by the Commissioner of Banks, requires management to use estimates and assessments which affect the reported amounts of assets, liabilities, income and expenses. The actual results of these estimates may differ from the estimates and/or approximations. Estimates and approximations are generally based on economic forecasts, estimates regarding the various markets, and past experience, and involve the application of judgment, which management believes is reasonable at the time of the signing of the financial statements.

4.3 Controls and policies with respect to the disclosure in the financial statements

The directives issued by the Commissioner of Banks impose the requirements of sections 302 and 404 of the Sox Act on banking corporations. With reference to these sections, the SEC and the Public Company Accounting Oversight Board have determined provisions regarding the responsibility of management, and regarding the determination and fulfillment of controls and policies with respect to disclosure, and the application of internal control over financial reporting, and the auditors' opinion regarding the audit of internal control over financial reporting.

The Commissioner's directives determined the following:

(1) Banking corporations must apply the requirements of sections 302 and 404, and the directives which were published by virtue thereof by the SEC.

(2) Adequate internal control requires the maintenance of a monitoring system in accordance with a defined and recognized framework, and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 model meets the requirements, and is fit to serve for the purpose of the assessment of internal control.

The Bank is implementing the directive on a routine basis.

Evaluation of controls and policies with respect to disclosure in the financial statements

Bank management, in collaboration with the CEO and Comptroller, evaluated, as of the end of the period covered in this report, the effectiveness of controls and policies pertaining to the Bank's disclosure. Based on this evaluation, the Bank's CEO and Comptroller concluded that, as of the end of this period, the controls and policies regarding disclosure in the Bank are effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the quarterly report, in accordance with the public reporting directives issued by the Commissioner of Banks, and on the date specified in those directives.

Changes in internal control

During the quarter ended December 31, 2024, no significant changes occurred to the Bank's internal control over financial reporting, which significantly affected, or which is likely to significantly affect, the Bank's internal control over financial reporting.

Chapter 5 - Additional Information

5.1 Donations and community activities

The State of Israel has been at war since October 7, 2023. During this time, Bank of Jerusalem has committed to providing assistance to the community, through various community initiatives, including hosting families who were forced to leave their homes in the Gaza envelope and the Southern region, purchasing and delivering equipment and food to residents of the Gaza envelope and the Southern region, to IDF soldiers (including to soldiers who are employees of the Bank, and soldiers who are family members of the Bank's employees), and donating to the center for the kidnapped and missing people. In its meeting on October 10, 2023, the Bank's Board of Directors approved an increase of the donation budget for 2023 in the amount of NIS 125 thousand, in order to increase the assistance to these causes.

Additionally, in order to encourage the employees to continue volunteering in the various community initiatives, the Bank launched a campaign for the Bank's employees to encourage volunteering initiatives in the local community, in which the Bank recognizes 8 volunteering hours per month as work hours, to contribute to the community. Additionally, a volunteer forum was created in the Bank which sends volunteers each morning to the various volunteering initiatives, such as cooking and packaging warm meals for soldiers, distributing food to the elderly, fruit picking in agricultural farms, and more. The donations committee also works continuously and organizes volunteering days around main events throughout the year - good deeds day, summer activity for children's associations, in 2024 a significant part of its budget was directed to donations and activities related to the war's consequences.

For many years, the Bank has been committed to working for and contributing to the community, and works to encourage volunteering and social awareness among its employees, thereby empowering them and increasing their sense of pride and affiliation with the Bank. The Bank emphasizes investment in areas which will significantly benefit Israeli society in the future, with a particular emphasis on weaker population groups, such as people with disabilities, at-risk youth, and women's shelters. In recent years, the Bank has significantly increased the scope of volunteering by employees in joint activities with the associations to which it donates, and holds various activities with them throughout the year. These associations include associations which work to assist at-risk children and youth, persons in need, persons with disabilities, and more.

In 2022 the Bank decided to participate in the “Special in Uniform” program of the association Lend a Hand to a Special Child, and adopted a unit at air force base Tel Nof, a collaboration which is still ongoing. This project constitutes a special collaboration which includes monetary donations as well as routine contact with the unit and conducting joint activities together, for the purpose of giving the youths an opportunity to realize their potential through contributing meaningfully to society, and serving in the IDF.

As of the end of 2024, the Bank's donation budget amounted to a total of NIS 1 million. The work plan for this year included focusing on assistance in response to the effects of the Swords of Iron War, including the summer activity which the Bank organized children from areas near Gaza, and designated donations in response to specific requests.

The Bank is aware to the needs of customers, as required in the letter regarding points of emphasis sent out by the Banking Supervision Department, and certainly also the market conditions. The Bank is taking several actions to reduce the burden on its customers, in addition to adopting the concessions program of the Banking Supervision Department, as specified in the chapter on legislative updates and directives of the Bank of Israel. The Bank proactively offered, to checking account customers with credit facilities who live within 30 kms. from the Gaza envelope, to increase the facility by 20% or NIS 2,000, whichever is lower.

The main causes to which the Bank donated in 2024 mostly included donations with respect to the Swords of Iron War, food baskets and social welfare donations.

For additional details, see chapter 1.3, “Environmental, social and governance”.

	Zeev Nahari	**Yair Kaplan**
	Chairman of the Board	CEO
March 18, 2025		

Certification

I, Yair Kaplan, hereby certify that:

A. I have reviewed the annual report of Bank of Jerusalem Ltd. (hereinafter: the “Bank”) for 2024 (hereinafter: the “Report”).

B. Based on my knowledge, the report does not include any misrepresentation of any significant fact, and does not lack any presentation of any significant fact, which is required in order for the representations included therein, in light of the circumstances under which those representations were included, not to be misleading with reference to the period covered in the report.

C. Based on my knowledge, the financial statements and other financial information adequately reflect, in all material respects, the Bank’s financial position, results of operations, changes in equity and cash flows, as of the dates and for the periods specified in the report.

D. I, along with others in the Bank who are providing this certification, am responsible for the Bank’s establishment and fulfillment of controls and policies with respect to disclosure and internal control over financial reporting (as defined in public reporting regulations regarding the “Report of the Board of Directors and Management”). And:

   1. We have established certain controls and policies, or have caused the establishment of certain controls and policies, which are intended to ensure that significant information which is attributed to the Bank, including its consolidated corporations, is brought to our attention by other parties in the Bank and in those corporations, particularly during the period involving the preparation of the report;
   2. We have established internal control over financial reporting, or have caused the establishment, under our supervision, of internal control over financial reporting, in a manner which is intended to provide a reasonable measure of confidence regarding the reliability of the financial reporting, and that the financial statements for external purposes have been prepared in accordance with generally accepted accounting principles, and in accordance with the directives and guidelines issued by the Commissioner of Banks;
   3. We have assessed the effectiveness of the controls and policies regarding the Bank’s disclosure, and have presented, in the report, our conclusions regarding the effectiveness of controls and policies regarding the disclosure, as of the end of the period covered in the report, based on our assessment; And
   4. We have disclosed in the report any change to the Bank’s internal control over financial reporting, which occurred in this quarter, and which significantly affected, or which is likely to significantly affect, the Bank’s internal control over financial reporting; And

E. I, and others in the Bank, hereby provide this certification, and have disclosed to the Auditor, to the Board of Directors and to the Board of Directors’ Audit Committees, based on our most current assessment regarding internal control over financial reporting:

   1. Any material deficiencies and material weaknesses in the establishment or application of internal control over financial reporting, which may be expected to harm the Bank’s ability to record, process, summarize and report financial information; And
   2. Any fraud, whether material or immaterial, which involves management or other employees who have a significant position in the Bank’s internal control over financial reporting.

The above shall not derogate from my responsibility, or from the responsibility of any other person, as prescribed by law.

Yair Kaplan
CEO

Approval date of the financial statements:
March 18, 2025

Certification

I, Alexander Saltzman, hereby certify that:

A. I have reviewed the annual report of Bank of Jerusalem Ltd. (hereinafter: the "Bank") for 2024 (hereinafter: the "Report").

B. Based on my knowledge, the report does not include any misrepresentation of any significant fact, and does not lack any presentation of any significant fact, which is required in order for the representations included therein, in light of the circumstances under which those representations were included, not to be misleading with reference to the period covered in the report.

C. Based on my knowledge, the financial statements and other financial information adequately reflect, in all material respects, the Bank's financial position, results of operations, changes in equity and cash flows, as of the dates and for the periods specified in the report.

D. I, along with others in the Bank who are providing this certification, am responsible for the Bank's establishment and fulfillment of controls and policies with respect to disclosure and internal control over financial reporting (as defined in public reporting regulations regarding the "Report of the Board of Directors and Management"). And:
   1. We have established certain controls and policies, or have caused the establishment of certain controls and policies, which are intended to ensure that significant information which is attributed to the Bank, including its consolidated corporations, is brought to our attention by other parties in the Bank and in those corporations, particularly during the period involving the preparation of the report;
   2. We have established internal control over financial reporting, or have caused the establishment, under our supervision, of internal control over financial reporting, in a manner which is intended to provide a reasonable measure of confidence regarding the reliability of the financial reporting, and that the financial statements for external purposes have been prepared in accordance with generally accepted accounting principles, and in accordance with the directives and guidelines issued by the Commissioner of Banks;
   3. We have assessed the effectiveness of the controls and policies regarding the Bank's disclosure, and have presented, in the report, our conclusions regarding the effectiveness of controls and policies regarding the disclosure, as of the end of the period covered in the report, based on our assessment; And
   4. We have disclosed in the report any change to the Bank's internal control over financial reporting, which occurred in this quarter, and which significantly affected, or which is likely to significantly affect, the Bank's internal control over financial reporting; And

E. I, and others in the Bank, hereby provide this certification, and have disclosed to the Auditor, to the Board of Directors and to the Board of Directors' Audit Committees, based on our most current assessment regarding internal control over financial reporting:
   1. Any material deficiencies and material weaknesses in the establishment or application of internal control over financial reporting, which may be expected to harm the Bank's ability to record, process, summarize and report financial information; And
   2. Any fraud, whether material or immaterial, which involves management or other employees who have a significant position in the Bank's internal control over financial reporting.

The above shall not derogate from my responsibility, or from the responsibility of any other person, as prescribed by law.

Alexander Saltzman
VP, Finance Division Manager and Comptroller

Approval date of the financial statements:
March 18, 2025

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Report of the Board of Directors and Management Regarding Internal Control over Financial Reporting

The Board of Directors and Management of Bank of Jerusalem Ltd. (hereinafter: the “Bank”) are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the public reporting regulations, with respect to the “Board of Directors’ Report”). The Bank’s system of internal controls was planned with the aim of providing a reasonable measure of assurance, to the Bank’s Board of Directors and management, regarding the appropriate preparation and presentation of the financial statements which are published in accordance with generally accepted accounting principles and in accordance with directives and guidelines issued by the Commissioner of Banks. Independently of the quality of their planning, all internal control systems are bound by inherent restrictions. Therefore, even if it has been determined that these systems are effective, they can only provide a reasonable measure of assurance regarding the preparation and presentation of financial reports.

Management, under the supervision of the Board of Directors, implements a comprehensive system of controls, which is intended to ensure that transactions are performed in accordance with the permissions given by management, that the assets are protected, and that the accounting records are reliable. Additionally, management, under the supervision of the Board of Directors, implements measures in order to ensure that the channels of data and communication are effective, and monitor their implementation, including the implementation of internal control procedures.

Bank management, under the supervision of the Board of Directors, evaluated the effectiveness of the Bank’s internal control over financial reporting as of December 31, 2023, based on criteria which were determined in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management believes that as of December 31, 2024, the Bank’s internal control over financial reporting is effective.

The effectiveness of the Bank’s internal control over financial reporting as of December 31, 2024 was audited by the Bank’s auditors, Kost Forer Gabbay & Kasierer, as noted in their report, on page 124, which includes an unqualified opinion regarding the effectiveness of the Bank’s internal control over financial reporting as of December 31, 2024.

Zeev Nahari	**Yair Kaplan**	**Alex Saltzman**
Chairman of the Board	CEO	VP, Finance Division Manager and Comptroller

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Auditor's Report to the Shareholders of Bank of Jerusalem Ltd. - In Accordance with the Commissioner of Banks' Public Reporting Regulations Regarding Internal Control over Financial Reporting

We audited internal controls over financial reporting of Bank of Jerusalem Ltd. and its consolidated companies (hereinafter, jointly: the "Bank") as of December 31, 2024, based on criteria which were determined in the Integrated Framework of Internal Control which was published by the Committee of Sponsoring Organizations of the Treadway Commission (hereinafter: "COSO"). The Bank's Board of Directors and Management are responsible for implementing effective internal control over financial reporting, and for evaluating the effectiveness of internal control over financial reporting, which is included in the attached Report of the Board of Directors and Management. Our responsibility is to express an opinion regarding the Bank's internal control over financial reporting, based on our audit.

We conducted our audit in accordance with standards issued by the Public Company Accounting Oversight Board (PCAOB) in the United States, regarding the auditing of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. In accordance with those standards, we are required to plan and perform the audit in order to obtain a reasonable measure of assurance about whether internal control over financial reporting has been implemented, in all material respects. Our audit included reaching an understanding of internal control over financial reporting, assessing the risk of the existence of any material weakness, and evaluating and assessing the effectiveness of the planning and operation of internal control, based on the estimated risk. Our audit also included the performance of other policies which we considered necessary, in light of the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Internal control over financial reporting in the Bank is a process which is intended to provide a reasonable measure of confidence regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with generally accepted accounting principles in Israel (Israeli GAAP), and in accordance with the directives and instructions issued by the Commissioner of Banks (hereinafter: the "Directives"). As stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP). A bank's internal control over financial reporting includes the policies and procedures which: (1) Pertain to the management of records which, in reasonable detail, accurately and adequately reflect the transactions and transfers involving the Bank's assets (including the removal thereof from its possession); (2) Provide a reasonable measure of assurance that the transactions were recorded as required, in order to allow the preparation of the financial statements in accordance with directives and guidelines issued by the Commissioner of Banks. As stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP), and provided that the Bank receives funds and spends funds only in accordance with permissions of the Bank's Board of Directors and management; and (3) Provide a reasonable measure of assurance regarding the prevention or timely detection of any unauthorized purchase, or use or transfer (including removal from the Bank's possession) of the Bank's assets, which could have a significant impact on the financial statements.

Due to inherent restrictions, internal control over financial reporting may not prevent or discover misrepresentation. Additionally, the conclusions reached regarding the future, based on any current evaluation of effectiveness, is exposed to the risk that he controls will become inadequate, due to changes in circumstances, or that the extent of compliance with policies or procedures will change for the worse.

In our opinion, the Bank has implemented, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the criteria which were determined in the Integrated Framework of Internal Control which was published by COSO.

We also audited, in accordance with generally accepted auditing standards in Israel and certain auditing standards whose implementation, in an audit of banking corporations, was determined according to the directives and guidelines issued by the Commissioner of Banks, the Bank's consolidated balance sheets as of December 31, 2024 and 2023 as well as the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and our report, dated March 18, 2025, includes an unqualified opinion regarding those financial statements.

Tel Aviv,
March 18, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Kost Forer Gabbay & Kasierer
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Tel Aviv 6492102

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Auditor's Report to the Shareholders of Bank of Jerusalem Ltd.

We audited the attached consolidated balance sheets of Bank of Jerusalem Ltd. (hereinafter: the "Bank") as of December 31, 2024 and 2023, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Bank's Board of Directors and Management. Our responsibility is to express an opinion regarding these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditors' Mode of Performance), 5733-1973, and certain auditing standards which are required in an audit of banking corporations, in accordance with directives and guidelines issued by the Commissioner of Banks. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an evaluation of the accounting principles which were applied and of the significant estimates which were made by the Bank's Board of Directors and management, as well as an evaluation of the adequacy of presentation in the financial statements in their entirety. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above adequately reflect, in all material respects, the Bank's financial position as of December 31, 2024 and 2023, as well as its operating results, changes in equity and cash flows for each of the three years in the period ended December 31, 2024, in accordance with directives and guidelines issued by the Commissioner of Banks (hereinafter: the "Directives").

As stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP).

Key audit matters

The following key audit matters are matters which were communicated, or which were required for communication, to the Bank's Board of Directors, and which, in our professional judgment, were most significant in auditing the consolidated financial statements for the current period. These matters include, inter alia, any matter which: (1) pertains to significant items or disclosures in the financial statements, and (2) regarding which our judgment on the matter was particularly challenging, subjective or complex. These matters were addressed in our audit and in the formulation of our opinion regarding the consolidated financial statements in their entirety. The communication of the following matters does not change our opinion regarding the consolidated financial statements, and we do not provide through it a separate opinion regarding these matters or regarding the sections or disclosures to which they refer.

Provision for credit losses

Description of the key audit matter

Beginning on January 1, 2022, the Bank initially adopted the generally accepted accounting principles in the United States regarding the provisions for current expected credit losses (CECL), as published in ASC 326, "Financial Instruments - Credit Losses".

As described in Notes 13 and 29 to the consolidated financial statements, the provision for credit losses with respect to balance sheet and off-balance sheet credit to the public as of December 31, 2024 amounted to a total of NIS 224.4 million, and includes a provision estimated on a specific basis, and a provision estimated on a collective basis.
The process of estimating the provision for expected credit losses is based on significant estimates involving uncertainty, forward looking forecasts and subjective estimates both during the stage of identifying and classifying the debts, and during the stage of measuring the provision for expected credit losses. Changes in these estimates or assessments could significantly affect the provision for credit losses which is presented in the Bank's consolidated financial statements.

As specified in Note 1 to the consolidated financial statements, on January 1, 2022, the Bank initially adopted the generally accepted accounting principles in the United States regarding the provisions for current expected credit losses (CECL), as published in ASC 326, "Financial Instruments - Credit Losses".
As described in Note 1, the accounting policy which is applied in the process of calculating the provision for expected credit losses, and the main judgments and estimates which serve as the basis for its calculation, are:

- Bank management is required to exercise significant discretion when identifying, locating and classifying troubled debts, in accordance with defined criteria which could indicate that debt has become troubled, the estimated possible or existing harm to the borrower's primary source of repayment, the borrower's estimated cash flow forecast for the repayment of the debt in full and on time, and the assessment regarding other financial data of the borrower which could constitute indicators of the existence of weaknesses, or potential weaknesses, of the borrower.
- When calculating the specifically evaluated provision for expected credit losses, management exercises judgment regarding the future cash flows which are expected to service the debt from the borrower's activity, and from the forfeiture of collateral and guarantees.
- When calculating the provision for expected credit losses which is estimated collectively, management exercises discretion when formulating the estimates provision with respect to expected credit losses throughout the remaining credit period of the credit portfolio, using forward looking information which reflects economic forecasts. The process of collectively estimating the provision for expected credit losses is based on segmentation of the credit into groups of financial assets with similar risk characteristics, while distinguishing between troubled credit and non-troubled credit. For each of these groups, the Bank estimates the provision for expected credit losses throughout the credit period, based on historical data, current conditions and various environmental factors, and forward looking forecasts. This process includes forecasts regarding prepayments, future economic events, and estimates regarding collection capabilities.
  The provision with respect to off-balance sheet credit is recognized with respect to liabilities which are not unconditionally cancelable by the Bank, while taking into account credit conversion factors. This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding the probability of materialization of the liability, and the expected credit losses with respect thereto.

Due to the fact that the audit of the provision for expected credit losses requires the auditor to exercise significant judgment, as well as knowledge and experience, in order to evaluate the reasonableness of the assumptions, data and methods which were used by management when determining the estimated provision throughout the remaining credit period, we identified the provision for expected credit losses as a key audit matter.

<u>How the matter was addressed in our audit</u>

The main audit procedures which we conducted, inter alia, with respect to this key matter, were intended to evaluate the adequacy of the implemented methodology, the reasonableness of the estimates, and the effectiveness of the controls which are relevant to the procedure. These procedures included, inter alia, (1) Gaining an understanding of the process involved in the provision for expected credit losses; (2) Evaluating the planning, implementation and effectiveness of the Bank's internal controls regarding the creation of the provision for expected credit losses, including, inter alia, controls over the adequacy of the methodology of provision and monitoring of credit risk; (3) Reviewing the data flow process that allows management to provide adequate disclosure for the risks which are associated with the Bank's loan portfolio; (4) Assessing the adequacy of the quantitative methods for estimating expected credit losses, the reasonableness of their underlying assumptions, the methodology involved therein, and the extent of their correspondence to the Bank's size and complexity, as required in public reporting regulations, including evaluating the reasonableness of the accounting estimates, and the adequacy of the model which applied in the Bank; (5) Evaluation of the methodology for adjusting the Bank's estimates to its specific circumstances, particularly on the level of qualitative adjustments and in the process of formulating estimates of use of off-balance sheet credit; (6) Evaluating the reviewing, challenging and approval processes which management applies for the purpose of evaluating the adequacy of the provision for credit losses; (7) Evaluating the adequacy of the provision for expected credit losses as a whole; (8) Evaluating the relevance, completeness and consistency of the Bank's assumptions.

We conducted substantiating procedures in order to evaluate the provision based on internal and external representations, including, inter alia, the following procedures: We evaluated whether the methodology of the provision for credit losses is implemented in accordance with the accounting and reporting principles, which apply to the Bank, in consideration of the Bank's economic and regulatory environment; We audited the completeness and accuracy of the information which is used by the Bank in the calculation of the provision for expected credit losses, and audited the adequacy of the classification and the provision with respect to a sample of debts in good standing and troubled debts; We reviewed events and transactions after the balance sheet date, and evaluated whether they confirm or contradict the measurement of the Bank's provision for expected credit losses as of the consolidated balance sheet date.

We also audited, in accordance with PCAOB standards in the United States regarding the auditing of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, the Bank's internal control over financial reporting as of December 31, 2024, based on criteria which were determined in the Integrated Framework of Internal Control, as published by COSO, and our report dated March 18, 2025, included an unqualified opinion regarding the effectiveness of the Bank's internal control over financial reporting.

Tel Aviv,
March 18, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Auditors of the Bank since 2003

Consolidated Statement of Income

Reported amounts in NIS millions

		For the year ended December 31		
	Note	**2024**	**2023**	**2022**
Interest income	2	1,487.4	1,370.9	906.7
Interest expenses	2	783.8	639.2	311.5
Interest income, net	2	**703.6**	**731.7**	**595.2**
Expenses with respect to credit losses	13,29	79.7	133.3	78.8
Interest income, net, after expenses with respect to credit losses		**623.9**	**598.4**	**516.4**
Non-interest income				
Non-interest financing income	3	48.8	37.0	77.2
Fees	4	155.2	123.8	116.9
Other income	5	7.4	-	30.6
Total non-interest income		**211.4**	**160.8**	**224.7**
Operating and other expenses				
Payroll and associated expenses	6	259.8	254.3	221.9
Maintenance and depreciation of buildings and equipment	15	139.6	126.8	112.6
Other expenses	7	191.5	165.1	155.5
Total operating and other expenses		**590.9**	**546.2**	**490.0**
Profit before taxes		**244.4**	**213.0**	**251.1**
Provision for taxes on income	8	83.6	76.3	87.2
Profit after taxes		160.8	136.7	163.9
Net profit				
Before attribution to non-controlling interests		160.8	136.7	163.9
Attributed to non-controlling interests		6.2	2.1	0.5
Attributed to the Bank's shareholders		154.6	134.6	163.4
Basic and diluted earnings per share (in NIS)				
Basic and diluted net earnings attributed to the Bank's shareholders	9	2.19	1.91	2.32

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

Zeev Nahari	**Yair Kaplan**	**Alexander Saltzman**
Chairman of the Board	CEO	VP, Finance Division Manager and Comptroller

Approval date of the financial statements:
March 18, 2025

Consolidated Statement of Comprehensive Income

Reported amounts in NIS millions

		For the year ended December 31		
	Note	**2024**	**2023**	**2022**
Net income before attribution to non-controlling interests		160.8	136.7	163.9
After deducting net income attributed to non-controlling interests		6.2	2.1	0.5
Net income attributed to the Bank's shareholders		154.6	134.6	163.4
Other comprehensive income (loss):				
Adjustments with respect to the presentation of available for sale securities at fair value, net	10	7.4	13.0	(56.5)
Adjustments of liabilities with respect to employee benefits	10	1.5	1.8	12.8
Other comprehensive income (loss) before tax		**8.9**	**14.8**	**(43.7)**
Attributed tax impact	10	(2.9)	(5.1)	14.9
Other comprehensive income (loss) attributed to the Bank's shareholders, after taxes	**10**	**6.0**	**9.7**	**(28.8)**
Comprehensive income before attribution to non-controlling interests		166.8	146.4	135.1
Comprehensive income attributed to non-controlling interests		6.2	2.1	0.5
Comprehensive income attributed to the Bank's shareholders		**160.6**	**144.3**	**134.6**

See also Note 10 - Cumulative Other Comprehensive Income (Loss).

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

Consolidated Balance Sheet

Reported amounts in NIS millions

		As of December 31	
	Note	2024	2023
Assets			
Cash and deposits in banks	11	5,056.0	5,157.1
Securities [1]	12	1,322.4	1,098.8
Credit to the public	13,29	15,660.7	15,282.3
Provision for credit losses		(220.6)	(212.1)
Credit to the public, net		15,440.1	15,070.2
Buildings and equipment	15	265.1	232.5
Assets with respect to derivative instruments	27	3.1	1.3
Other assets	17	302.6	265.6
Total assets		**22,389.3**	**21,825.5**
Liabilities and equity			
Public deposits	18	17,786.4	16,479.1
Deposits from banks	19	47.8	196.8
Bonds and CoCo bonds	20	2,722.0	3,463.3
Liabilities with respect to derivative instruments	27	2.8	7.3
Other liabilities [2]	21	334.2	311.2
Total liabilities		**20,893.2**	**20,457.7**
Capital attributed to the Bank's shareholders	24A	1,451.3	1,329.2
Non-controlling interests		44.8	38.6
Total equity		**1,496.1**	**1,367.8**
Total liabilities and equity		**22,389.3**	**21,825.5**

(1) For details regarding securities which are measured at fair value, and regarding securities which were pledged, see Note 12 - Investments in Securities.
(2) Of which, the provision for credit losses with respect to off-balance sheet credit instruments, in the Bank and in consolidated terms, as of December 31, 2024 and December 31, 2023, in the amount of NIS 3.8 million and NIS 2.9 million, respectively.

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

Consolidated Statement of Changes in Equity

Reported amounts in NIS millions

	Paid-up share capital	Premium and capital reserves	Total share capital and capital reserves	Cumulative other comprehensive income (loss)	Accumulated surpluses (deficits)	Total	Non-controlling interests	Total equity
Balance as of December 31, 2021	**127.3**	**99.5**	**226.8**	**(6.1)**	**906.0**	**1,126.7**	**-**	**1,126.7**
Adjustment of opening balance due to impact of initial adoption	-	-	-	-	3.6	3.6	-	3.6
Adjusted balance as of January 1, 2022, after initial adoption	**127.3**	**99.5**	**226.8**	**(6.1)**	**909.6**	**1,130.3**	**-**	**1,130.3**
Sale of shares in subsidiaries to non-controlling interests	-	34.5	34.5	-	-	34.5	34.3	68.8
Net income during the period	-	-	-	-	163.4	163.4	0.5	163.9
Dividend	-	-	-	-	(43.1)	(43.1)	-	(43.1)
Dividend announced but not yet paid	-	-	-	-	(35.1)	(35.1)	-	(35.1)
Other comprehensive income, net, after tax impact	-	-	-	(28.8)	-	(28.8)	-	(28.8)
Balance as of December 31, 2022	**127.3**	**134.0**	**261.3**	**(34.9)**	**994.8**	**1,221.2**	**34.8**	**1,256.0**
Sale of shares in subsidiaries to non-controlling interests	-	(0.8)	(0.8)	-	-	(0.8)	1.7	0.9
Net income during the period	-	-	-	-	134.6	134.6	2.1	136.7
Dividend	-	-	-	-	(35.5)	(35.5)	-	(35.5)
Dividend announced but not yet paid	-	-	-	-	-	-	-	-
Other comprehensive income, net, after tax impact	-	-	-	9.7	-	9.7	-	9.7
Balance as of December 31, 2023	**127.3**	**133.2**	**260.5**	**(25.2)**	**1,093.9**	**1,329.2**	**38.6**	**1,367.8**
Net income during the period	-	-	-	-	154.6	154.6	6.2	160.8
Dividend	-	-	-	-	(38.5)	(38.5)	-	(38.5)
Other comprehensive income, net, after tax impact	-	-	-	6.0	-	6.0	-	6.0
Balance as of December 31, 2024	**127.3**	**133.2**	**260.5**	**(19.2)**	**1,210.0**	**1,451.3**	**44.8**	**1,496.1**

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

Consolidated Statement of Cash Flows

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Cash flows from operating activities			
Net profit for the year	160.8	136.7	163.9
Adjustments:			
Depreciation of buildings and equipment	89.4	78.7	68.3
Expenses with respect to credit losses	79.7	133.3	78.8
Profit from the sale of credit portfolios	(37.4)	(43.0)	(65.9)
Loss (profit) from the sale of available for sale bonds and stocks not held for trading	-	0.5	1.6
Realized and unrealized profit (loss) from adjustments to the fair value of held for trading securities	(4.8)	1.5(*)	3.6(*)
Realized and unrealized loss (profit) from adjustments to the fair value of stocks not held for trading	(1.1)	1.1(*)	-(*)
Deferred taxes, net	0.2	(16.3)	13.7
Retirement pay - increase in the excess of reserves over funds (increase in the excess of funds over reserves)	0.1	-	0.7
Profit from early redemption of bonds	(7.4)	-	-
Impact of changes in exchange rate on cash balances	0.8	(5.4)	(19.5)
Net change in current assets:			
Assets with respect to derivative instruments	(1.8)	4.8	(1.6)
Held for trading securities	(76.1)	66.0	(31.0)
Other assets	(40.1)	(3.6)	(3.5)
Net change in current liabilities:			
Liabilities with respect to derivative instruments	(4.5)	(2.2)	6.0
Other liabilities	38.7	90.6	57.2
Accrual differences which were included under investing and financing activities	(18.3)	(24.1)	(43.7)
Net cash from operating activities	**178.2**	**418.6**	**228.6**

(*) Reclassified.

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

Consolidated Statement of Cash Flows (Cont.)

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Cash flows from investing activities			
Net change in credit to the public	(1,178.3)	(2,294.8)	(2,997.8)
Purchase of available for sale bonds and stocks not held for trading	(1,037.4)	(1,060.3)	(956.2)
Purchase of held to maturity bonds	(100.3)	-	-
Proceeds from the sale of available for sale bonds and stocks not held for trading	660.0	911.3	469.7
Proceeds from redemption of available for sale bonds and stocks not held for trading	361.8	69.4	229.1
Proceeds from sale of credit portfolios	956.3	1,191.8	1,282.8
Purchase of credit portfolios	(190.2)	-	(267.0)
Purchase of buildings and equipment	(115.1)	(110.5)	(75.7)
Net cash from investing activities	**(643.2)**	**(1,293.1)**	**(2,315.1)**
Cash flows from financing activities			
Net change in public deposits	1,307.3	2,212.3	1,812.5
Net change in deposits from banks	(149.0)	(146.1)	36.3
Issuance of bonds and CoCo bonds	-	1,423.9	530.5
Redemption of bonds and CoCo bonds	(755.1)	(754.3)	(526.9)
Issuance of equity in consolidated companies to external shareholders	-	0.9	71.8
Dividend paid to shareholders	(38.5)	(70.6)	(43.1)
Net cash from financing activities	**364.7**	**2,666.1**	**1,881.1**
Impact of changes in exchange rate on cash balances	(0.8)	5.4	19.5
Increase (decrease) in cash and deposits in banks	(100.3)	1,791.6	(205.4)
Balance of cash and deposits in banks at start of period	5,157.1	3,360.1	3,546.0
Balance of cash and deposits in banks at end of period	**5,056.0**	**5,157.1**	**3,360.1**
Interest and taxes paid and/or received:			
Interest received	1,604.2	988.0	729.3
Interest paid	733.1	356.8	192.7
Dividends received	4.9	3.5	4.7
Taxes on income paid	111.2	68.9	68.6
Taxes on income received	18.1	18.9	4.9
Annex C - Non-cash investing activities during the reporting period			
Right-of-use assets which were recognized with respect to new operating leases	6.5	21.4	30.8
Acquisition of fixed assets on credit	6.9	11.1	0.5
Dividend announced but not yet paid	-	-	35.1

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

Notes to the Financial Statements - Table of Contents

Notes to the Financial Statements - Table of Contents (Cont.)

Note 1 - Significant Accounting Policies

A. General

Bank of Jerusalem Ltd. (hereinafter: the "Bank") is a commercial corporation in Israel. The Bank is mostly engaged in the provision of housing credit and other retail credit, in financing residential construction and in raising of deposits for limited periods, activities in the capital market, management of checking accounts and provision of private banking services to foreign residents.

The Bank is a subsidiary of Export Investment Co. Ltd. (hereinafter: "Export"), and its shares are listed for trading on the Tel Aviv Stock Exchange.

The Bank's consolidated financial statements are prepared in accordance with directives and guidelines issued by the Commissioner of Banks. These directives mostly adopt generally accepted accounting principles in the United States (US GAAP).

The Bank received approval from the Banking Supervision Department to publish the annual financial statements on a solo basis. Note 36 includes the Bank's condensed standalone statements, including the balance sheet, statement of income, statement of cash flows, condensed statement of interest income and expenses, condensed debts of credit to the public, the provision for credit losses and changes in the balance of the provision.

The financial statements were approved for publication by the Bank's Board of Directors on March 18, 2025.

B. Definitions

In these financial statements:

Generally accepted accounting principles in the United States - Principles which are determined by banking supervision authorities, the Federal Reserve, the Accounting Standards Board, and other entities in the United States. The principles are applied in accordance with the hierarchy set forth in ASC 105-10 of the Financial Accounting Standards Board, and the hierarchy of generally accepted accounting principles. Additionally, in accordance with directives issued by the Banking Supervision Department, despite the hierarchy which was established in US Standard 168, it was clarified that any position which has been published by the banking supervision authorities in the United States, or by staff of the banking supervision authorities in the United States, regarding the adoption of generally accepted accounting principles in the United States, constitutes a generally accepted accounting principle in the United States.

Subsidiaries - Companies in which the Bank holds financial interests, which give the Bank control thereof.

CPI - The Consumer Price Index, as published by the Central Bureau of Statistics in Israel.

Related Party / Interested Party - As defined in section 80 of the Public Reporting Regulations.

Functional Currency - The currency of the Bank's main economic operating environment. Generally, this is the currency of the environment in which the Bank produces and spends the most cash.

Presentation Currency - The currency in which the financial statements are presented.

C. Preparation basis of the financial statements

1. Principles of reporting

The Bank's financial statements are prepared in accordance with directives and guidelines issued by the Commissioner of Banks. These directives mostly adopt generally accepted accounting principles in the United States (US GAAP).

2. Use of estimates

The preparation of the financial statements in accordance with the directives and guidelines of the Commissioner of Banks requires management to use estimates, approximations and judgment which affect the implementation of the policy and the reported amounts of assets and liabilities, the disclosure regarding contingent assets and contingent liabilities, and the amounts of income and expenses during the reporting period. It is hereby clarified that actual results may differ from these estimates.

Note 1 - Significant Accounting Policies (Cont.)

At the time of formulation of accounting estimates which are used in the preparation of the Bank's financial statements, bank management is required to make assumptions regarding circumstances and events which involve significant uncertainty. In its judgment regarding the determination of estimates, bank management relies on past experience, various facts, external factors and reasonable assumptions in accordance with the appropriate circumstances for each estimate.

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period when the estimates were amended, and in each affected future period.

Provision for credit losses

The Bank established policies for the classification of troubled credit and for the measurement of the provision for credit losses. The Bank is required to maintain a provision for credit losses at an appropriate level in order to cover expected credit losses

with reference to its credit portfolio, including with respect to off-balance sheet credit risk. For details regarding the method used to calculate the provision, see section 7 below.

3. Measurement basis

The reports were prepared on a historical cost basis, except for the following assets and liabilities:

- Derivative financial instruments and other financial instruments measured at fair value through profit or loss (such as investments in securities in the held for trading portfolio, or instruments for which the fair value alternative was chosen).
- Financial instruments classified as available-for-sale;
- Cash-settled share-based payment liabilities;
- Non-current assets held for sale, and groups of assets held for sale;
- Deferred tax assets and liabilities;
- Provisions;
- Assets and liabilities with respect to employee benefits;

4. Reclassifications

From time to time, the Bank makes immaterial adjustments to classifications in the comparative figures, in order to adjust them to the classification method in the routine financial statements for comparative purposes. These classifications have no effect on operating results.

D. Initial adoption of accounting standards, updates to accounting standards and directives issued by the Banking Supervision Department

Beginning with reporting periods commencing on January 1, 2024, the Bank initially adopted the following accounting standards and directives:

1. ASU 2022-02, regarding troubled debt restructuring and disclosure requirements by year of credit provision

On October 19, 2023, the final circular was published, which updated the public reporting regulations in connection with ASU 2022-02, regarding troubled debt restructuring. The update includes, inter alia, the following changes:

- Replacement of the term "debts which underwent troubled debt restructuring" with "changes in the debt terms of borrowers facing financial difficulties".
- Updated disclosure requirements - disclosure should be given regarding any change in the debt terms which includes a concession on principal, reduction of the interest rate, or a period extension which does not result in a negligible deferral of payments. In light of the change, there is no need to evaluate whether an economic concession was given to the borrower.

- Addition of a requirement to disclose gross write-offs, under the disclosure "credit quality by year of credit provision", as specified in Note 29 - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses.
- With respect to credit to private individuals, housing credit and commercial credit with respect to debt with a contractual balance of less than NIS 1 million, relevant areas of emphasis were adopted from guidelines published by oversight authorities in the United States, which are intended to reinforce the effectiveness of internal control with respect to changes in the debt terms of this kind of credit.

The main transitional provisions established in the circular included:

- The new rules are required for adoption beginning on January 1, 2024.
- At the time of initial adoption, action should be taken in accordance with transitional provisions which were determined in generally accepted accounting principles in the United States, *mutatis mutandis*. Accordingly, the new provisions regarding disclosure are being adopted without updating comparative figures.
- A banking corporation is not required to include, in its reports for 2024 and thereafter, disclosure of information pertaining to troubled debt restructuring which was performed until December 31, 2023, if such information was not in accordance with the provisions required in accordance with the public reporting regulations.
- A banking corporation is entitled to determine the debt balance of borrowers facing financial difficulties whose terms were changed until December 31, 2023, according to the balance of debt which underwent troubled debt restructuring until December 31, 2023, provided that disclosure is given on the matter.
- As stated above, the main impact of the adoption of the new directives is expansion of the disclosure regarding changes in debt terms, including the concession of principal, reduction of the interest rate, or period extension which does not result in a negligible deferral of payments of borrowers facing financial difficulties. The debt balance of borrowers facing financial difficulties whose terms were changed until December 31, 2023 was determined according to the balance of debt which underwent troubled debt restructuring until December 31, 2023. When permitted according to public reporting regulations, the Bank includes the expanded quantitative disclosure which includes details regarding the types of changes which were made, beginning from the reports for the second quarter of 2024. For additional details, see section 7 below and Note 29 - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses.

2. ASU 2023-07, regarding improvements to disclosure requirements with respect to reportable segments

On November 27, 2023, the Financial Accounting Standards Board (the "FASB") published ASU 2023-07, regarding improvements to disclosure requirements regarding segments. The update improves the disclosure requirements which apply to entities, including the addition of a requirement to provide disclosure, in the notes regarding segments, regarding the "significant expenses" which are reported to the CODM, provision of an explanation regarding the way in which the CODM uses the segmental reports, expansion of certain annual disclosure requirements for interim periods, disclosure of the CODM's identity and position, and clarification stating that ASU 280, regarding operating segments, also applies to entities with a single segment. See section 14 below and Note 28 - Supervised Operating Segments.

3. Circular regarding "disclosure of interest rate risk and disclosure of liquidity and financing risk"

On October 8, 2024, the Banking Supervision Department published a circular regarding the disclosure of interest rate risk and liquidity and financing risk. Presented below are the main changes which are required in Note 33 regarding assets and liabilities by currency and by maturity period: the name of the note was updated to cash flows by contractual repayment date, disclosure was expanded regarding the composition of financial assets and liabilities, disclosure was added regarding net cash flows on demand up to one day, and details were reduced regarding longer repayment periods. See Note 31 - Cash Flows by Contractual Repayment Date.

Note 1 - Significant Accounting Policies (Cont.)

E. Accounting policy which was applied in the preparation of the financial statements

1. Functional currency and presentation currency

The consolidated financial statements are presented in NIS, which is the functional currency and presentation currency of the Bank and its subsidiaries. The New Israeli Shekel is the currency which represents the Group's main economic operating environment.

2. Foreign currency and linkage

Assets and liabilities in foreign currency or linked thereto, and those linked to the consumer price index, are included in the financial statements as follows:

A. Those linked to the consumer price index are presented according to the known index on the balance sheet date and according to the linkage terms which were determined.

B. Those denominated in foreign currency, or linked thereto, are presented according to the representative exchange rates which were published by the Bank of Israel on the balance sheet date, except where the terms of the agreement specify otherwise. Presented below are details regarding the consumer price index and the representative USD exchange rate, and their rates of increase (decrease):

	As of December 31			Rate of increase (decrease) in		
	2024	2023	2022	2024	2023	2022
	In NIS			In percent		
USD rate	3.647	3.627	3.519	0.55	3.07	13.15
EUR	3.796	4.012	3.753	(5.38)	6.90	6.62
Consumer price index - 1993 base (points):						
November ("known index")	257.3	248.8	240.8	3.4	3.3	5.3
December ("index in lieu")	256.6	248.6	241.4	3.2	3.0	5.2

Transactions in currencies other than the functional currency were handled as follows:

A. A transaction denominated in foreign currency is recorded, at the time of initial recognition, in the functional currency, while using the immediate exchange rate between the functional currency and the foreign currency on the date of the transaction for each balance sheet date. Monetary items in foreign currency balance sheet date according to the immediate exchange rate on the balance sheet date.

B. On each balance sheet date, non-monetary items in foreign currency which are measured at historical cost are translated according to the exchange rate as of the date of the transaction.

C. On each balance sheet date, non-monetary items in foreign currency which are measured at fair value are translated according to the exchange rate on the date of the determination of fair value.

D. Exchange differences due to the settlement of monetary items, or due to the translation of monetary items according to different exchange rates than whose which were used for translation at the time of initial recognition during the period, or than those which were used for translation in previous financial statements, are recognized in the statement of income for the period in which they materialized.

3. Consolidation of financial statements

Subsidiaries - Subsidiaries are entities which are controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date control was obtained until the date control was lost. The accounting policy of subsidiaries was changed insofar as needed in order to adjust it to the accounting policy which was adopted by the Group.

Non-controlling interests - Non-controlling interests constitute the total equity of a subsidiary that is not attributed, either directly or indirectly, to the Bank, and include additional components, such as the share options of subsidiaries.

Note 1 - Significant Accounting Policies (Cont.)

Measurement of non-controlling interests on the business combination date - Non-controlling interests on the business combination date are measured at fair value.

Allocation of comprehensive income among shareholders - Income or loss, and any component of other comprehensive income, are attributed to the Company's owners and to non-controlling interests. Total income, loss and other comprehensive income are attributed to the Bank's owners and to non-controlling interests, even if, as a result, the balance of non-controlling interests is negative.

Transactions with non-controlling interests while retaining control - Transactions with non-controlling interests while retaining control, are treated as capital transactions. Any difference between the consideration which was paid or received, and the change in non-controlling interests, is carried directly to the share of the Bank's owners, under equity. Furthermore, when making changes to its stake in a subsidiary while still retaining control, the Bank re-attributes the cumulative amounts which were recognized under other comprehensive income between the Bank's shareholders and the non-controlling interests.

Transactions canceled in consolidation - Inter-company balances in the Group, and unrealized income and expenses resulting from inter-company transactions, were canceled as part of the preparation of the consolidated financial statements.

4. Offsetting of financial assets and liabilities

Assets and liabilities from the same counterparty are presented in the balance sheet according to the net amount, upon the fulfillment of the following cumulative conditions:

A. A legally enforceable right to offset the liabilities from the assets applies to those liabilities.
B. There is an intention to repay the liabilities and to realize the assets on a net basis or simultaneously.
C. The Bank and the counterparty both owe determinable amounts to one another.

The Bank offsets assets and liabilities with two different counterparties, and presents a net amount in the balance sheet upon the fulfillment of all of the cumulative conditions specified above, and provided that an agreement is in place between the three parties which clearly establishes the Bank's offsetting right with respect to those liabilities.

Deposits by extent of collection - Deposits whose repayment is conditional on the extent of collection from credit are presented in the balance sheet after offsetting the credit which was given from them, when the banking corporation has no risk of loss from the credit. The margin in the aforementioned activity is included under the item for "Fees".

5. Statement of cash flows

The Bank adopts subject 230-10 of the codification, in accordance with directives issued by the Banking Supervision Department.

The item for cash includes cash, deposits in banks, marketable certificates of deposit and deposits in banks, for original periods of up to three months. The effect of changes in exchange rates on cash and cash equivalents which are held in foreign currency, or repayable in foreign currency, are presented separately from the other changes in cash and cash equivalents.

The report is presented by dividing into cash flows from operating activities, investing activities and financing activities.

Note 1 - Significant Accounting Policies (Cont.)

6. Securities

A. General

This section includes investments in bonds and investments in stocks and funds, which are treated in accordance with the rules of presentation, measurement and disclosure which were determined in the provisions of subject 320 of the codification, regarding "Investments - Debt Instruments", and subject 321 of the codification, regarding "Investments - Equity Instruments".

Upon acquisition, investments in bonds are classified to one of the following portfolios, which are managed separately: the portfolio of held to maturity bonds, the portfolio of available for sale bonds, and the portfolio of held for trading securities. Additionally, at the time of acquisition, investments in stocks are classified to the following two portfolios, which are managed separately: the portfolio of held for trading securities, or the portfolio of non-held for trading securities. On each reporting date, the Bank re-evaluates the adequacy of the classification between the portfolios.

1. Held to maturity bonds - bonds regarding which the Bank has the intent and ability to hold them until the maturity date, excluding bonds which are repayable through early redemption, or which may be settled by other means, in a manner whereby the Bank does not cover substantially all of its recorded investment. Held to maturity bonds are presented according at amortized cost as of the reporting date.
2. Held for trading securities - securities which were acquired and which are held with the aim of selling them in the near future. Held for trading securities are presented according to their fair value on the reporting date. Profit or loss from adjustments to fair value are carried to the statement of income, under the item for non-interest financing income.
3. Stocks and funds not held for trading - Stocks and funds for which a fair value is available are presented at fair value on the reporting date. Unrealized profit or loss for fair value adjustments are carried to the statement of income.

   Investments in stocks and funds for which there in no available fair value, which are presented at cost (after deducting impairment), plus or less changes in observable prices in ordinary transactions, in similar or identical investments of the same issuer, if such transactions take place, with the costs carried to profit or loss.
4. Available for sale bonds - Bonds which were not classified as held to maturity bonds or as held for trading securities. Available for sale bonds are presented in the balance sheet according to their fair value on the reporting date. The fair value is based on quoted prices for bonds which have quoted prices, or based on revaluation data which are received from external sources, regarding bonds which have no price. The profit or loss with respect to them, less the appropriate reserve for tax, is presented in a separate item under equity: "Adjustments with respect to the presentation of available for sale securities at fair value ".

Note 1 - Significant Accounting Policies (Cont.)

B. Classification of income (expenses) in the statement of income

Interest income on an accrual basis from bonds, including linkage differentials, exchange differences, plus the proportional part of the deduction, or less the proportional part of the premium, are recognized in the item for interest income. Profit and loss from sale and from fair value adjustments of held for trading securities, net, and dividends which were received from held for trading stocks, are presented under the item for non-interest financing income with respect to activities for trading purposes.
Profit (loss) from the sale of available for sale bonds, including impairment loss, is presented in the item for “Non-interest financing income with respect to activities for non-trading purposes”.
Transaction costs which arise upon the acquisition of held to maturity bonds or available for sale bonds are deferred and recognized as an adjustment of returns. Transaction costs which arose with respect to held for trading bonds are recognized immediately.
Profit (loss) from investment in stocks and funds not held for trading include profit and loss from adjustments with respect to fair value measurement, from adjustments with respect to stocks and funds for which there is no available fair value, from the sale of investment in stocks and funds not held for trading, a provision for impairment, and dividend income.

C. Impairment

For details regarding the treatment of impairment of available-for-sale bonds, see section [7.D]. Regarding shares not held for trading for which fair value is not available - The Bank conducts a qualitative test in order to assess whether impairment of the investment in stocks has occurred, and if needed, estimates the fair value of the investment for the purpose of determining the amount of impairment loss.

7. Credit to the public and provision for credit losses

A. General

The Bank applies the directives issued by the Commissioner of Banks regarding the measurement and disclosure of impaired debts, credit risk and the provision for credit losses, as well as the positions of banking supervision authorities in the United States, and of the Securities Exchange Commission in the United States, as adopted by the Commissioner in the public reporting regulations. These provisions specify, inter alia, that a banking corporation will adopt the generally accepted accounting principles in the United States regarding the measurement of credit losses due to financial instruments, as specified in ASC 326 - Financial Instruments - Credit Losses. These directives are applied to all debit balances, including deposits in banks, bonds, securities which were borrowed or acquired within the framework of resale agreements, credit to the public, and credit to the government.

Note 1 - Significant Accounting Policies (Cont.)

B. Provision for credit losses - measurement

The Bank established policies for the maintaining a provision for credit losses at an appropriate level in order to cover expected credit losses with reference to its credit portfolio, including with respect to off-balance sheet credit risk. In general, the estimated provision for credit losses is calculated throughout the financial asset's contractual period, while taking into account the estimates of early redemption, in accordance with quantitative methods formulated by the Bank, and including taking into account the expectation of troubled debt restructuring vis-à-vis the borrower, as relevant. Provisions calculated on an collective basis with respect to loans are generally based on the recorded balance of debt. In order to estimate the expected credit losses throughout the contractual period of the assets, the Bank relies on historical data, while evaluating the need to adjust the historical data in order to reflect the extent to which the current conditions and reasonable and substantiable forecasts will differ from the conditions in the period during which the historical data was estimated. For the purpose of reaching this determination, the Bank takes into account the financial assets' characteristics, including factors which are relevant to the determination of the expected ability to collect.

The measurement of the provision for credit losses is based on a division of the Bank's credit portfolio into groups which share similar risk characteristics (a process known as "segmentation"). According to the Bank's basic approach to segmentation, the Bank segments credit to the public as follows: credit to private individuals - housing loans, credit to private individuals - other (which mostly includes solo consumer credit), credit for real estate activity, which includes mortgages for business purposes, and pledges on homes and commercial properties, credit for construction and real estate activity, which includes credit to purchase land for construction and the accompaniment of residential projects, credit to purchasing groups, credit backed by car loans, credit for financial services, and other business credit.

The provision for credit losses is comprised of both a quantitative layer and a qualitative layer, as follows: past losses, a comprehensive framework for qualitative adjustments (Q factor), and macro-economic forecasts one year ahead. The provision to cover the expected credit losses in the credit portfolio is estimated in one of the following two tracks:

1. <u>Specific provision for credit losses</u>

Non-accruing debts are debts which the Bank believes do not share risk characteristics with accruing debts, and therefore estimates the provision for them on an individual basis.

Debts for which the provision for credit losses is evaluated on an individual basis mostly include liabilities with respect to commercial credit, the contractual balance of which exceeds NIS 1 million (without the deduction of accounting write-offs which do not involve legal concessions, unrecognized interest, provisions for credit losses and collateral). When a debt is classified as impaired, the Bank measures the impairment based on the present value of future cash flows, discounted by the effective interest rate of the debt. When the debt is contingent upon collateral, or when the Bank expects that an asset will be seized, the impairment is measured based on the fair value of the pledged collateral which was pledged to secure that credit (net of selling costs).

2. <u>Collective provision for credit losses</u>

The provision is generally estimated using the loss rate method. This process is initially based on the past losses in the portfolio, as represented by net charge-offs, in each economic sector during the determined period.

Past losses are adjusted as part of the process with respect to a series of risk characteristics and economic characteristics, including changes in the credit policy, concentration of the credit portfolio, LTV ratios, changes in the scope of credit and in classification, and other conditions. This process is intended to adjust the historical information in order to reflect the extent to which the existing conditions and reasonable and substantiable forecasts may differ from the conditions which existed during the period when the historical information was estimated. In the next stage, the Bank incorporates reasonable and substantiable forecasts for one year, after which it reviews, with respect to a period of one year, the historical data adjusted for the current conditions, on a linear basis.

The provision with respect to off-balance sheet credit is recognized with respect to liabilities which are not unconditionally cancelable by the Bank, and is based on the same segmentation described above, while taking into account credit conversion factors.

This provision is presented in the balance sheet under other liabilities. This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding expected credit losses.

C. Adequacy test of the entire provision

The process of testing the adequacy of the entire provision involves formulating different components in the estimated provision for credit losses, such as adjustments to historical data from past periods with respect to current conditions, risk assessment of the different market sectors, economic forecasts for reasonable and substantiable periods, estimating the expected collection amounts with respect to debts in financial difficulties, etc.

The Bank evaluates the overall adequacy of the provision for credit losses based on management’s judgment, which takes into account the inherent risks in the credit portfolio, weaknesses and limits of the valuation methods which were applied, in order to ensure that the estimated provisions in each reporting period adequately represent the best expectations and estimates of management. For this purpose, management reviews a wide range of data - both factors which are specific to the borrower, and factors which are relevant to the operating environment as a whole. As part of the above, management evaluates the estimated losses vs. the managerial and economic information which is available to it. Additionally, when quantifying the provision, the Bank may sometimes use scenarios which represent circumstances and situations which management believes are within a reasonable range, to which management assigns weights for the purpose of quantifying the best estimate.

D. Available for sale securities

The Bank estimates the expected credit losses with respect to available-for-sale securities on each reporting date, when the fair value is lower than the amortized cost. In any situation of this kind, the Bank evaluates whether there is an intention to sell the security, or whether the Bank considers it more likely than not that it will be required to sell the security before recovering its book value. If the answer is positive, the entire difference between its book value and fair value is recognized in profit and loss. If the answer is negative, the Bank evaluates whether the decrease in was fair value was due to credit losses, or other factors.

Impairment which the Bank believes is due to credit loss is recorded through a provision for credit losses, while impairment which was not recorded through a provision for credit losses is recorded through other comprehensive income, net of tax.

The Bank calculates the provision for expected credit losses with respect to available for sale securities on a case-by-case basis, by comparing the present value of the cash flows which are expected to be collected from the security, to the amortized cost basis. The above provision was determined against the recording of expenses with respect to credit loss, in order to reflect the credit loss component of the decrease in fair value below amortized cost. The provision for credit losses with respect to available for sale bonds is limited such that its amount will not exceed the total difference between amortized cost and lower fair value. If the security's fair value increases over time, any provision for credit losses which was not written off for accounting purposes is canceled by reducing the expense with respect to credit losses. The main criteria in determining whether the impairment is due to the existence of credit loss refers both to factors which are specific to the issuer, and to other factors, as follows:

- The extent to which the fair value is less than the amortized cost basis;
- A significant decrease in the credit rating from the acquisition date until the publication date of the report by the rating agency;
- The intention to sell the security;
- An increase in credit margins on the level of the rating group;
- Default by the security's issuer in the execution of interest or principal payments when they come due;
- An insolvency event;
- The payment structure of the bonds, and the change that the issuer may execute payments which will increase in the future;
- Negative legal or regulatory events which apply to the issuer;
- Legal or regulatory changes for the worse which affect the issuer's sector;
- Negative conditions specifically associated with the security, the sector, or the geographical region (such as technological changes, discontinuation of the activity of a business segment, changes in the quality of credit enhancement).
- A significant change for the worse in economic conditions;
- A macro event which affects the issuer's activity;
- Disruption of the business model due to technological changes or the entry of new competitors into the sector.

The Bank does not take into account, for this purpose, the period of time during which the security's fair value was less than its cost. In case the Bank believes that the security is uncollectible, the amount of the provision for credit losses will be recognized as an accounting write-off.

In cases where the Bank has decided to perform a quantitative evaluation, the evaluation is performed through PD and LGD estimates. This includes comparing the discounted cash flows to fair value, and to amortized cost. If the discounted cash flow forecast is less than the amortized cost, the difference is recognized as a provision for credit losses. When the bond's fair value is greater than the discounted cash flows, a provision is recognized up to the lower limit of fair value.

E. Securities held to maturity and other exposures

The provision for expected credit losses with respect to held to maturity bonds is based on the method of probability of default and loss given default. The Bank does not recognize a provision for credit losses with respect to certain government bonds where the Bank believes that the chance of non-payment is zero.

F. Identification and classification of troubled debts

The Bank has established policies to identify troubled credit and to classify debts for the purpose of distinguishing between debts classified as troubled, including non-accruing debts, and debts in good standing. In accordance with these policies, the Bank classifies all of its troubled debts and off-balance sheet credit items under the classifications of: special supervision, subordinated or non-accruing. Debt is classified as non-accruing debt when, based on current information and events, it is expected that the Bank will not be able to collect all of the amounts which are owed to it in accordance with the contractual terms of the debt agreement. Non-accruing debts were classified and presented in periods before January 1, 2022 as impaired debts.

- **Credit under special supervision -** credit under special balance sheet supervision is credit regarding which potential weaknesses exist which are worthy of special attention from the Bank's management. Off-balance sheet credit is classified as credit under special supervision if the realization of contingent liabilities with respect to the item is defined as "possible", and if the debts which may be recognized as a result of the contingent realization would be appropriately classified under this category. For this purpose, the Bank monitors the situation of days in arrears which was determined with respect to its contractual repayment terms. Commercial credit with a contractual balance of less than NIS 1 million, and credit to private individuals, are classified as credit under special supervision, when the debt is in arrears of 30 to 89 days.
- **Subordinated credit -** is defined as credit which is insufficiently hedged by the present established value and the debtor's repayment ability, or the pledged collateral, if any. Balance sheet credit risk which has been classified as above has a well defined weakness or weaknesses, which endanger the realization of the debt. Credit regarding which a provision for credit losses is recognized, on a collective basis, will be classified as subordinated when it becomes debt in arrears of 90 days or more. Regarding debts which are evaluated and provided on a collective basis, which are in arrears of 90 days or more, the Bank continues to accrue interest income (excluding housing credit). Off-balance sheet credit risk is classified with subordinated classification if the following two conditions are met: (1) There is at least a reasonable probability that the contingent liability with respect to the off-balance sheet item will materialize; and (2) the debts which could materialize due to the realization of the contingent liability are suitable for classification which is no better than classification as subordinated debts.

Note 1 - Significant Accounting Policies (Cont.)

- **Non-accruing credit** - Debt is classified as non-accruing debt when, based on current information and events, it is expected that the banking corporation will not be able to collect all of the amounts which are owed to it in accordance with the contractual terms of the debt agreement. For the purpose of this section, the significance of the collection of all of the amounts in accordance with the contractual terms of the debt agreement is that both the interest payments and the principal payments in accordance with the contract will be collected on the date specified in the debt agreement. Debt will not be classified as a non-accruing debt during the period of delay in payment, if the banking corporation expects to collect all of the amounts which are owed to it, including accrued interest according to the contractual interest rate during the period of the delay, and in any case, specifically evaluated debt will be classified as non-accruing debt when the principal or interest with respect thereto are in arrears of 90 days or more, except if it is well secured and in the process of collection.

  Debt is considered "well secured" when it is secured by a collateral through a pledge on tangible or personal property, including securities, whose realizable value suffices to repay the debt (including accrued interest), or a guarantee from a party with proven financial responsibility. Debt is considered "in the process of collection" if the collection thereof is taking place properly through legal proceedings, or, in appropriate circumstances, non-litigious collection efforts, but which are expected to result, in the near future, in the repayment of the debt, or in its resumption of an accruing status. Housing credit is classified as non-accruing debt when the principal or interest with respect thereto is in arrears of 90 days or more. On the date of a debt's classification as non-accruing, the banking corporation cancels any interest which has accrued and been recognized in the statement of income, but which has not yet been collected.

  Additionally, from the date of classification onwards, the banking corporation does not accrue interest income with respect to debt which is classified as non-accruing debt.

  The state of arrears of housing loans at the Bank is determined according to the extent of arrears method until January 1, 2026.

  Borrowers facing financial difficulties

  Borrowers whose debts to the Bank have undergone formal restructuring. For the purpose of determining whether a debt arrangement which was performed by the Bank constitutes a "change in the debt terms of borrowers facing financial difficulties", the Bank performs a qualitative test of the entire set of circumstances of the arrangement, and of the circumstances in which it was performed, with the aim of determining whether the debtor is experiencing financial difficulties.

  For the purpose of determining whether the borrower is experiencing financial difficulties, the Bank evaluates whether there are indicators that the borrower is experiencing difficulties on the date of the arrangement, or regarding the existence of a reasonable possibility that the borrower will run into financial difficulties if the arrangement is not implemented.

The Bank evaluates, inter alia, the existence of one or more of the circumstances specified below:

- The borrower is currently defaulting on the payment of any debt of theirs. Additionally, the banking corporation will assess whether the borrower is expected to default on the payment of any debt of theirs in the foreseeable future, if no changes are made to the debt terms. In other words, the banking corporation may conclude that the borrower is facing financial difficulties even if the borrower is not currently defaulting on any of their payments;
- The borrower has announced that they are in the process of declaring bankruptcy;
- There is doubt as to whether the borrower will continue operating as a going concern;
- The borrower has securities which have been delisted;
- Based on estimates and forecasts which include only the borrower's existing capabilities, the banking corporation expects that the cash flows which are specific to the borrower's entity will not be sufficient in order to service any of its debts (principal and interest), in accordance with the contractual terms of the existing agreement, in the foreseeable future;
- Without the current change to the debt terms, the borrower is unable to receive cash from sources other than the current lenders at an effective interest rate which is equal to the current market interest rate for similar debts of non-troubled borrowers;

  The foregoing list of indicators is not intended to include all indicators of a debtor's financial difficulties.

The Bank does not classify a debt settlement as a change in terms of debts of borrowers facing financial difficulties if the change results in an insignificant delay in payment, in light of the payment schedule, in the contractual repayment periods and in the original projected lifetime of the debt. For this purpose, if several arrangements have been made which involve changes in the debt terms, the Bank takes into account the cumulative effect of the prior restructuring processes, made during 12 months, for the purpose of determining whether the delay in payment due to the restructuring is insignificant.
Debts of borrowers facing financial difficulties, whose terms were changed, may be classified as accruing or non-accruing interest income on the date of the change.

In general, a debt of a borrower facing financial difficulties which has formally undergone changes in terms in a manner which results in a situation whereby it is reasonably certain that the debt will be repaid (principal and interest) and executed in accordance with its new terms, is not required to be classified as debt not accruing interest income, provided that the change in terms, and any accounting write off which was performed with respect to the debt, are supported by an up-to-date and well documented credit assessment of the debtor's financial situation and repayment ability, in accordance with the new terms. Otherwise, the debt which has undergone changes in terms must remain under the classification of debt not accruing interest income.

The disclosure pertaining to restructuring of troubled debt made until December 31, 2023, remains in its previous framework.
For additional details, see Note 29 - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses.

Note 1 - Significant Accounting Policies (Cont.)

Restoration of non-accruing debt to the status of accruing debt

non-accruing debt resumes the status of accruing debt in any of the following cases:

- There are no principal or interest components with respect thereto which have come due and have not yet been paid, and the Bank expects the repayment of the remaining principal and interest in their entirety, in accordance with the contract terms (including amounts which have been written off or included in a provision).
- When the debt becomes well-secured, and is in collection processes.

In case of debts of borrowers facing financial difficulties whose terms have been changed, which were classified as non-accruing debt on the date of the change in terms, the Bank is entitled to restore the debt's status to accruing, provided that an up-to-date and well documented analysis is conducted which supports the restoration of accruing status, based on the debtor's financial position and the probability of repayment according to the updated terms. The analysis includes taking into account the debtor's ongoing historical repayment performance over a reasonable period before the debt resumes the accrual of interest income, but may take into account payments which were made during a reasonable period before the restructuring, if the payments are consistent with the updated conditions. The period of ongoing repayment performance will generally be a minimum of 6 months as of the date of the evaluation. Removal from classification as non-accruing will include classification of the debt as properly paid or as troubled, in accordance with the Bank's policies.

Accrual of interest and recognition of interest income

Non-accruing debt - On the date of a debt's classification as non-accruing, the banking corporation cancels any interest which has accrued and been recognized in the statement of income, but which has not yet been collected. Additionally, from the date of classification onwards, the banking corporation does not accrue interest income with respect to debt which is classified as non-accruing debt.

If there is doubt regarding whether the balance of non-accruing debt will be collected, the interest payments which were received are recorded as amortization of the principal.

If the debit balance is considered collectible in its entirety, interest payments which were received in cash will be recognized as interest income in profit and loss. Interest income is recognized up to the amount which would have been accrued during the reporting period on the remaining registered balance of the debt, according to the contractual rate. Any balance beyond this amount, which has not been recorded as an amortization of the remaining recorded balance, is recorded as the collection of previous accounting write-offs.

Debts for which a collective provision for credit losses is calculated - Debt for which a collective provision for credit losses is calculated (except for housing credit) is not classified as non-accruing debt, and the banking corporation does not stop accruing interest income with respect to it, even if the debt is in arrears of 90 or more days. These debts are subject to other assessment methods, which ensure that the banking corporation's net profit is not biased upwards. Fees with respect to arrears on these debts are included as income on the date when the right to receive the fee from the customer materializes, assuming that the collection is reasonably secure.

Accounting write-off

The Bank performs accounting write-offs in the following cases:

- Any debt, or any part thereof, which is evaluated on an individual basis, and which is considered noncollectable and of a low value, such that keeping it as an asset would be unjustified, or debt regarding which the Bank has performed long term collection efforts (generally defined as a period longer than two years).

Note 1 - Significant Accounting Policies (Cont.)

- In case of debt whose collection is conditional on securities, any part of the surplus debt over the value of the collateral which is identified as noncollectable debt will be immediately written off, against the provision for credit losses.
- With respect to troubled debts, the provision for which is measured on a collective basis (in general, non-housing credit for private individuals, commercial credit with respect to debt with a contractual balance of less than NIS 1 million), the banking corporation performs an accounting write off when it identifies specific credit losses, in accordance with the characteristics of the debts, and based on the extent of their arrears. In general, unsecured debts, or debts which are secured by collateral other than a residential home, are written off when the period of arrears is 150 days or more.
- With reference to housing credit, an up-to-date assessment of the collateral value should be conducted no later than the date when the debts become debts in arrears of 180 days or more, while writing off the part of the recorded debt balance beyond the value of the collateral (net of selling costs).

It is clarified that accounting write-offs do not involve a legal concession, and reduce the reported balance of the loan for accounting purposes only, while creating a new cost basis for the debt in the Bank's books.

<u>Disclosure requirements</u>

The Bank applies the disclosure requirements with respect to the credit quality of debts and with respect to the provision for credit losses which were determined in ASC 310, Receivables, and ASC 326, Financial Instruments — Credit Losses, with the required adjustments, and as adopted in the public reporting regulations.

8. Basis for recognition of income and expenses

Income and expenses are recognized in the statement of income on an accrual basis, excluding those specified below:

A. For details regarding the recognition of income with respect to debts classified as non-accruing, see section 7 above.

B. For details regarding the recognition of income and expenses with respect to securities and with respect to derivative financial instruments, see section 6.B above and section 17 below, respectively.

C. Direct fees associated with the creation of the loan (excluding loans with an original period of up to 3 months) are deferred and recognized as an adjustment of returns over the lifetime of the loan.

D. Credit allocation fees are handled according to the probability of realization of the obligation to provide credit. If the probability is low, the fee is recognized throughout the period of the obligation on a straight line basis; otherwise, the deferred revenue is recognized until the date when the obligation is fulfilled or expires, whichever is earlier. If the obligation expires without being realized, the fees are recognized on the date of the expiration as fee revenue. If the obligation is realized, the fees are recognized by adjustment of the return throughout the loan lifetime, as stated above.

E. Fees which are received as a result of restructuring are treated in the following manner:

The Bank evaluates the changes which were implemented, and determines whether, as a result, the terms of the new loan are at least as preferable for the Bank as the terms of comparable loans to other customers with similar collection risks. If so, the refinanced loan is treated, in accounting terms, as a new loan, and all un-subtracted fees and prepayment penalties of the original loan of the original loan are recognized as interest income on the provision date of the new loan.

However, if the terms of the new loan are not superior for the banking corporation, or if only minor changes were made to the original loan contract, i.e., the present value of cash flows in accordance with the terms of the new loan is less than 10% different from the present value of the remaining cash flows in accordance with the terms of the original loan, all fees which have not yet been amortized, and prepayment penalties, are included as part of the net investment in the new loan, and are recognized with an adjustment of returns.

F. Fee revenues with respect to prepayment are recognized immediately under interest income, except for fees as stated above, which are included as part of the net investment in the new loan, and recognized as an adjustment of return.

G. Fee revenues with respect to the provision of services is carried to the statement of income upon provision of the service.

H. Other fees, such as fees with respect to guarantees and project accompaniment, are relatively proportionately throughout the period of the transaction.

I. Syndication fees are recognized under profit and loss on the loan execution date.

9. Transfers and servicing of financial assets and extinguishment of liabilities

The Bank applies the measurement and disclosure rules which were specified in ASC 860-10 (FAS 140 and its amendment, FAS 166), Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. In accordance with these rules, the transfer of a financial asset will be accounted for as a sale, if and only if all of the following conditions are fulfilled: (1) The transferred financial asset has been isolated from the transferring entity, also in case of bankruptcy or other receivership proceedings; (2) Any recipient (or, if the recipient is an entity which whose entire purpose is to deal in securitization or in asset-backed financing activities, and where that entity is prevented from pledging or replacing the financial assets which it has received, any third party which holds beneficiary rights) may pledge or replace the assets (or the beneficiary rights) which it has received, if no condition exists which also restricts the recipient (or a third party who holds the beneficiary rights) from exercising its right to pledge or to replace, and also provides the transferor with a benefit greater than a trivial benefit; (3) The transferor, or consolidated companies which were included in its financial statements, or its agents, do not maintain effective control of the financial assets or if the beneficiary rights which are attributed to these transferred assets.

Additionally, in order for the transfer of part of a financial asset to be considered a sale, the transferred part must fulfill the definition of participatory rights. Participatory rights must meet the following criteria: the right must represent proportional rights relative to the entire financial asset; All cash flows which are received from the assets must be divided between the participatory rights in a proportional rate to their share in ownership; The rights must not be subordinated or senior relative to other rights; There must be no right of recourse to the transferor or to other holders of participatory rights (excluding in case of breach of representations or liabilities, current contractual liabilities to service a financial asset in its entirety and management of the transfer agreement, and contractual undertakings to divide the offsetting of any benefits which were received by any holder of the participatory rights); And the transferor and the holder of participatory rights must not have the right to pledge or exchange the financial asset in its entirety, excluding if all holders of participatory rights agree to pledge or to exchange the financial asset in its entirety.

Note 1 - Significant Accounting Policies (Cont.)

If the transaction fulfills the conditions for treatment as a sale transaction, the transferred financial assets are written off from the Bank's balance sheet. The difference between the fair value of the consideration which was received, and the amount of the asset which was written off, is recognized in the statement of income. If the terms of the sale are not fulfilled, the transfer is considered a secured debt. The sale of part of a financial asset which is not a participatory right is treated as a secured debt, i.e., the transferred assets continue to be recorded in the Bank's balance sheet, and the proceeds from the sale are recognized as a liability of the Bank.

The Bank writes off a liability only if the liability has been extinguished, in other words, if one of the following conditions has been fulfilled: (a) the Bank paid to the lender and was released from its obligation due to the liability, or (b) the Bank was legally released, through legal proceedings, or with the consent of the lender, from its status as primary debtor with respect to the liability.

10. Transactions involving borrowing or lending of securities

A. Unsecured borrowing of securities - When the Bank borrows securities, through unsecured loans, the banking corporation recognizes the security, and against it, a deposit according to the value of that security which was received in the loan transaction. The security which was borrowed by the Bank is classified as a security in the trading portfolio.

B. Unsecured lending of securities - When the Bank lends a security which it borrowed in an unsecured loan transaction, credit and deposit against it are recognized in the amount of the market value of the transferred security. Changes to the accrual basis are treated as interest income, and changes in market value (beyond changes in the accrual basis) are classified under the item for "non-interest financing income".

C. Short sale of borrowed securities - When a bank short sells securities which were borrowed by it, cash is recognized against a deposit. The deposit is only revalued if the value of the security increased during the relevant period, and is recognized under the item for "non-interest financing income".

The Bank monitors the fair value of securities which were borrowed and lent, and of securities which were transferred under repurchasing and resale agreements, on a daily basis, and collateral is required in appropriate cases. Interest which was received or paid with respect to such securities is reported as interest income or expenses, respectively.

11. Fixed assets (buildings and equipment)

A. Recognition and measurement

Buildings and equipment are presented at cost, less accumulated depreciation and impairment loss. The cost includes costs which are directly attributed to fixed assets and to bringing it to the location and condition needed for its operation. When significant parts of fixed assets have a different lifetime, they are accounted for as separate items of the fixed assets. Buildings up for sale are presented according to their cost or disposal value, whichever is lower.

B. Subsequent costs

The cost of replacing a part of a fixed asset item is recognized as part of the book value of that item if it is expected that the future economic benefits embodied in the replaced part will flow to the Bank if its cost is reliably measurable. The book value of the replaced part is written off. Current maintenance costs of fixed asset items are carried to the statement of income upon their materialization.

Note 1 - Significant Accounting Policies (Cont.)

C. Costs of software intended for self use:

Costs which the banking corporation discounts as part of the asset cost include direct external costs of materials and services which are required for the process of developing or purchasing software, payroll costs with respect to employees who are directly associated with the project, and who dedicate their time to it, according to the scope of time which is directly dedicated to the project, as well as financing costs which are created during the software development process. General and administrative expenses, and indirect costs, are not discounted as part of the asset's cost, but rather are carried to the statement of income upon their creation.

Discounted costs are amortized in a straight line over the useful lifetime of the software, beginning on the date the software was ready for its intended use. Software is considered ready for its intended use after all of the main tests have been completed regarding it. The useful lifetime of software is re-estimated in each period. When determining useful lifetime, the banking corporation takes into account many factors, such as technological changes, obsolescence and competitive status.

The Bank applies, with respect to the costs of internal-use software, the rules specified in ASC 350-40, Internal-Use Software Accounting & Capitalization. Due to the accounting complexity associated with the process of capitalizing software costs, and in light of the significant amount of capitalized software costs, the Commissioner of Banks established guidelines for the Bank with respect to the capitalization of software costs. In accordance with the guidelines, the Bank is required to determine a materiality threshold for each software development project for which software costs are capitalized, which will be no less than NIS 300 thousand. Any software development project whose total cost is less than the determined materiality threshold is carried as an expense in the statement of income. It was further determined that the amortization period of software development costs will not exceed 5 years.

D. Depreciation

Depreciation is calculated from cost and carried to the statement of income (unless it was included in the book value of another asset), according to its useful lifetime, using the straight line method, beginning on the date when the asset is ready for use relative to its original cost. Leasehold improvements are amortized over the lease period, including an option which is likely to be realized, or their useful lifetime, whichever period is shorter. Estimates regarding useful lifetime and residual value are re-evaluated from time to time.
Amortization is calculated according to equal annual rates, as follows:

	Annual depreciation rate
Offices for rent	4
Furniture and office equipment	7-10 (mostly 7%)
Computers and associated equipment	20-33
Software costs	20-33
Leasehold improvements	10

The amortization of intangible assets, including software assets, is carried to the statement of income according to the straight line method over the estimated useful lifetime of intangible assets, beginning from the date when the assets became available for use.

Intangible assets which are created in the Bank (such as software under development) are not systematically amortized so long as they are not available for use, in accordance with management's decision. Therefore, impairment with respect to these intangible assets is evaluated at least once per year, until the date when they become available for use, in accordance with management's decision.

Note 1 - Significant Accounting Policies (Cont.)

E. Write-offs

The book value of fixed assets is written off upon disposal or when future economic benefits are no longer expected to flow from its use or disposal. The difference between the net proceeds from the disposal, if any, and the book value of the asset which was written off, is carried to the statement of income, under the item for “Other income”.

12. Impairment of non-financial assets

A. Impairment of non-current assets held for use

Non-current assets which are held for use are subject to impairment testing when events or changes in circumstances indicate the assets’ book value may not be recoverable.

Impairment loss is recognized only if the book value of an asset (group of assets) is not recoverable, and exceeds its fair value. The book value of an asset (group of assets) is not recoverable if it exceeds the amount of non-discounted cash flows which are expected to result from the use of the asset, and eventually from its sale.

Impairment loss is measured as the amount by which the book value of an asset (group of assets) exceeds its fair value. If impairment loss has been recognized, the asset’s book value after the impairment is its new cost basis, which is depreciated throughout that asset’s remaining useful lifetime. Previously recognized impairment loss may not be returned.

B. Group of non-current assets held for use

For the purpose of testing for impairment loss, the banking corporation groups assets and liabilities according to the lowest level for which separately cash flows exist, which are not significantly dependent on any other group of assets and liabilities. Impairment loss, if recognized, reduces only the book value of a long term asset or assets in the Group.

The loss will be allocated to the group’s non-current assets proportionately according to the book value of those assets. The loss which is attributed to a single asset in a group will not reduce the book value of that asset below its fair value.

Indicators of impairment of software costs for self use:

- The software is not expected to provide a significant service.
- A change is expected to the manner or scope of use of the software, currently or in the future.
- A significant change to the software is expected.
- The expected costs in order to develop or change the software significantly exceed the original expected amount.

Additionally, indicators of whether the software is not expected to serve the banking corporation were added:

- Shortage in budgeting or expenses for the project.
- Deviations from the budget
- Programming difficulties which are not expected to be solved on time.
- A new technology has arisen on the market which causes management not to expect to continue the current development.
- Information has been obtained indicating that the software is available on the market at a significantly lower cost than the expected cost of development.
- The segment or business unit for which the software was developed is not profitable, or has been or will be discontinued.

Note 1 - Significant Accounting Policies (Cont.)

13. Leases

A lease is an agreement under which the lessor transfer to the lessee, in consideration of a single payment or a series of payments, the right to use an asset for an agreed upon period of time. There are two types of leases: finance lease (a lease which essentially involves a transfer of all risks and benefits associated with the ownership of the property, regardless of a transfer of the property rights at the end of the arrangement), and operating lease (non-finance lease).

The lease period is the non-cancelable period for which the lessee has contractually agreed to lease the property, together with any additional periods for which the lessee has an option to extend the lease of the property, for an additional payment, or without an additional payment, where, on the date of the engagement in the lease, it was reasonably certain that the lessee would exercise the option. The Bank recognizes, on the lease commencement date, a right-of-use asset against a lease liability, except for lease transactions of up to 12 months, for which the Bank chose not to recognize an asset and a liability, and are accounted for, with the rent being carried to the statement of income in a straight line.

14. Segmental reporting

A. Supervised operating segments:

The banking corporation reports regarding its operating segments in accordance with a uniform and comparable framework, as determined by the Banking Supervision Department, which includes a disclosure requirement regarding “supervised operating segments”, in accordance with the definitions of the Banking Supervision Department. The segmentation into supervisory operating segments is mostly based on customer characteristics. Private customers are classified according to their portfolio of financial assets, and business customers are classified according to their turnover.

The framework for report regarding supervised operating segments was prepared according to accounting principles which were adopted for the purpose of the preparation and presentation of the banking corporation’s financial statements.

B. Operating segments according to the approach of management:

The approach of management to the segmentation of the Bank’s activities is not significantly different from the approach to the segmentation of supervised segments, and the Bank therefore reports the operating segments in accordance with the uniform framework which was determined by the Commissioner only.

15. Deferred issuance expenses

Bond issuance and distribution expenses are presented at cost, and are amortized over the repayment periods of the liabilities, in accordance with the effective interest method.

16. Income taxes

The tax rate which applies to the banking corporation is the tax rate which applies to financial institutions for value added tax purposes. This rate include capital gains tax and payroll tax which are imposed on income in accordance with that law. Payroll tax is included under the item for “payroll and associated expenses” in the statement of income.

The financial statements include current taxes and deferred taxes. Current taxes are the amount of taxes on income which should be paid or which can be returned during the current period. Deferred taxes were recognized with respect to

temporary differences between the financial report and the tax base of an asset or liability, and with respect to carryforward losses for tax purposes.

Note 1 - Significant Accounting Policies (Cont.)

Deferred tax assets and deferred tax liabilities are measured according to the legal tax rates which are expected to apply to taxable income in the period when the asset is expected to be realized, or when the liability is expected to be settled, based on the tax rates and tax laws which were enacted until the end of the reporting period. A law will be considered as having been "enacted" only upon its publication in the Official Gazette.

The banking corporation recognizes a deferred tax liability with respect to all of the taxable temporary differences, unless the deferred tax liability is due to the recognition of goodwill which is not amortized for tax purposes, or a deferred tax liability with respect to subsidiaries, as specified below.

The banking corporation did not recognize a deferred tax liability with respect to temporary differences which were created until December 31, 2016, with respect to investment in local subsidiaries. These temporary differences may be taxable if the banking corporation realizes the investment in the local subsidiaries. Since these investments were purchased by the banking corporation for holding purposes, and since the Bank does not intend to realize them, the aforementioned liability was not recognized. Beginning on January 1, 2017, the banking corporation recognized a deferred tax liability with respect to taxable temporary differences with respect to local subsidiaries. The banking corporation recognizes a deferred tax asset with respect to all of the deductible temporary differences and carryforward losses. A deferred tax asset is amortized by the amount of the valuation allowance if, based on the weight of current evidence, it is more likely than not that a part of all of the deferred tax asset will not be realized. Regarding tax assets with respect to carryforward losses, the banking corporation applies additional criteria in order to estimate the probability that there will be sufficient taxable income against which the losses for tax purposes can be managed.

Interest income and expenses with respect to taxes on income, and fines to tax authorities, will be classified as "taxes on income". The banking corporation applies the accounting treatment regarding uncertainty involving taxes on income, with respect to uncertain tax positions vis-à-vis the tax authorities (FIN 48). In these cases, a dual-stage approach is applied: in the first stage, the Bank recognizes in the books only tax positions which are more likely than not to be accepted, based on their technical facts only (in accordance with the tax laws, regulatory guidelines and the conventional practice, if any). A banking corporation which meets the conditions of the first stage recognizes the tax position based on the highest amount which is more likely than not to be recognized, with a cumulative probability of over 50%. For details regarding the current and deferred tax rates, see Note 8 - Provision for Income Taxes.

17. Derivative financial instruments

In accordance with the directives issued by the Commissioner of Banks, a banking corporation is required to recognize all derivative instruments, including certain derivative instruments which are embedded in other contracts, as assets or liabilities in the balance sheet, and to measure them at fair value. The change in the fair value of a derivative instrument will be reported in the statement of income, in accordance with the designation of the derivative instrument. Changes to the fair value of non-hedging derivative instruments are recognized in the statement of income under the item for non-interest financing income.

Note 1 - Significant Accounting Policies (Cont.)

The Bank engages in contracts which do not entirely meet the definition of a derivative instrument. Such contracts may include embedded derivative instruments. An embedded derivative instrument will be separated from the host contract and accounted for as a derivative instrument, upon the cumulative fulfillment of the following three conditions: the economic characteristics of the embedded derivative must not be clearly and closely associated with those of the host contract; the hybrid instrument must not be re-measured according to its fair value, in accordance with GAAP, while reporting the changes in the fair value under the statement of income at the time of their creation, and where a separate instrument with the same terms as those of the embedded instrument would have met the definition of a derivative instrument. Once an embedded derivative has been identified, it is separated from the host contract and treated as an independent derivative. An embedded derivative which has been separated is presented in the balance sheet together with the host contract. Profit or loss from a derivative which was not designated as a hedging instrument is recognized under the statement of income on an ongoing basis. Transactions with derivative instruments constitute a part of the Bank's assets and liabilities management unit. The fair value of derivative instruments is presented in the balance sheet as assets with respect to derivative instruments or as other liabilities with respect to derivative instruments, as applicable, and the results from transactions with derivative instruments which are due to their recording on a fair value basis are included in the statement of income under the item for non-interest financing income.

18. Fair value measurement

The Bank applies the rules set forth in ASC 820, which defines fair value and determines a consistent framework for fair value measurement by defining fair value measurement techniques regarding assets and liabilities and determining a fair value hierarchy and detailed instructions for implementation. The Bank also applies the Banking Supervision Department's directives on the subject. The main items which the Bank periodically measures at fair value are available-for-sale bonds, held for trading securities, shares not held for trading for which fair value is available, and derivative financial instruments.

ASC 820-10 defines fair value and determines a consistent framework for fair value measurement by defining fair value measurement techniques regarding assets and liabilities and determining a fair value hierarchy and detailed instructions for implementation. Assessment of credit risk and non-performance risk - ASC 820 requires the expression of credit risk and non-performance risk when measuring the fair value of debt, including derivative instruments, which were issued by the Bank, and are measured at fair value. Non-performance risk includes the Bank's credit risk, but is not limited to that risk only.

The circular distinguishes between two types of data which are used in the determination of fair value:

Observable inputs represent data which are observable on the market and which are received from independent sources, while unobservable inputs reflect the assumptions of the banking corporation. These input types create a fair value hierarchy, as specified below:

Level 1 inputs: quoted prices (not adjusted) in active markets for identical assets or liabilities.

Level 2 inputs: quoted prices for similar assets or liabilities in active markets; Quoted prices for identical assets or liabilities in inactive markets;

Prices derived from valuation models, in which all significant inputs are observable or supported by observable market inputs.

Level 3 inputs: unobservable inputs for the asset or liability which are due to valuation models where one or more of their significant inputs are unobservable.

In the measurement of fair value, the banking corporation makes use of valuation techniques which maximize the use of relevant observable inputs, and minimizes the use of unobservable inputs.

Note 1 - Significant Accounting Policies (Cont.)

Fair value measurement is based on the assumption that the transaction is performed in the principal market of the asset or liability, or in the absence of a principal market, in the most effective market of the asset or liability. The principal market is the market with the largest volume and activity level for the asset or liability. The most beneficial market is the market which maximizes the amount which would be received upon the sale of the asset, or minimizes the amount which would be paid upon the transfer of the liability, after taking into account transaction costs and delivery costs.
In general, in certain fair value measurements which are not on level 1, the banking corporation performs adjustments for the inputs of the relevant market, in order to reflect, inter alia, the counterparty’s credit risk, the credit quality of the banking corporation itself, liquidity constraints, etc. For additional information, see Note 32a(d). Additionally, when there is significant credit risk with respect to a derivative instrument, for which a quoted price is not available on an active market, and there are no indications from an active market regarding the credit quality of the counterparty, which could be considered as an input on level 1 or level 2, the fair value measurement of the derivative instrument is considered a fair value measurement on level 3. When the inputs which are used to measure fair value are classified to different levels of the fair value hierarchy, the Bank classifies the fair value measurement, in its entirety, to the lowest level of the input which is significant to the measurement in its entirety.

19. Employee rights

A. Post-retirement benefits - severance pay and other benefits (hereinafter: “Severance Pay”) - defined benefit plans

Severance pay benefits constitute a part of the remuneration which is paid to employees for their services. In general, the amount of the benefit which will be paid depends on certain future events which are included in the plan benefit formula, which frequently include the duration of the employee’s life, or the lives of their survivors, the number of years of service provided by the employee, and the employee’s remuneration during the years immediately before retirement or conclusion of employment.
The Bank calculates the expected long term rate of return on plan assets using the historical rates of return over a long time period, in a portfolio with a similar composition of assets. For this purpose, the Bank uses available market data regarding each of the significant categories of assets in the portfolio, and weighs them according to the composition of plan assets.
If the liability with respect to an expected benefit exceeds the fair value of the plan assets, the Bank recognizes in the balance sheet a liability which is equal to the non-financed liability with respect to an expected benefit. If the fair value of the plan assets exceeds the liability with respect to an expected benefit, the Bank recognizes, in the balance sheet, an asset which is equal to the liability which is over-financed with respect to the expected benefit. The liability with respect to expected benefit reflects the present actuarial value of all benefits which are attributed to the service provided by the employee before the balance sheet date. The measurement of this liability is based on actuarial assumptions as appropriate
For the Bank’s balance sheet date (for example, turnover, mortality, discount rate, etc.) and data from the population census as of the present date.
The Bank evaluates its assumptions on a quarterly basis, and updates theses assumptions accordingly.

Note 1 - Significant Accounting Policies (Cont.)

A change in the value of a liability with respect to an expected benefit or of the plan assets, due to the fact that actual experience is different from the estimate, or due to a change in an actuarial assumption, constitute "gain or loss" (hereinafter: "Actuarial Gain or Loss"). Actuarial gains or losses are not recognized according to the cost of the net pension for the period on the date of their materialization, but rather are recognized under other comprehensive income. In subsequent periods, these gains or losses are subsequently recognized in the statement of income as a component of the net pension cost for the period, according to the straight line method, over the remaining average service period of the employees who are expected to receive benefits according to the plan.

The discount rate with respect to employee benefits is calculated based on the yields of government bonds in Israel, plus the average margin of corporate bonds with a rating of AA (international) or higher as of the reporting date. Due to practical considerations, the margin was established according to the difference between the yield to maturity rates, by repayment periods, on corporate bonds with a rating of AA or higher in the United States, and yield to maturity rates for those repayment periods, on US government bonds, as of the reporting date.

The Bank adopts the directives issued by the Banking Supervision Department regarding internal control over the financial reporting process regarding employee rights, including regarding an evaluation of a "material liability" to provide to its employees benefits with respect to increased severance pay and/or early pension.

B. Defined deposit plans - post-retirement benefits

A defined deposit plan is a plan which provides post-retirement benefits in consideration of services which were provided, provides a personal account for each plan participant, and defines the method for determination of the deposits to the employee's account, instead of determining the amount of benefits which the employee will receive. In a post-retirement defined deposit plan, the benefits which a plan participant will receive are dependent only on the amount deposited in the plan participant's account, on the returns which are accrued on the investments of those deposits, and on the realization of benefits of other participants in the plan, which may be allocated to the account of that participant. If deposits for the defined plan to the account of a certain person are required with respect to periods during which that person provides services, the net pension cost or the other post-retirement benefit cost, net, for the period, will be the required deposit for that period. If a plan requires deposits for periods after the person has retired or concluded employment, the estimated cost will be accrued during the employee's period of service. The Bank's liabilities to pay severance pay in accordance with section 14 of the Severance Pay Law are treated as a defined deposit plan.

C. Holiday gift

The Bank recognizes the non-discounted amount of the current benefit on the service provision date. Additionally, the Bank accrues the liability throughout the relevant period which was determined in accordance with principles of other post-retirement benefits.

D. Paid leave

Vacation - The Bank accrues the liability through the relevant period which was determined. For the purpose of calculating the liability, actuarial assumptions and discount rates are taken into account. All components of the benefit cost for the period are immediately carried to the statement of income. For the purpose of determining the discount rate and the allocation method for the service cost periods, the Bank applies the principles of the defined benefit pension plans, with the required adjustments. Sick days - The Bank does not accrue liabilities with respect to sick days.

Note 1 - Significant Accounting Policies (Cont.)

E. Other long term benefits to active employees - jubilee bonuses

The Bank accrues the liability over the period granting eligibility for the benefit. For the purpose of calculating the liability with respect to these benefits, actuarial assumptions and discount rates are taken into account. All components of the benefit cost for the period, including actuarial profit and loss, are immediately carried to the statement of income.

20. Contingent liabilities

In accordance with directives issued by the Commissioner of Banks, the provisions of ASC 450 were adopted, as were its accompanying directives, regarding the accounting treatment of pending legal claims, excluding in certain rare cases, such as class actions whose results the Bank and its legal counsel are unable to estimate.

The financial statements of the banking corporation include adequate provisions with respect to claims, according to the assessment of management, and based on the estimates of legal counsel.

In accordance with the directives issued by the Commissioner of Banks, the banking corporation creates a provision with respect to claims, upon the fulfillment of two cumulative conditions:

1. It is probable, i.e., probability of over 70%, that a liability materialized at the end of the reporting period, in accordance with the information which is available until the date when the financial statements were published; And
2. The amount of the liability is reasonably measurable.

The estimate of bank management, which is based on the opinion of its legal counsel, regarding the probability of the realization of the exposure to risk in claims, is determined based on the following three areas of probability:

1. Probable risk - where the probability of the realization of the exposure to risks is above 70%. With respect to claims included in this risk group, appropriate provisions were included in the financial statements.

   Possible risk - where the probability of the realization of the exposure to risks is between 20% and 70%. with respect to claims included in this risk group, no provisions were included in the financial statements; only disclosure was provided.
2. Low risk - where the probability of the realization of the exposure to risks is less than or equal to 20%. With respect to claims included in this risk group, no provisions were included in the financial statements, and no disclosure was provided. With respect to claims to which the exposure is low, although the maximum liability or possible loss could place in doubt the Bank’s continued operation, disclosure is provided.

Guarantees are contracts which require, on a conditional basis, that the guarantor make payments to the debtor upon the occurrence of conditions requiring the forfeiture of the guarantee. A guarantee liability is recognized in the books according to its fair value amount, even if the payments are not expected to be paid in the future. In cases where, on the date of initial recognition, the Bank is required to recognize a provision for contingent loss with respect to the guarantee, in accordance with the provisions of ASC 450, the guarantee liability is measured on the date of initial recognition according to the higher of either fair value or the provision amount in accordance with the provisions of ASC 450.

The liability is derecognized on the date when the Bank is released from the risk. The date of release from the risk with respect to a guarantee depends on the type of guarantee. generally, the Bank derecognizes the liability on the liability settlement date. When the guarantee is measured on the date of initial recognition in accordance with the provisions of ASC 450, the subsequent measurement is also performed in accordance with the provisions of ASC 450.

Note 1 - Significant Accounting Policies (Cont.)

The provisions regarding recognition and measurement on the date of initial recognition do not apply to guarantees which were given between a parent company and a subsidiary, between two fellow subsidiaries, or between the Company's owner and the Company.

21. Earnings per share

Earnings per share are calculated according to a distribution of the net profit attributed to shareholders in the Company, by the number of weighted ordinary shares in the period. Basic earnings per share include only shares which actually exist during the period.

22. Interested parties and related parties

Information regarding balance-sheet and off-balance sheet balances, and information regarding the results of transactions (hereinafter: the "Information") with interested parties and related parties, is given with respect to any person who is defined as an interested party in accordance with the definitions provided in section 1 of the public reporting regulations, or as a related party, according to the definitions provided in Proper Conduct of Banking Business Directive 312, regarding the "business affairs of a banking corporation with related parties". In addition to the disclosure requirements which are required by virtue of the public reporting regulations, the banking corporation also applies the disclosure requirements which are required due to the adoption of issue 850 of the codification, regarding "disclosures with regard to related parties". Information regarding interested parties and related parties refers to the banking corporation and its consolidated companies, and is not presented on the basis of the banking corporation independently.

Transactions between a banking corporation and the controlling shareholder of a banking corporation, and between a banking corporation and a company under its control, are subject to generally accepted accounting principles in the United States. Transactions of this kind for which reference is not given in generally accepted accounting principles in the United States are subject to Accounting Standard 23 of the Israel Accounting Standards Board regarding the "accounting treatment of transactions between an entity and its controlling shareholder". The above includes, inter alia, transactions involving the provision of loans or raising of deposits between member companies of a banking group.

Note 1 - Significant Accounting Policies (Cont.)

F. New accounting standards and new directives issued by the Commissioner of Banks, in the period prior to their adoption

Subject of the standard / directive	Application date	Summary of requirements in the standard / directive	Impact on the financial statements
ASU 2023-09 regarding improvements to disclosure requirements with respect to income taxes	The update's provisions will apply to public entities in the United States, beginning with annual periods beginning after December 15, 2024. Early adoption is permitted. Upon initial adoption, the entity is required to adopt this update prospectively. Retrospective adoption for previously presented periods is permitted.	On December 14, 2023, the Financial Accounting Standards Board (the "FASB") published ASU 2023 -09, regarding improvements to the disclosure requirements regarding income taxes. The amendments in the update include new and improved disclosure requirements, and cancel certain disclosure requirements.	The Bank is evaluating the impact of the new provisions on its financial statements.
ASU 2024-03 regarding expenses in the statement of income	The provisions of the update will apply to reports of business public entities in the United States, beginning from annual periods starting after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. At the time of initial adoption, the amendments are to be adopted retrospectively for all periods presented in the financial statements, or prospectively, in the entity's discretion.	In November 2024, the Financial Accounting Standards Board (the "FASB") published ASU 2024-03 regarding the presentation of details of certain sections in the statement of income in a separate note (hereinafter: the "Update"). The main provisions of the amendment include, inter alia, the following requirements: • Quantitative details, in table format, of certain types of expenses which are included in each relevant expense item in the main statements, including employee benefits, depreciation of fixed asset items and intangible assets. • A qualitative description of amounts for which quantitative details were not specified.	The Bank is evaluating the impact of the new provisions on its financial statements.

Note 2 - Interest Income and Expenses

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
A. Interest income			
From credit to the public	1,253.4	1,196.0	863.7
From deposits in the Bank of Israel and from cash	196.3	136.3	30.3
From deposits in banks	2.9	2.5	-
From bonds	34.8	36.1	12.7
Total interest income	**1,487.4**	**1,370.9**	**906.7**
B. Interest expenses			
On public deposits	645.6	513.7	160.4
On deposits from banks	2.7	1.7	2.9
On liability notes and CoCo bonds	135.5	123.8	148.2
Total interest expenses	**783.8**	**639.2**	**311.5**
Total interest income, net	**703.6**	**731.7**	**595.2**
C. Details of interest income on an accrual basis from bonds			
Held to maturity	0.7	-	-
Available for sale	28.5	22.4	12.2
Held for trading	5.6	13.7	0.5
Total included under interest income	**34.8**	**36.1**	**12.7**

Note 3 - Non-Interest Financing Income

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
A. Non-interest financing income with respect to activities which were not for the purpose of trading			
1. From activities with derivative instruments [(1)(2)]			
Total from activities with derivative instruments	2.7	11.9	(5.6)
2. From investment in bonds			
Profit from the sale of available for sale bonds	-	0.1	0.1
Loss from the sale of available for sale bonds	-	(0.6)	(1.7)
Total from investment in bonds	**-**	**(0.5)**	**(1.6)**
3. Exchange differences, net	**(1.9)**	**(12.4)**	**8.2**
4. From investment in stocks			
Provision for impairment with respect to shares not held for trading	-	(0.7)	-
Dividend from shares not held for trading	4.9	3.5	4.7
Unrealized profits	1.1	(1.1)	-
Total from investment in stocks	**6.0**	**1.7**	**4.7**
5. Profit with respect to sold loans [(5)]	**37.4**	**43.0**	**65.9**
Total non-interest financing income with respect to activities which were not for the purpose of trading	**44.2**	**43.7**	**71.6**
B. Non-interest financing income with respect to activities for trading purposes			
Income (expenses), net, with respect to other derivative instruments	(0.2)	(5.2)	9.2
Realized and unrealized profit (loss) from adjustments to the fair value of held for trading bonds, net [(3)]	0.2	(0.4)	(2.0)
Realized and unrealized profit (loss) from adjustments to the fair value of held for trading shares, net [(4)]	4.6	(1.1)	(1.6)
Total with respect to activities for trading purposes	**4.6**	**(6.7)**	**5.6**
Non-interest financing income	**48.8**	**37.0**	**77.2**
Details regarding non-interest financing income (expenses) for trading purposes by risk exposure			
Interest exposure	1.5	(4.4)	7.2
Exposure to stocks	4.6	(1.1)	(1.6)
Foreign currency exposure	(1.5)	(1.2)	-
Total	**4.6**	**(6.7)**	**5.6**

(1) Derivatives which constitute a part of the Bank's assets and liabilities management unit, which were not designated to hedge relationships.

(2) Of which, with respect to credit derivatives in which the banking corporation is a beneficiary, as of December 31, 2024 and December 31, 2023, in the amount of NIS (0.7) million and NIS (1.5) million, respectively.

(3) Of which, the part of the profit (loss) which is associated with held for trading bonds and ETF's which are still held as of the balance sheet date, in the Bank and in consolidated terms, as of December 31, 2024 and as of December 31, 2023, in the amount of NIS 2.1 million and NIS 0.3 million, respectively.

(4) Of which, the part of the profit (loss) which is associated with held for trading shares which are still held as of the balance sheet date, in the Bank and in consolidated terms, as of December 31, 2024, and December 31, 2023, in the amount of NIS (0.2) million and NIS (0.2) million, respectively.

(5) For details regarding sold loans, see Note 25 - Contingent Liabilities and Special Engagements, and Note 29C, Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses.

Note 4A - Fees

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Activities with securities	12.4	12.0	18.1
Project accompaniment fees	22.8	24.2	21.5
Net income from credit portfolio services	14.7	12.9	10.3
Handling of credit	9.5	8.2	8.3
Conversion differences	14.7	13.3	11.9
Fees from life insurance	1.7	1.5	3.9
Fees from financing activities	3.3	3.4	3.7
Fees from property insurance	0.4	0.4	0.7
Financial product distribution fees	2.6	2.5	3.1
ATM withdrawal fees	14.8	14.8	15.0
Fees from prepaid cards	41.5	26.1	17.0
Syndication fees *	11.0	-	-
Other current fees	5.8	4.5	3.4
Total operating fees	**155.2**	**123.8**	**116.9**

* For additional details, see Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date.

Note 4B - Revenue from contracts with customers[1]

Reported amounts in NIS millions

Fees from primary services	Households	Private banking	Micro businesses	Small businesses	Medium and large businesses	Institutional	Financial management	Total
	For the year ended December 31, 2024							
Activities with securities	4.7	2.5	5.2	-	-	-	-	12.4
Project accompaniment fees	-	-	7.8	5.1	9.9	-	-	22.8
Net income from credit portfolio services	1.9	-	-	-	-	-	12.8	14.7
Handling of credit	4.6	0.4	3.7	0.1	0.7	-	-	9.5
Conversion differences	5.0	1.2	8.4	-	0.1	-	-	14.7
Fees from life insurance	1.7	-	-	-	-	-	-	1.7
Fees from financing activities	-	0.2	0.8	0.6	1.7	-	-	3.3
Fees from property insurance	0.4	-	-	-	-	-	-	0.4
Financial product distribution fees	1.9	0.6	0.1	-	-	-	-	2.6
ATM withdrawal fees	14.8	-	-	-	-	-	-	14.8
Fees from prepaid cards	41.5	-	-	-	-	-	-	41.5
Syndication fees	-	-	-	-	-	-	11.0	11.0
Other current fees	3.7	-	2.1	-	-	-	-	5.8
Total operating fees	**80.2**	**4.9**	**28.1**	**5.8**	**12.4**	**-**	**23.8**	**155.2**

Fees from primary services	Households	Private banking	Micro businesses	Small businesses	Medium and large businesses	Institutional	Financial management	Total
	For the year ended December 31, 2023							
Activities with securities	4.7	1.8	5.5	-	-	-	-	12.0
Project accompaniment fees	-	-	11.5	3.2	9.5	-	-	24.2
Net income from credit portfolio services	2.7	-	-	-	-	-	10.2	12.9
Handling of credit	6.1	1.1	0.3	-	0.7	-	-	8.2
Conversion differences	4.8	1.6	6.6	-	0.3	-	-	13.3
Fees from life insurance	1.5	-	-	-	-	-	-	1.5
Fees from financing activities	-	-	1.1	0.6	1.7	-	-	3.4
Fees from property insurance	0.4	-	-	-	-	-	-	0.4
Financial product distribution fees	2.0	0.5	-	-	-	-	-	2.5
ATM withdrawal fees	14.8	-	-	-	-	-	-	14.8
Fees from prepaid cards	26.1	-	-	-	-	-	-	26.1
Other current fees	4.5	-	-	-	-	-	-	4.5
Total operating fees	**67.6**	**5.0**	**25.0**	**3.8**	**12.2**	**-**	**10.2**	**123.8**

(1) By supervised operating segments.

Note 4B - Revenue from contracts with customers[1] (Cont.)

	For the year ended December 31, 2022							
Fees from primary services	**Households**	**Private banking**	**Micro businesses**	**Small businesses**	**Medium and large businesses**	**Institutional**	**Financial management**	**Total**
Activities with securities	5.8	2.0	10.3	-	-	-	-	18.1
Project accompaniment fees	-	-	11.8	3.2	6.5	-	-	21.5
Net income from credit portfolio services	3.7	-	-	-	-	-	6.6	10.3
Handling of credit	6.6	0.7	0.1	-	0.9	-	-	8.3
Conversion differences	4.5	0.8	6.0	-	0.6	-	-	11.9
Fees from life insurance	3.9	-	-	-	-	-	-	3.9
Fees from financing activities	-	-	1.2	0.5	2.0	-	-	3.7
Fees from property insurance	0.7	-	-	-	-	-	-	0.7
Financial product distribution fees	2.4	0.6	0.1	-	-	-	-	3.1
ATM withdrawal fees	15.0	-	-	-	-	-	-	15.0
Fees from prepaid cards	17.0	-	-	-	-	-	-	17.0
Other current fees	3.4	-	-	-	-	-	-	3.4
Total operating fees	**63.0**	**4.1**	**29.5**	**3.7**	**10.0**	**-**	**6.6**	**116.9**

Note 5 - Other Income

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Revenues from the sale of rights (1)	-	-	24.5
Revenues from buyback (2)	7.4	-	6.1
Total other income	**7.4**	**-**	**30.6**

(1) In 2022, Ir Shalem Insurance Agency (1996) Ltd., a subsidiary controlled by the Bank, signed an agreement for the sale of its rights in connection with all or some of the policies in the insurance portfolio, in which Ir Shalem served as an agent for the Bank's customers.

(2) In 2024 and 2022, the Bank purchased bonds which had been issued by the Bank's subsidiary, Jerusalem Finance & Issuance (2005) Ltd. For additional details, see Note 20, Deferred Liability Notes.

Note 6 - Payroll and Associated Expenses

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Payroll	170.7	169.8	149.4
Other associated expenses, including study fund, vacation pay and sick pay (*)	27.1	24.0	18.8
National Insurance and payroll tax	50.3	47.4	42.6
Pension expenses (including severance pay and remuneration):			
Defined benefit expenses - service cost	2.2	4.3	3.1
Defined contribution (*)	6.7	6.2	5.3
special benefits upon dismissal	-	-	-
Other associated expenses	2.8	2.6	2.7
Total payroll and associated expenses	**259.8**	**254.3**	**221.9**

(*) Reclassified.

Note 7 - Other Expenses

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
IT	64.7	58.8	53.8
Professional services	30.7	23.9	21.8
Marketing and advertising	20.9	17.2	25.0
Fees	6.4	4.8	7.6
Vehicle maintenance	4.5	5.3	4.9
Call center	5.2	5.3	5.5
Training and continuing education	4.0	6.0	5.2
Communications (mail, telephone, deliveries, etc.)	6.5	5.3	4.9
Salary of the Board members	2.6	1.6	1.9
Office expenses	2.8	2.9	2.3
Insurance	2.7	2.8	2.3
Expenses with respect to defined benefit	1.7	0.4	0.3
Expenses associated with issuance of prepaid cards	33.3	20.4	12.2
Others	5.5	10.4	7.8
Total other expenses	**191.5**	**165.1**	**155.5**

Note 8 - Provision for Taxes on Income

Reported amounts in NIS millions

A. Composition of the provision for taxes on income

	For the year ended December 31		
	2024	**2023 (*)**	**2022**
Current taxes with respect to the accounting year	82.2	87.1	92.8
Current taxes with respect to previous years	-	1.0	-
Total current taxes	**82.2**	**88.1**	**92.8**
Plus (less):			
Current taxes with respect to the accounting year	0.7	(11.8)	(5.6)
Deferred taxes with respect to previous years	0.7	-	-
Total deferred taxes	**1.4**	**(11.8)**	**(5.6)**
Provision for taxes on income	**83.6**	**76.3**	**87.2**

(*) Reclassified

B. Adjustment between the theoretical tax amount which would have applied had the profit been taxable according to the statutory tax rate which applied in Israel to the Bank, and the provision for taxes on income, as carried to the statement of income:

	For the year ended December 31		
	2024	**2023**	**2022**
Profit before tax	244.4	213.0	251.1
Statutory tax rate which applies to the Bank in Israel	34.19%	34.19%	34.19%
Tax amount based on the statutory tax rate	83.6	72.8	85.8
Tax (tax savings) with respect to:			
Other unrecognized expenses	0.2	2.6	1.5
Taxes with respect to previous years	0.7	1.0	-
Change in the balance of deferred taxes due to change in the tax rate	(0.8)	-	-
Other differences	(0.1)	(0.1)	(0.1)
Provision for taxes on income	**83.6**	**76.3**	**87.2**

C. Tax assessments

Tax assessments have been issued for the Bank up to and including tax year 2018. Deduction tax assessments for the Bank up to and including 2018 are considered final.

In the Bank’s consolidated companies, the assessments are considered final up to and including the tax year 2019, except for Tamar Ariel Capital Ltd., which was established in 2022.

Note 8 - Provision for Taxes on Income (Cont.)

Reported amounts in NIS millions

D. Changes in deferred taxes [1]

	For the year ended December 31						
	2023 (*)	Changes carried to the statement of income	Impact of the change in tax rate carried to the statement of income	Changes carried to other comprehensive income	Changes carried to equity	2024	2024 Average tax rate
Deferred tax assets							
From the provision for credit losses	74.7	(1.6)	1.2	-	-	74.3	34.75%
From the provision for vacation and bonuses	4.3	0.8	0.1	-	-	5.2	34.75%
From the surplus of the liability with respect to employee benefits over plan assets	1.9	0.2	-	(0.6)	-	1.5	34.75%
From leases	-	40.9	0.7	-	-	41.6	34.75%
Other - from monetary items	0.3	-	-	-	-	0.3	34.75%
Balance of deferred tax assets, gross	**81.2**	**40.3**	**2.0**	**(0.6)**	**-**	**122.9**	**34.75%**
Deferred tax liabilities							
From leases and fixed assets	2.3	40.2	0.7	-	-	43.2	34.75%
With respect to investment in investee companies	7.8	0.9	0.4	-	-	9.1	34.75%
Other - from monetary items	2.1	1.4	0.1	-	-	3.6	34.75%
Balance of deferred tax liabilities, gross	**12.2**	**42.5**	**1.2**	**-**	**-**	**55.9**	**34.75%**
Balance of deferred taxes, net	**69.0**	**(2.2)**	**0.8**	**(0.6)**	**-**	**67.0**	**34.75%**

(*) Reclassified

(1) Deferred tax balances are presented in the balance sheet according to the classification of the balance in the books of the Bank and in the consolidated companies.

Current taxes and deferred taxes were calculated in accordance with the new tax rates which were in effect on the reporting date.

Realization of net deferred taxes receivable, based on a forecast according to which the Bank will have taxable income in the future, in appropriate amounts. And according to the assessment of management, they are more likely than not to be realized in the foreseeable future.

Note 8 - Provision for Taxes on Income (Cont.)

Reported amounts in NIS millions

D. Changes in deferred taxes [1] (Cont.)

	For the year ended December 31						
	2022 (*)	Changes carried to the statement of income (*)	Impact of the change in tax rate carried to the statement of income	Changes carried to other comprehensive income	Changes carried to equity	2023	2023 Average tax rate
Deferred tax assets							
From the provision for credit losses	63.0	11.7	-	-	-	74.7	34.19%
From the provision for vacation and bonuses	4.0	0.9	-	(0.6)	-	4.3	31.19%
From the surplus of the liability with respect to employee benefits over plan assets	2.6	(0.7)	-	-	-	1.9	34.19%
From leases	-	-	-	-	-	-	34.19%
Other - from monetary items	0.1	0.2	-	-	-	0.3	34.19%
Balance of deferred tax assets, gross	**69.7**	**12.1**	**-**	**(0.6)**	**-**	**81.2**	**34.19%**
Deferred tax liabilities							
From leases and fixed assets	1.6	0.7	-	-	-	2.3	34.19%
With respect to investment in investee companies	8.2	(0.4)	-	-	-	7.8	34.19%
Other - from monetary items	2.1	-	-	-	-	2.1	34.19%
Balance of deferred tax liabilities, gross	**11.9**	**0.3**	**-**	**-**	**-**	**12.2**	**34.19%**
Balance of deferred taxes, net	**57.8**	**11.8**	**-**	**(0.6)**	**-**	**69.0**	**34.19%**

(*) Reclassified.

(1) Deferred tax balances are presented in the balance sheet according to the classification of the balance in the books of the Bank and in the consolidated companies.

Note 8 - Provision for Taxes on Income (Cont.)

E. Tax rates which apply to the Bank and its subsidiaries

1. The Bank is defined as a "financial institution" for the purpose of the Value Added Tax Law, 5735-1975, and as such, its activities are subject to payroll tax and capital gains tax, in accordance with the rate set forth in the Value Added Tax Law.

On December 29, 2016, the Economic Efficiency Law (Legislative Amendments to Achieve budgetary Targets for Budget Years 2017 and 2018), was published, which determined, inter alia, a reduction of the corporate tax rate from 25% to 23%, in two stages.

In the first stage, the tax rate will be reduced to 24%, beginning on January 1, 2017, and in the second stage, the tax rate will be reduced to 23%, beginning on January 1, 2018 and thereafter.

2. The taxes which apply to the profits of banking corporations include corporate tax which is imposed pursuant to the Income Tax Ordinance, and capital gains tax which is imposed pursuant to the Value Added Tax Law.

3. On March 13, 2024, the Knesset plenum passed, in a the second and third reading, the Bill for Special Payment to Achieve Budget Goals (Temporary Provision - Swords of Iron), 5784-2024, which determined that a bank which is not a "bank with limited scope of activity" (i.e., a bank whose asset value is less than 5% of the asset value of all banks in Israel, and which is not controlled by another bank), will pay to the State Treasury, with respect to the effective period (April 1, 2024 to December 31, 2025), an annual payment in an amount equal to 6% of the profit which it produced from its activity in Israel. This process was performed is in light of the spike in the profits of banks due to the Bank of Israel's interest rate hikes, and is expected to add to the state coffers an additional NIS 1.2 billion in 2024, and NIS 1.3 billion in 2025.

Since Bank of Jerusalem is considered a "bank with limited scope of activity", it is excluded from the scope of this law.

4. In accordance with transitional provisions specified in the Commissioner of Banks' directives, the Bank did not recognize a deferred tax liability with respect to certain temporary differences which are associated with the Bank's investment in subsidiaries which currently have the status of a dealer, and not of a financial institution, which is by nature permanent. This amount will be taxed only upon the sale or liquidation of the companies. The foregoing temporary difference amounted to a total of approximately NIS 173.8 million as of December 31, 2024. Had the Bank been required to recognize a deferred tax liability with respect to the foregoing undistributed profits, the liability would have amounted to a total of approximately NIS 26.5 million as of December 31, 2024.

Presented below are the statutory tax rates which apply to banking corporations:

F. Presented below are the statutory tax rates which apply to financial institutions, including the Bank, following the aforementioned changes:

Year	Corporate tax rate	Capital gains tax rate	Overall tax rate
		In percent	
2017	24%	17%	35.04%
2018-2024	23%	17%	34.19%
2025 and thereafter	23%	18%	34.75%

On April 14, 2024, the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions) (Amendment), 5784-2024, was published in the Official Gazette, which amended the Value Added Tax Ordinance such that the rate of payroll tax and capital gains tax which are due with respect to the activity of financial institutions in Israel, was changed from 17% to 18%, beginning on January 1, 2025.
Due to the foregoing amendment to the ordinance, the Company's statutory tax rate increased from 34.19% to 34.75%. Additionally, during the reporting period, the Bank recognized an increase in the balance of deferred tax in the amount of approximately NIS 0.8 million.

G. Agreement with tax authorities - with respect to the provision for credit losses

In 2012, an agreement was signed with the income tax authorities, which applies beginning with the 2011 tax report, under which the provision for impaired debts under specific evaluation will be tax deductible in the year when the expense was included in the financial statements.
In the tax year when the balance of the provision for impaired debts was reduced (not due to an accounting write off or debt forgiveness), an additional tax amount will be added to the Bank's tax liability, according to a formula which was determined in the agreement. Expenses with respect to impaired debts which are not under specific evaluation, which were recorded in the books during the reporting year, will be tax deductible as follows: half of them in the first year after their recording in the Bank's books, and the other half in the second tax year after their recording in the Bank's books, as stated above.
In 2017, an agreement was signed with the tax authorities which applies beginning in 2014 and thereafter. In accordance with the foregoing agreement, 65% of the increase in the annual provisions for credit losses with respect to housing credit, which are measured according to the extent of the arrears method, with respect to debts for which the provisions was first included in the Bank's books beginning on January 1, 2014, is not deductible.
These principles were in effect until up to and including the tax year 2022.

Note 9 - Earnings per Share Attributed to the Bank's Shareholders

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Total net earnings attributed to the holders of the Bank's ordinary shares	154.6	134.6	163.4
Weighted average of number of ordinary shares which was used in the calculation of basic and diluted earnings	70.5	70.5	70.5
Earnings per share (in NIS)			
Basic and diluted earnings	2.19	1.91	2.32

Note 10 - Cumulative Other Comprehensive Income (Loss)

Reported amounts in NIS millions

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

	Adjustments with respect to the presentation of available for sale securities at fair value, net	Adjustments with respect to employee benefits	Total
Balance as of January 1, 2022	2.8	(8.9)	(6.1)
Net change during the period	(37.2)	8.4	(28.8)
Balance as of December 31, 2022	**(34.4)**	**(0.5)**	**(34.9)**
Net change during the period	8.6	1.1	9.7
Balance as of December 31, 2023	**(25.8)**	**0.6**	**(25.2)**
Net change during the period	5.1	0.9	6.0
Balance as of December 31, 2024	**(20.7)**	**1.5**	**(19.2)**

Note 10 - Cumulative Other Comprehensive Income (Loss) (Cont.)

B. Changes in components of accumulated other comprehensive income (loss), before tax impact and after tax impact

	For the year ended December 31								
	2024			2023			2022		
	Before tax	Tax impact	After tax	Before tax	Tax impact	After tax	Before tax	Tax impact	After tax
Adjustments with respect to the presentation of available for sale securities at fair value									
Unrealized net profit (loss) from adjustments to fair value	7.4	(2.3)	5.1	12.5	(4.2)	8.3	(58.2)	19.9	(38.3)
Profit (loss) with respect to available for sale securities which were reclassified to the statement of income [(1)]	-	-	-	0.5	(0.2)	0.3	1.7	(0.6)	1.1
Net change during the period	**7.4**	**(2.3)**	**5.1**	**13.0**	**(4.4)**	**8.6**	**(56.5)**	**19.3**	**(37.2)**
Employee benefits									
Actuarial profit (loss) for the period	1.6	(0.6)	1.0	1.8	(0.7)	1.1	12.4	(4.3)	8.1
Net profit (loss) which was reclassified to the statement of income [(2)]	(0.1)	(0.0)*	(0.1)	-	-	-	0.4	(0.1)	0.3
Net change during the period	**1.5**	**(0.6)**	**0.9**	**1.8**	**(0.7)**	**1.1**	**12.8**	**(4.4)**	**8.4**
Total net change during the period	**8.9**	**(2.9)**	**6.0**	**14.8**	**(5.1)**	**9.7**	**(43.7)**	**14.9**	**(28.8)**

* Less than NIS 1 million.

(1) The pre-tax amount is reported in the statement of income under the item for non-interest financing income. For details, see Note 3 - Non-Interest Financing Income.

(2) The pre-tax amount is reported in the statement of income under the item for expenses with respect to employee benefits. For details, see Note 22 - Employee Rights.

Note 11 - Cash and Deposits in Banks

Reported amounts in NIS millions

	Balance as of December 31	
	2024	**2023**
Cash and deposits in central banks	4,516.9	4,679.9
Cash and deposits in commercial banks	539.1	477.2
Total cash and deposits in banks (*)	**5,056.0**	**5,157.1**
Of which: cash, deposits in banks and deposits at the Bank of Israel, for an original period of up to 3 months	5,056.0	5,157.1

(*) After deducting a collective provision for credit losses in the amount less than NIS 0.1 million.

Note 12 - Investments in Securities

Reported amounts in NIS millions

	As of December 31, 2024					
	Book value	**Amortized cost (in shares - cost)**	**Balance of the provision for credit losses**	**Unrecognized profits from adjustments to fair value**	**Unrecognized losses from adjustments to fair value**	**Fair value** (1)
A. Held to maturity bonds						
Of the Israeli government	101.0	101.0	-	2.4	-	103.4
Total held to maturity securities	**101.0**	**101.0**	**-**	**2.4**	**-**	**103.4**
				Accumulated other comprehensive income (2)		
	Book value	**Amortized cost**	**Balance of the provision for credit losses**	**Profits**	**Losses**	**Fair value** (1)
B. Available for sale bonds						
Of the Israeli government (4)	735.2	754.5	-	2.0	21.3	735.2
Of foreign governments	76.5	80.4	-	-	3.9	76.5
Of financial institutions in Israel	70.0	72.0	-	0.2	2.2	70.0
Of others in Israel	147.8	154.3	-	0.4	6.9	147.8
Total available for sale bonds	**1,029.5**	**1,061.2**	**-**	**2.6**	**34.3**	**1,029.5**
	Book value	**Amortized cost (in shares - cost)**	**Balance of the provision for credit losses**	**Unrealized profits from adjustments to fair value** (3)	**Unrealized losses from adjustments to fair value** (3)	**Fair value** (1)
C. Investment in stocks and funds not held for trading	**90.8**	**90.8**	**-**	**0.7**	**0.7**	**90.8**
Of which: for which there is no available fair value	82.1	82.1	-	-	-	82.1
Total securities not held for trading	**1,221.3**	**1,253.0**	**-**	**5.7**	**35.0**	**1,223.7**
D. Securities held for trading						
Bonds						
Of the Israeli government	82.7	82.9	-	-	0.2	82.7
Of foreign governments	3.8	3.8	-	-	-	3.8
Of financial institutions in Israel	1.1	1.2	-	-	0.1	1.1
Of others in Israel	8.4	9.5	-	-	1.1	8.4
Total bonds	96.0	97.4	-	-	1.4	96.0
Stocks and ETF's	5.1	5.0	-	0.1	-	5.1
Total securities held for trading	**101.1**	**102.4**	**-**	**0.1**	**1.4**	**101.1**
Total securities	**1,322.4**	**1,355.4**	**-**	**5.8**	**36.4**	**1,324.8**

(1) Fair value inputs are generally based on market prices, which do not necessarily reflect the price which would be received from the sale of securities in large scopes.

(2) Included under equity, in the item for "Included adjustments with respect to the presentation of available for sale securities at fair value".

(3) Carried to the statement of income.

(4) Of which, a total of approximately NIS 95.6 million was pledged to the clearing houses of the stock exchange, the MAOF and the RTGS. For additional details regarding pledges, see Note 26 - Pledges, Conditions, Restrictive Terms and Securities.

For details regarding the results of operations of bond investment activities, see Note 2 - Interest Income and Expenses, and Note 3 - Non-Interest Financing Income.

Note 12 - Investments in Securities (Cont.)

Reported amounts in NIS millions

	As of December 31, 2023				
			Accumulated other comprehensive income [2]		
	Book value	Amortized cost	Profits	Losses	Fair value [1]
A. Available for sale bonds					
Of the Israeli government [4]	698.1	721.4	0.9	24.2	698.1
Of foreign governments	74.6	79.8	-	5.2	74.6
Of financial institutions in Israel	73.9	75.8	0.1	2.0	73.9
Of others in Israel	154.1	162.9	0.1	8.9	154.1
Total available for sale securities	**1,000.7**	**1,039.9**	**1.1**	**40.3**	**1,000.7**
	Book value	**Amortized cost (in shares - cost)**	**Unrealized profits from adjustments to fair value [3]**	**Unrealized losses from adjustments to fair value [3]**	**Fair value [1]**
B. Investment in stocks and funds not held for trading	**84.5**	**85.6**	**0.4**	**1.5**	**84.5**
Of which: stocks and funds for which there is no available fair value	77.0	77.0	-	-	77.0
Total securities not held for trading	**1085.2**	**1,125.5**	**1.5**	**41.8**	**1085.2**
C. Securities held for trading					
Bonds					
Of the Israeli government	0.2	0.2	-	-	0.2
Of financial institutions in Israel	0.8	0.9	-	0.1	0.8
Of others in Israel	8.5	9.6	-	1.1	8.5
Total bonds held for trading	**9.5**	**10.7**	**-**	**1.2**	**9.5**
Stocks and ETF’s	4.1	4.9	0.1	0.9	4.1
Total securities held for trading	**13.6**	**15.6**	**0.1**	**2.1**	**13.6**
Total securities	**1,098.8**	**1,141.1**	**1.6**	**43.9**	**1,098.8**

(1) Fair value inputs are generally based on market prices, which do not necessarily reflect the price which would be received from the sale of securities in large scopes.
(2) Included under equity, in the item for “Included adjustments with respect to the presentation of available for sale securities at fair value”.
(3) Carried to the statement of income.
(4) Of which, a total of approximately NIS 259.0 million was pledged to the clearing houses of the stock exchange and the MAOF.

Note 12 - Investments in Securities (Cont.)

Reported amounts in NIS millions

D. Fair value and unrealized losses, by time period and rate of impairment of available for sale securities which are held in unrealized losing positions

	As of December 31, 2024							
	Less than 12 months (1)				12 months or more (1)			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
Bonds								
Of governments and financial institutions	399.7	2.8	-	2.8	366.2	24.6	-	24.6
Of others in Israel	11.3	0.0*	-	0.0*	125.4	6.9	-	6.9
Total available for sale bonds	**411.0**	**2.8**	**-**	**2.8**	**491.6**	**31.5**	**-**	**31.5**

	As of December 31, 2023							
	Less than 12 months (1)				12 months or more			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
Bonds								
Of governments and financial institutions	75.9	1.0	-	1.0	632.3	30.5	-	30.5
Of others in Israel	49.8	0.6	-	0.6	95.8	8.2	-	8.2
Total available for sale bonds	**125.7**	**1.6**	**-**	**1.6**	**728.0**	**38.7**	**-**	**38.7**

(*) Amount less than NIS 1 million.
(1) In accordance with section 7(D) of Note 1, there is no need to record impairment.

Note 13 - Credit Risk, Credit to the Public and Provision for Credit Losses

Reported amounts in NIS millions

The Bank has adopted the generally accepted accounting principles in the United States regarding expected credit losses (CECL) since January 1, 2022, on a prospective basis.

Debts[1], available for sale bonds, credit to the public and balance of the provision for credit losses

	As of December 31, 2024					
	Commercial	**Housing**	**Other private**	**Total public**	**Banks, governments and bonds**	**Total**
Recorded debit balance						
Debts evaluated on an individual basis	3,706.0	3.3	-	3,709.3	1,512.9	5,222.2
Debts evaluated on a collective basis	847.4	9,689.2	1,414.8	11,951.4	-	11,951.4
Total debts (*)	**4,553.4**	**9,692.5**	**1,414.8**	**15,660.7**	**1,512.9**	**17,173.6**
(*) Of which:						
Non-accruing debts	44.1	146.2	5.8	196.1	-	196.1
Debts in arrears of 90 days or more	5.9	-	12.1	18.0	-	18.0
Other troubled debts	38.6	-	9.4	48.0	-	48.0
Total troubled debts	**88.6**	**146.2**	**27.3**	**262.1**	**-**	**262.1**
Balance of the provision for credit losses with respect to debts						
With respect to debts which were evaluated on an individual basis	22.2	-	-	22.2	-	22.2
Debts evaluated on a collective basis	13.3	52.9	132.2	198.4	-	198.4
Total(**)	**35.5**	**52.9**	**132.2**	**220.6**	**-**	**220.6**
(**) Of which: In respect of non-accruing debts	6.2	3.0	4.1	13.3	-	13.3
(**) Of which: In respect of other troubled debts	5.5	-	11.2	16.7	-	16.7

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(2) Balances lower than NIS 0.1 million are not presented.

Note 13 - Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

Debts[1], credit to the public and balance of the provision for credit losses (Cont.)

	As of December 31, 2023					
	Commercial	**Housing**	**Other private**	**Total public**	**Banks, governments and bonds**	**Total**
Recorded debit balance						
Debts evaluated on an individual basis	3,185.3	10.3	-	3,195.6	1,251.0	4,446.6
Debts evaluated on a collective basis	726.8	9,823.8	1,536.1	12,086.7	-	12,086.7
Total debts (*)	**3,912.1**	**9,834.1**	**1,536.1**	**15,282.3**	**1,251.0**	**16,533.3**
(*) Of which:						
Non-accruing debts	20.9	132.8	1.3	155.0	-	155.0
Debts in arrears of 90 days or more	2.9	-	11.2	14.1	-	14.1
Other troubled debts	6.0	-	10.5	16.5	-	16.5
Total troubled debts	**29.8**	**132.8**	**23.0**	**185.6**	**-**	**185.6**
Balance of the provision for credit losses with respect to debts						
With respect to debts which were evaluated on an individual basis	13.3	2.4	-	15.7	-	15.7
Debts evaluated on a collective basis	13.9	53.3	129.2	196.4	-	196.4
Total(**)	**27.2**	**55.7**	**129.2**	**212.1**	**-**	**212.1**
(**) Of which: In respect of non-accruing debts	3.9	7.6	0.8	12.3	-	12.3
(**) Of which: In respect of other troubled debts	4.3	-	13.5	17.8	-	17.8

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(2) Balances lower than NIS 0.1 million are not presented.

Note 13 - Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

Changes in the balance of the provision for credit losses

	Commercial	Housing	Other private	Total public	Banks, governments and available-for-sale bonds	Total
Balance of the provision for credit losses as of December 31, 2021	**11.7**	**55.8**	**49.1**	**116.6**	**-**	**116.6**
Adjustment of opening balance due to impact of initial adoption [1]	(5.0)	(16.0)	12.7	(8.3)	-	(8.3)
Expenses with respect to credit losses	12.8	9.2	56.8	78.8	-	78.8
Accounting write-offs	(1.4)	-	(40.3)	(41.7)	-	(41.7)
Collection of debts which were written off in previous years	1.5	-	15.4	16.9	-	16.9
Net accounting write-offs	0.1	-	(24.9)	(24.8)	-	(24.8)
Balance of the provision for credit losses as of December 31, 2022	**19.6**	**49.0**	**93.7**	**162.3**	**-**	**162.3**
Expenses with respect to credit losses	14.8	9.3	109.2	133.3	-	133.3
Accounting write-offs	(6.9)	(0.7)	(89.9)	(97.5)	-	(97.5)
Collection of debts which were written off in previous years	0.1	-	16.8	16.9	-	16.9
Net accounting write-offs	(6.8)	(0.7)	(73.1)	(80.6)	-	(80.6)
Balance of the provision for credit losses as of December 31, 2023	**27.6**	**57.6**	**129.8**	**215.0**	**-**	**215.0**
Expenses with respect to credit losses	17.2	(2.4)	64.9	79.7	-	79.7
Accounting write-offs	(7.9)	(0.5)	(82.8)	(91.2)	-	(91.2)
Collection of debts which were written off in previous years	-	-	20.9	20.9	-	20.9
Net accounting write-offs	(7.9)	(0.5)	(61.9)	(70.3)	-	(70.3)
Balance of the provision for credit losses as of December 31, 2024	**36.9**	**54.7**	**132.8**	**224.4**	**-**	**224.4**
(*) Of which: with respect to off-balance sheet credit instruments						
As of December 31, 2022	0.3	0.9	0.5	1.7	-	1.7
As of December 31, 2023	0.4	1.9	0.6	2.9	-	2.9
As of December 31, 2024	1.4	1.8	0.6	3.8	-	3.8

[1] The Bank has adopted the generally accepted accounting principles in the United States regarding expected credit losses (CECL) since January 1, 2022, on a prospective basis. For additional details regarding the impact of the initial adoption of the public reporting regulations regarding expected credit losses, see Note 1 - Significant Accounting Policies, in the Bank's financial statements for 2022.

Note 14 - Investment in Investee Companies

Reported amounts in NIS millions

Details regarding investee companies

	Details regarding the Company	Share in capital which confers the right to receive profits and voting rights	Investment in shares at book value As of December 31		Contribution to net profit as of December 31	
			2024	2023	2024	2023
Tomer Jerusalem Ltd.	(1)	100.0	209.2	203.6	5.5	4.4
Ir Shalem International Insurance Agency (1996) Ltd.	(2)	100.0	229.5	223.3	6.2	6.5
Jerusalem Investment Portfolio Management Ltd.	(3)	100.0	37.7	36.8	0.9	1.0
Jerusalem Capital Markets Fund Management (1980) Ltd.	(4)	100.0	1.6	1.5	-	-
Jerusalem Underwriting and Issuances Ltd.	(5)	100.0	7.1	6.8	0.2	0.2
Bank of Jerusalem Trust Company Ltd.	(6)	100.0	0.5	0.5	-	-
Jerusalem Finance & Issuance (2005) Ltd.	(7)	100.0	40.3	32.8	7.3	5.4
Tamar Ariel Capital Ltd.	(8)	80.01	224.2	193.3	30.9	10.5

(1) The majority of the activities of Tomer Jerusalem Ltd. (hereinafter: “Tomer”) involve serving as the Bank’s asset company, and providing IT services to the Bank.

(2) Ir Shalem International Insurance Agency (1996) Ltd. operates as an insurance agency which provides services related to insurance for the assets and life insurance policies of loan recipients in the Bank.
In 2022, Ir Shalem Insurance Agency (1996) Ltd., a subsidiary controlled by the Bank, signed an agreement for the sale of its rights in connection with all or some of the policies in the insurance portfolio, in which Ir Shalem served as an agent for the Bank’s customers.

(3) Jerusalem Investment Portfolio Management Ltd. was engaged in the provision of consulting services and investment portfolio management services. In 2014 - inactive.

(4) Jerusalem Capital Markets Fund Management (1980) Ltd. was engaged in mutual fund management. In 2006, the mutual fund operation was sold - inactive.

(5) Jerusalem Underwriting and Issuances Ltd. was engaged in the underwriting of issuances. The Company decided to terminate its operations as an underwriter, and changed its status in the Registrar of Underwriters to “inactive”.

(6) The Bank of Jerusalem Trust Company Ltd. is engaged in the holding of shares of private companies, which are held as collateral for credit which has been given by Bank of Jerusalem - inactive.

(7) Jerusalem Finance & Issuance (2005) Ltd. (a subsidiary wholly controlled and owned by the Bank) works to raise sources through the issuance of bonds and CoCo bonds to the public, on behalf of the Bank. In 2023, Jerusalem Finance & Issuance (2005) Ltd. raised approximately NIS 1,425 million par value through an issuance of liability certificates.
For details see Note 20 - Bonds and Deferred Liability Notes.

(8) Tamar Ariel Capital Ltd. operates as the Bank’s auxiliary corporation. Since the date of its formation, the Company’s field of activity has been in the consumer credit segment, and the Bank transferred all of the rights associated with the consumer credit activity.

Note 15 - Buildings and Equipment

Reported amounts in NIS millions

	Buildings and real estate [(1)(5)]	Equipment, furniture and vehicles	Software costs	Total
Cost of assets [(2)(3)]				
Balance as of December 31, 2022	**73.7**	**66.9**	**632.8**	**773.4**
Additions [(4)]	3.7	0.4	117.5	121.6
Derecognition	-	-	-	-
Balance as of December 31, 2023	**77.4**	**67.3**	**750.3**	**895.0**
Additions [(4)]	0.8	0.2	121.0	122.0
Derecognition	-	-	(0.5)	(0.5)
Balance as of December 31, 2024	**78.2**	**67.5**	**870.8**	**1,016.5**
Depreciation and impairment loss				
Balance as of December 31, 2022	**51.8**	**61.8**	**470.2**	**583.8**
Depreciation for the year	3.3	1.7	73.7	78.7
Derecognition	-	-	-	-
Balance as of December 31, 2023	**55.1**	**63.5**	**543.9**	**662.5**
Depreciation for the year	3.4	1.3	84.7	89.4
Derecognition	-	-	(0.5)	(0.5)
Balance as of December 31, 2024	**58.5**	**64.8**	**628.1**	**751.4**
Book value				
As of December 31, 2022	21.9	5.1	162.6	189.6
As of December 31, 2023	22.3	3.8	206.4	232.5
As of December 31, 2024	19.7	2.7	242.7	265.1
Average weighted depreciation rate in percent as of December 31, 2024	9.8	7.2	24.2	
Average weighted depreciation rate in percent as of December 31, 2023	9.8	7.3	24.3	

(1) Including leasehold improvements.

(2) The Bank and the subsidiaries own property, the cost of which amounts to NIS 504.0 million (consolidated) and NIS 117.1 million (in the Bank) (in 2023 - NIS 437.4 million and NIS 69.0 million, respectively), which was fully amortized, and is still in use.

(3) Includes costs for the consumption of materials and services which are associated with software development.

(4) Includes discounted expenses with respect to work salary and outsourcing, in the amount of NIS 19.2 million (as of December 31, 2023 - NIS 16.1 million).

(5) The Bank has no rights which have not yet been recorded in the Land Registry.

Note 15 - Buildings and Equipment (Cont.)

information regarding leases

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
A. Expenses with respect to leases			
Expenses in respect of operating leases	20.7	20.5	18.0
Derecognition	-	-	-
Variable lease expenses	1.8	1.7	1.0
Revenue in respect of subleases	-	-	-
Total lease expenses	**22.5**	**22.2**	**19.0**
B. Additional information regarding leases			
Cash flows which were paid for operating activities with respect to operating leases	21.9	21.7	18.7
Right-of-use assets which were recognized with respect to new operating leases	6.5	21.4	30.8
Remaining period (average weighted in years) with respect to operating leases	9.6	9.8	11.2
average weighted capitalization rate for operating leases	1.60%	1.60%	1.50%

C. Undiscounted cash flows and operating lease liabilities by repayment periods

	As of December 31, 2024		As of December 31, 2023		As of December 31, 2022	
	Undiscounted cash flows	Lease liability	Undiscounted cash flows	Lease liability	Undiscounted cash flows	Lease liability
Up to 1 year	19.4	18.6	19.5	19.5	14.8	14.0
One to two years	18.1	16.0	17.8	17.8	14.5	13.7
Two to 3 years	12.6	12.1	15.4	15.3	13.0	12.3
3 to 4 years	11.9	11.9	11.2	11.2	11.0	10.4
4 to 5 years	11.6	11.6	11.6	11.6	10.3	9.6
Over 5 years	57.7	49.6	66.3	58.0	77.3	69.8
Total	**131.3**	**119.8**	**141.8**	**133.4**	**140.9**	**129.8**

In the ordinary course of business, the Bank engages in lease contracts for the lease of real estate (such as office areas and branches) and equipment of various kinds (such as telecommunication equipment and lines). The main lease contracts are arrangements in which the banking corporation is the lessee in operating leases, for average weighted lease terms of approximately 12.6 years and approximately 12.5 years, as of December 31, 2024 and 2023, respectively.

Operating leases mostly expire in the next 7 years, with the longest lease expiring in 2042. The weighted average capitalization rate which is used to calculate the present value of minimum future lease payments is 1.6%.

For the purpose of calculating the liability, the Bank estimates that the options in the lease contracts will be exercised.

In most lease contracts, the variable lease payments are linked to the consumer price index (base index 1993).

Note 16 - Intangible Assets and Goodwill

As of December 31, 2024 and December 31, 2023, the Bank's balance sheet did not include intangible assets and goodwill.

Note 17 - Other Assets

Reported amounts in NIS millions

	As of December 31	
	2024	**2023**
Deferred taxes receivable, net [1]	67.1	69.0
Surplus of advance payments paid	90.7	44.8
Prepaid expenses and income receivable	14.1	4.6
Bond issuance expenses [2]	9.6	13.0
Right-of-use assets which were recognized with respect to operating leases [3]	116.6	130.2
Other receivables and debit balances	4.5	4.0
Total other assets	**302.6**	**265.6**

(1) For additional information, see Note 8 - Provision for Income Taxes
(2) Bond issuance expenses are amortized according to the effective interest method.
(3) For additional details, see Note 15 - Buildings and Equipment.

Note 18 - Public Deposits

Reported amounts in NIS millions

A. Deposit types by depositor types

	As of December 31	
	2024	**2023**
In Israel, on demand		
Non-interest bearing	1,889.7	1,465.1
Interest bearing	534.2	594.1
Total on demand	2,423.9	2,059.2
For fixed periods	15,362.5	14,419.9
Total public deposits (*)(1)	**17,786.4**	**16,479.1**
* Of which:		
Deposits of private individuals	13,979.5	13,179.0
Deposits of institutional entities	1,958.1	1,603.2
Deposits of corporations and others	1,848.8	1,696.9
B. Public deposits by size, on a consolidated basis (maximum limit of the deposit in NIS millions)		
Up to 1	8,648.8	7,920.4
1 to 10	5,716.9	5,232.4
10 to 100	1,621.9	1,560.9
100 to 500	986.0	802.3
Over 500	812.8	963.1
Total	**17,786.4**	**16,479.1**

(1) As of December 31, 2024, 27.8% of the total balance of defined period public deposits are deposits with an option for early withdrawal (available for withdrawal) subject to notice of 7/35/60 days.

Note 19 - Deposits from Banks

Reported amounts in NIS millions

	As of December 31	
In Israel	**2024**	**2023**
Commercial banks		
Deposits on demand	1.7	-
Fixed term deposits	10.1	14.3
Central banks		
Fixed term deposits (1)	36.0	182.5
Total deposits from banks	**47.8**	**196.8**

(1) For additional details, see Note 26C, Pledges, Conditions, Restrictive Terms and Securities.

Note 20 - Bonds and Deferred Liability Notes

Reported amounts in NIS millions

A. Composition

	Average lifetime in years	Internal rate of return in percent	December 31	
			2024	2023
Bonds and CoCo bonds which are not convertible to shares:				
In unlinked Israeli currency	2.02	5.09%	9.8	350.7
In CPI-linked Israeli currency	1.77	0.57%	2,712.2	3,112.6
Total bonds and CoCo bonds			**2,722.0**	**3,463.3**
Of which: deferred liability notes (non-contingent)			-	-
Of which: contingent convertible bonds			214.2	208.8

(1) Average lifetime is the average of weighted payment periods in the discounted flow, according to the internal rate of return.
(2) The internal rate of return is the interest rate which deducts the expected flow of payments to the balance sheet balance included in the financial statements.

B. Additional details

A. On January 22, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the marketable securities (Series 3), in the amount of approximately NIS 333.1 million.

B. On May 31, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the bonds (Series M), in the amount of approximately NIS 224.2 million.

C. On June 24, 2024, the Bank's Board of Directors adopted a buyback plan under which the Bank will be entitled to purchase bonds which have been issued by the Bank's subsidiary Jerusalem Finance & Issuance (2005) Ltd. (hereinafter, in this section: the "Subsidiary"), from each bond series issued by the subsidiary, up to a total of NIS 100 million par value.
In accordance with plan which was published, further to the adoption of the plan by the Board of Directors, on June 30, 2024, the Bank purchased, in a single over the counter transaction, NIS 100 million par value of bonds (Series R) which had been issued by the subsidiary, which constitute 12.42% of all of the securities from that series (as of the date of that purchase, the Bank held NIS 163 million par value of that series, constituting 20.25% of all of the securities of that series). The purchase consideration amounted to a total of approximately NIS 103.1 million.

D. On January 21, 2025, after the balance sheet date, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. extended the bonds (Series S) in the amount of approximately NIS 232.8 million par value, for a total (gross) consideration of approximately NIS 246.7 million.

Note 21 - Other Liabilities

Reported amounts in NIS millions

	Balance as of December 31	
	2024	2023
Liabilities in respect of operating leases [1]	119.8	133.4
Surplus of the liability with respect to employee benefits over plan assets [2]	4.5	5.9
Accrued income	26.6	26.3
Payables with respect to credit card activities	17.0	17.2
Payables with respect to fixed assets	6.9	11.1
Payroll and associated payables	49.7	44.0
Provision for credit losses with respect to off-balance sheet items	3.8	2.9
Other payables and credit balances	105.9	70.4
Total other liabilities	**334.2**	**311.2**

(1) For additional details, see Note 15 - Buildings and Equipment.
(2) See also Note 22 - Employee Rights.

Note 22 - Employee Rights

Presented below are details regarding the main rights and benefits owed to employees:

A. Severance pay

The retirement pay reserve included in the balance sheet, together with payments with respect to insurance policies, cover the liability to pay retirement pay to employees. Amounts which were deposited by the Bank and its subsidiaries in insurance companies within the framework of personal managers insurance plans are not included in the balance sheet, due to the fact that they are not under the Bank's control. The withdrawal of fund amounts is conditional upon the fulfillment of the provisions of the Severance Pay Law.

Towards some of its employees, the Bank undertook to transfer to their ownership, upon the conclusion of their employment, for any reason, the severance pay component which is held in recognized provident funds (in accordance with section 14 of the Severance Pay Law). Towards these employees, the Bank is not required to supplement the difference between the employees' last salary, multiplied by the number of work years, and the amount which has accrued in their favor in the aforementioned funds, and therefore, the provision for severance pay, and the funds for severance pay, do not include amounts with respect to those employees.

As of December 31, 2024, the balance of the surplus of the reserve for severance pay over the funds (included under the item for other liabilities) amounted to NIS 4.5 million (2023 - NIS 5.6 million). See further details below in this note.

B. Reserve for jubilee bonuses

The employees of the Bank and its subsidiaries are entitled, upon reaching a certain level of seniority, to receive a special bonus ("jubilee bonus"). The financial statements included provisions for jubilee bonuses, the balance of which is NIS 4.5 million (2023 - NIS 4.3 million), under the item for "payroll and associated expenses", within the framework of "other liabilities".

Note 22 - Employee Rights (Cont.)

C. Vacation

The employees of the Bank and its subsidiaries are entitled by law, and in accordance with employment agreements, to receive annual vacation days. The balance of the provision for vacation days as of the balance sheet date amounts to NIS 8.5 million (2023 - NIS 7.0 million), and is included in the financial statements under the item for “payroll and associated payables”, within the framework of “other liabilities”.

D. Other rights

The employees of the Bank and its subsidiaries are entitled to additional benefits (such as adjustment bonuses and holiday vouchers, and not including variable remuneration). The financial statements included those benefits, the balance of which is NIS 1.9 million (2023 - NIS 1.4 million), under the item for “payroll and associated expenses”, within the framework of “other liabilities”. In general, the Bank’s employees, including members of the management board are not entitled to receive increased severance pay upon retirement.

1. General

Officer remuneration policy for the years 2023-2025

On October 27, 2022, the Bank’s Board of Directors approved, following the recommendation of the Remuneration Committee, a new remuneration policy for the Bank’s employees and key employee non-officers, for the years 2023-2025 (hereinafter: the “Current Remuneration Policy For Employees And Key Employee Non-Officers”), in accordance with the provisions of Directive 301A. The policy addresses the remuneration terms of the Bank’s employees and key employee non-officers, including fixed remuneration (including the salary component and fringe benefits) and variable remuneration, and is effective as of January 1, 2023, for a period of three years (2023-2025).

The current officer remuneration policy, and the current remuneration policy for employees and key employee non-officers, shall hereinafter jointly be referred to as the “Current Remuneration Policy Documents”.

It is noted that, in accordance with the current remuneration policy documents, the Bank’s Board of Directors will evaluate, from time to time, inter alia, through the Remuneration Committee, the remuneration policy documents, and the need to adjust them according to the provisions of the Companies Law regarding officers, and to Directive 301A, and will verify that the existing remuneration agreements and the remuneration mechanism are appropriately applied in accordance with the policies and procedures. As part of the above, the Board of Directors will verify that the remuneration incentives which were determined in the current remuneration documents do not encourage any deviation from the Bank’s risk restrictions, or from the Bank’s capital policy. Additionally, the Remuneration Committee will perform, once per year, an evaluation of the remuneration mechanism and its operation, including an evaluation of, inter alia, the degree to which the remuneration mechanism complies with the policy established by the Board of Directors.

Remuneration policy for employees and key employee non-officers for the years 2023-2025

On October 27, 2022, the Bank’s Board of Directors approved, following the recommendation of the Remuneration Committee, a new remuneration policy for the Bank’s employees and key employee non-officers, for the years 2023-2025 (hereinafter: the “Remuneration Policy For Employees And Key Employee Non-Officers”), in accordance with the provisions of Directive 301A. The policy addresses the remuneration terms of the Bank’s employees and key employee non-officers, including fixed remuneration (including the salary component and fringe benefits) and variable remuneration (variable annual remuneration, special bonus in connection with special transaction and bonus for outstanding employees), and retirement terms, and is effective as of January 1, 2023, for a period of three years (2023-2025).

Note 22 - Employee Rights (Cont.)

The officer remuneration policy, and the remuneration policy for employees and key employee non-officers, shall hereinafter jointly be referred to as the "Current Remuneration Policy Documents".

It is noted that, in accordance with the current remuneration policy documents, the Bank's Board of Directors will evaluate, from time to time, inter alia, through the Remuneration Committee, the remuneration policy documents, and the need to adjust them according to the provisions of the Companies Law regarding officers, and to Directive 301A, and will verify that the existing remuneration agreements and the remuneration mechanism are appropriately applied in accordance with the policies and procedures. As part of the above, the Board of Directors will verify that the remuneration incentives which were determined in the current remuneration documents do not encourage any deviation from the Bank's risk restrictions, or from the Bank's capital policy. Additionally, the Remuneration Committee will perform, once per year, an evaluation of the remuneration mechanism and its operation, including an evaluation of, inter alia, the degree to which the remuneration mechanism complies with the policy established by the Board of Directors.

2. Entities responsible for overseeing remuneration in the Bank:

As of the approval date of this report, the Audit Committee, which also serves as the Board of Directors' Remuneration Committee, is the main entity responsible for supervising the subject of remuneration in the Bank, and its responsibilities on the matter are as defined and specified in the Companies Law, in Directive 301A and in the current remuneration policy documents. The composition of the Bank's Audit Committee, which also serves, as stated above, as the Remuneration Committee, includes the following Board members: S. Eshel (Chairman) (outside director), R. Arad (outside director), M. Ofir Weinstein (outside director), A. Shanzer (director), Y. Nardi (director), E. Frank (outside director) (for the sake of convenience, the Audit Committee, in its function as the Remuneration Committee, shall hereinafter be referred to as: the "Remuneration Committee"). The Remuneration Committee and the Board of Directors were assisted by external legal consultants, who assisted in reviewing the relevant directives among the directives issued by the Banking Supervision Department, the Companies Law and formulation of the current remuneration policy documents.

The officer remuneration policy also applies to the directors in the Bank (as of the approval date of this report, ten directors serve in the Bank, including the Chairman of the Board) and other officers who are not directors (as of the approval date of this report, eleven officers who are not directors serve in the Bank, including the CEO).

3. Planning and structure of the remuneration processes

The remuneration policy for employees and key employee non-officers applies, as of the approval date of this report, also to two key employee non-officers in accordance with the Companies Law, who were defined as key employees in accordance with the provisions of Proper Conduct of Banking Business Directive 301A.

Note 22 - Employee Rights (Cont.)

Characteristics and goals of the remuneration policy documents:

A. The goal of the current remuneration policy documents is, inter alia, to establish rules for the manner by which remuneration is provided to officers, employees and key employee non-officers in the Bank, as adjusted to the Bank's multi-year strategic plans, the Bank's work plan, the fulfillment of the Bank's strategic financial goals, which are determined from time to time in the Bank's strategy discussions, the Bank's profitability and the market conditions, in the long term perspective, through appropriate consideration and balancing of the desire to create appropriate incentives for achieving the Bank's short and long term goals, improving the Bank's performance and generating value for its shareholders, and increasing the sense of identification with the Bank and its activities.

The current remuneration policy documents were prepared in view of organization-wide considerations, such as the entire remuneration costs and the desired remuneration margins between the various ranks in the Bank, improving the efficiency ratios in the Bank, while emphasizing the moderation of the Bank's fixed costs, the Bank's size and scope of operations, against the desire to ensure fulfillment of the Bank's risk management policy. The remuneration policy will be applied in compliance with the basic principles of the Companies Law, and the Bank will act in accordance with business considerations, inter alia, in order to maximize the Bank's profits, for the benefit of all of the Bank's interested parties.

B. The remuneration components specified in the current remuneration policy documents include:

* **Fixed remuneration** - this component is intended to remunerate the officers, employees and key employees for the time which they have invested in the performance of their positions, and to maintain them as employees in the Bank, in light of their skills, know-how and expertise, which are appropriate for the Bank's needs, and also to allow the recruitment of a high-quality workforce for the Bank; The salary level will be determined by the competent organs in the Bank, in consideration of their education, skills, expertise, professional experience, achievements, position, areas of responsibility and previous salary agreements which were signed, and the ratio between their terms of tenure and the terms of tenure and employment of the Bank's other employees. The fixed remuneration components include: parameters for the determination of the monthly salaries of employees, key employee non-officers, and officers, and the determination of the monthly salary cap of the Chairman of the Board, the CEO, officers (Senior VP's and/or Executive VP's and/or VP's), Company officers, members of the management board, and officers who are not members of the management board;
Details regarding fringe benefits; A signing bonus, in special cases which justify such a bonus, to a new officer in the Bank, restricted to the first year of their work, up to a total of two monthly salaries.

* **Variable remuneration** - Variable remuneration is intended, inter alia, to encourage and increase the motivation of employees, key employee non-officers, and officers (except for the Chairman of the Board), to work towards achieving the Bank's goals and objectives, including fulfillment of the multi-year strategic plan and the annual work plan for the relevant year, which is based on the strategic plan, all from a long term perspective, while merging their interests with those of the Bank and its shareholders, and while complying with the Bank's risk management policy. It is clarified that the granting of variable remuneration does not constitute a distribution of profits to the Bank's officers and employees; rather, the bonus is performance-dependent, as stated above, a tool for improving the Bank's performance, while creating value for shareholders, variable remuneration is comprised of a variable annual bonus and the granting of special bonuses. In general, the variable annual bonus will be based on a series of indicators which is comprised of the fulfillment of personal targets, the performance of the unit in the Bank for which the officer is responsible, and the performance of the Bank as a whole, and as specified in section 5(c) below.

Note 22 - Employee Rights (Cont.)

The officer remuneration policy specifies a variable annual bonus cap for the CEO, and all other officers. The policy also allows granting an additional special variable bonus in connection with the closing of a special transaction during the bonus year (hereinafter: "**Special Bonus For Special Transaction**"), which was defined, in advance, as a strategic, significant and extraordinary transaction, which is expected to generate economic and accounting profit during the bonus year, with the aim of compensating the officers (except for the Chairman) and employees, as an expression of appreciation for their contribution towards the closing of the transaction. The special bonus is not required to fulfill the minimum conditions pertaining to minimum rates of return, but is subject to the fulfillment of the capital adequacy ratio. Additionally, the granting of the aforementioned special bonus to any of the officers or employees, including the amount of the special bonus for all employees and officers, will be in the exclusive discretion of the Remuneration Committee and the Board of Directors. In any case, the amount which will be paid will not exceed the max amount of discretionary variable remuneration, which is payable in accordance with any applicable law (3 monthly salaries). The officer remuneration policy also allows the Remuneration Committee and the Board of Directors, in their exclusive discretion, to grant an appreciation bonus to officers (except for the Chairman) after completing 10 full and continuous years of employment in the Bank, and after completing another 10 full and continuous years of employment at the Bank (20 years cumulatively), in the amount of 50% of the officer's monthly salary upon the payment date of the bonus, as an expression of appreciation and gratitude for the officer's loyalty to the Bank, and the Bank's desire to incentivize the officer to continue working towards the achievement of the Bank's goals. This bonus, insofar as it is paid to the officer, will be in addition to the variable annual remuneration and the other bonuses specified in the officer remuneration policy, independently of the fulfillment of their conditions, including the preconditions which were determined in the policy for those bonuses. In accordance with the remuneration policy for employees and key employees, an employee will be entitled to a one-time bonus monthly salary one monthly salary, grossed up with respect to a continuous period of employment at the Bank of 17 years of employment (seniority bonus).

* **Severance payments** - in case of dismissal of officers and key employee non-officers, they will be entitled to receive 100% severance pay, unless the employment agreement of that officer or that key employee non-officer includes a provision specifying that section 14 of the Severance Pay Law, 5723-1963, applies, in which case the above provision will apply. In case of dismissal of an officer whose employment agreement did not include a provision stipulating that section 14 applied, the Board of Directors, after receiving the Remuneration Committee's recommendation, is entitled to determine that all of the funds which have accrued for the officer on account of severance pay, above 100% severance pay, will be released to the officer.

  Advance notice period - in accordance with the officer remuneration policy: Chairman - up to 3 months; CEO - up to 6 months; officer - up to 3 months. It is also possible, with the officer's consent and/or at their request, to shorten the advance notice period, subject to the approval of the Remuneration Committee and the Board of Directors, in accordance with the conditions specified in the policy;

  Adjustment bonus (conditional on non-competition) according to the terms set forth in the policy documents: Chairman - up to 3 monthly salaries; CEO - up to 6 monthly salaries; officer - up to 3 monthly salaries. The Board of Directors, in accordance with the Remuneration Committee's recommendation, may release, for special reasons, the CEO from effective non-competition during an adjustment period of up to one month. The Remuneration Committee and Board of Directors are also entitled to extend an officer's non-competition period for an additional period of up to three months.

Note 22 - Employee Rights (Cont.)

* In accordance with Directive 301A, severance pay for officers, beyond that stated in the employment terms of all of the Bank's employees, will include taking into account actual performance over time, and the reason for the termination of employment, and the reason for the termination of employment, and will be classified accordingly as variable remuneration, and will be subject to payment postponement arrangements beyond the date of departure, over a minimum period of no less than 3 years. According to the officer remuneration policy, it was determined that an adjustment bonus of up to 3 monthly salaries will be classified as fixed remuneration.
* The current remuneration policy documents includes the possibility of reducing the variable remuneration in the discretion of the Board of Directors, after receiving a recommendation from the Remuneration Committee.
* The current remuneration policy documents include a stipulation specifying that the key employee non-officer and officer will repay to the Bank, under the conditions specified in the policy, amounts which were paid to him as part of the terms of tenure and employment, if these were paid to him based on data which were found to be erroneous, and which were restated in the Bank's financial statements. Additionally, a stipulation was added according to which any variable remuneration will be granted and paid subject to the condition that it is repayable upon the fulfillment of certain defined criteria which are defined in the current remuneration policy documents. With respect to key employee non-officers, the repayment period will be set as 5 years from the date of provision of the variable remuneration. Regarding key employees who are officers, as defined in the Companies Law, the repayment period will be extended by an additional two years, upon the fulfillment of the conditions specified in the directive. The Bank's Board of Directors, after receiving the recommendation of the Remuneration Committee, will be entitled to extend the repayment period beyond the additional two years, insofar as the relevant investigation has not yet concluded, and the extent of the officer or key employee non-officer's liability has not yet been determined.

4. **Description of the methods by which current and future risks are taken into account in the remuneration process:**
   A. The main risks which the Bank takes into account in its implementation of remuneration measures are those specified in the Bank's "risk appetite" documents, which include, inter alia, credit risks, financial and liquidity risks, operational risks (including information system and cybersecurity risks), and compliance and money laundering risks.
   B. In order to create a balanced structure of incentives, and to prevent the taking or risks beyond the risk appetite, several methods were established in the current remuneration policy documents by which current and future risks are taken into account in the remuneration process, as specified below:
      - An annual bonus cap was established, on an individual basis, in terms of the average number of monthly salaries, for each of the officers and key employee non-officers; A cap was also defined for all officers, as well as a cap for all employees (who are not nostro or trading room employees) and key employees.
      - In accordance with Directive 301A, ratios were established between the variable remuneration and the fixed remuneration, in a manner whereby, in any case, the variable remuneration given to an officer and to a key employee non-officer will not exceed 100% of the cost of salary for each officer. Despite the above, in exceptional circumstances, and subject to the provisions of any applicable law, the Bank will be entitled to determine that the maximum variable remuneration could reach 200% of the fixed remuneration, subject to the fulfillment of the rules set forth in Directive 301A, and the passing of a justified resolution by the Board of Directors.

Note 22 - Employee Rights (Cont.)

- In accordance with the current remuneration policy documents, the fulfillment of the personal targets which will be determined for the officers will include, inter alia, an evaluation of the fulfillment of the Bank's risk appetite, as determined by the Board of Directors, fulfillment of the Bank's risk indicators, including compliance with laws and regulatory directives, achievement of the return on equity ratio, compliance metrics and audit reports, credit performance, performance of deposits.

It is noted that the remuneration policy establishes rules for the way in which remuneration is adjusted for the Bank's strategic plans, the Bank's work plans, the fulfillment of the Bank's strategic financial goals, the Bank's profitability and the market conditions, in the long term perspective, through appropriate consideration and balancing of the desire to create appropriate incentives for officers to achieve the Bank's short and long term goals, improving the Bank's performance and generating value for its shareholders, and increasing the sense of officers' identification with the Bank and its activities. Additionally, the Bank's Board of Directors will evaluate, from time to time, inter alia, through the Remuneration Committee, the remuneration policy documents, and the need to adjust them to the provisions of the Companies Law regarding officers, and to Directive 301A and the Remuneration of Officers in Financial Corporations Law, and will ensure that the existing remuneration agreements and the remuneration mechanism are appropriately applied in accordance with the policy documents and procedures. In 2020, the Remuneration Committee, and later the Board of Directors, evaluated the current remuneration policy documents, and following that evaluation, the Board of Directors updated the current remuneration policy documents in a manner which allow the granting of a special bonus in connection with a special transaction (subject to the general meeting's approval). In early 2022, the Remuneration Committee, and later the Board of Directors, evaluated the current remuneration policy documents, and following that evaluation, the Board of Directors updated the current remuneration policy documents in a manner whereby rules were determined for granting variable remuneration to trading room, nostro and prepaid employees. The Board of Directors will verify that the actual remuneration in accordance with the remuneration policy documents, the risk indicators, and the results of the risk indicators, are consistent with the planned mechanism, and will implement adjustments to them as needed. As part of the above, the Board of Directors will verify that the remuneration incentives which were determined in the current remuneration documents do not encourage any deviation from the restrictions on the risk appetite, or from the Bank's capital policy.

C. Methods by which the risks are taken into account in the determination of variable remunerations are by virtue of the determination of the various caps, for the maximum remuneration amount; Additionally, the risks are taken into account by reducing the remuneration in cases of non-fulfillment of the risk indicators.

5. The connection between performance during the performance measurement period and remuneration levels:

A. Payment of the variable annual bonus is contingent upon the fulfillment of two cumulative preconditions:

- Fulfillment of the following rates of return: 2023 - 8.00%; 2024 - 8.25%; 2025 - 8.5% (hereinafter: "Minimum Rate Of Return").
- Fulfillment of the required capital adequacy ratios, in accordance with the directives issued by the Commissioner of Banks during the bonus year and the outline which was established by the Board of Directors for the purpose of fulfilling the capital adequacy ratios.

Note 22 - Employee Rights (Cont.)

Notwithstanding the foregoing, insofar as any significant exogenous changes have occurred which affect the Bank, such as regulatory changes or in significant macro factors, the criteria may be adjusted at any time, such as changed to the minimum conditions, to the variable annual bonus cap for all of the officers, and to the variable annual bonus caps for any of the officers, insofar as the Remuneration Committee and the Board of Directors have approved the foregoing, through a detailed resolution which they have passed.
“Rate of return” means comprehensive income, as reported in the Bank’s audited financial statements, relative to average equity, as defined in the directives issued by the Commissioner of Banks - Public Reporting Regulations, Directive No. 620. Notwithstanding the foregoing, the Board of Directors, in its exclusive discretion, will be entitled to neutralize, from the rate of return, for the purpose of calculating the bonus, in an extent and manner in its discretion, profits / losses due to one-time events, capital gains / loss, and others, after receiving the Remuneration Committee’s recommendation, on the date of approval of the Bank’s annual work plan and/or at the end of the calendar year when they were recognized in the financial statements. The Board of Directors’ resolution will be final and binding.
For the avoidance of doubt, comprehensive income for the purpose of calculating the bonus will be considered after offsetting the expenses with respect to the payment of bonuses to the CEO, officers and employees, including key employees who are not officers, and after taking into account the expenses with respect to options for officers (and for any other entity, if any), as these have been recorded, or will be recorded, in the Bank’s books.
In general, the variable annual bonus to officers and key employee non-officers will be based on the provision of remuneration of up to three monthly salaries, subject to discretion, which will be based, inter alia, on the combined performance of the following: the performance of the officer, the performance of the unit in the Bank to which the officer belongs, and the performance of the Bank as a whole. Additionally, the Remuneration Committee and the Board of Directors will be entitled to grant to officers and to key employee non-officers additional variable bonuses, beyond the aforementioned 3 monthly salaries, up to the cap for the annual bonus which was determined for the officer and key employee non-officer, according to measurable parameters which will be determined proximate to the commencement of each bonus year, where such indicators will include various targets, in accordance with the Bank’s multi-year strategic plan, and the annual work plans which are based on it.

B. The manner by which personal remuneration amounts are connected to the Bank’s overall performance is by determining preconditions for the payment of the variable bonus, and the maximum amount of the bonus which can be granted; The personal remuneration amount is determined according to the fulfillment of predetermined personal targets in accordance with the Bank’s multi-year strategic plan, the annual work plans which are derived therefrom, and measurable indicators.

C. The annual variable remuneration which will be provided granted to officers (excluding the Chairman) will be based on their fulfillment of the targets which were established for them, which are associated with the Corporation’s performance and the personal performance of the officer, as follows:
CEO:
- Provision of up to 3 monthly salaries, subject to discretion, which will be based, inter alia, on a combination of the performance of the CEO and the performance of the Bank as a whole.

Note 22 - Employee Rights (Cont.)

- Additionally, the Remuneration Committee and the Board of Directors will be entitled to grant an additional variable annual bonus to the CEO, beyond the aforementioned 3 salaries, up to the variable annual bonus cap according to measurable parameters which will be determined proximate to the start of each bonus year by the Board of Directors, after receiving approval from the Remuneration Committee, and subject to the rules set forth in the Remuneration for Officers in Financial Corporations Law. These targets will include, inter alia, achievement of a return on equity rate; Fulfillment of the capital adequacy ratio; Fulfillment of the efficiency ratio; Liquidity; Credit performance; Fulfillment of risk indicators; Fulfillment of personal targets - targets which are derived from the Bank's multi-year strategic plan and the annual work plan.

Officers:

- Provision of up to 3 monthly salaries, subject to discretion, which will be based, inter alia, on a combination of the performance of the officer, the performance of the unit in the Bank to which the officer belongs, and the performance of the Bank as a whole.
- Additionally, the Remuneration Committee and the Board of Directors will be entitled to grant an additional variable annual bonus to the officer, beyond the aforementioned 3 salaries, up to the variable annual bonus cap according to measurable parameters which will be determined proximate to the start of each bonus year by the Remuneration Committee, and subject to the rules set forth in the Remuneration for Officers in Financial Corporations Law. These targets will include, inter alia, achievement of a return on equity rate; compliance indicators and audit reports; Credit performance; Performance of deposits and fulfillment of personal targets - targets which are derived from the Bank's multi-year strategic plan and the annual work plan.

D. The officer remuneration policy includes an option to grant a bonus in special circumstances to the officers (except for the Chairman) - the Remuneration Committee and the Board of Directors, after receiving the recommendation of the Bank's CEO (in case of an officer other than the CEO), are entitled to provide a bonus in special circumstances to officers, as stated above, in a year when the actual rate of return is lower than the minimum rate of return, but no less than a rate of return of 6.5%, and subject to the fulfillment of the capital adequacy ratios which are required in accordance with the directives of the Commissioner of Banks, and the outline which was determined by the Board of Directors for the fulfillment of the capital ratios. The scope of the total bonus, as stated above, is limited to an immaterial amount which will not exceed NIS 300,000, while determining a cap of up to one salary for the officer.

Note 22 - Employee Rights (Cont.)

E. The officer remuneration policy also includes an option to grant a special bonus in connection with a special transaction (to officers including the CEO and excluding the Chairman): as well as an option whereby, if the Bank fulfills it during the year when the special transaction was closed, under the conditions which were determined for eligibility for the special bonus in connection with a special transaction, except for fulfillment of the required capital adequacy ratios according to directives issued by the Commissioner of Banks, and the outline which was determined by the Board of Directors for the purpose of complying with the capital adequacy ratio, the Remuneration Committee, and later the Board of Directors, will be entitled to defer the granting of the special bonus to the end of the year after the year in which the special transaction was closed (hereinafter: the "Subsequent Year"), subject to the fulfillment of the required capital adequacy ratio in accordance with directives issued by the Commissioner of Banks, and the outline which was determined by the Board of Directors, for the purpose of fulfilling the capital adequacy ratio in the subsequent year, and if, also in the subsequent year, the required capital adequacy ratio is not fulfilled in accordance with directives issued by the Commissioner of Banks and the outline which was determined by the Board of Directors for the purpose of fulfilling the capital adequacy ratio, the entitlement will be revoked. In any case, the amount paid to an officer will not exceed the maximum amount of discretionary variable remuneration, which is payable in accordance with any applicable law (3 monthly salaries).

F. The remuneration policy for employees and key employee non-officers allows the granting of bonuses to outstanding employees and key employees in the following manner (at the start of each year, the CEO will be required to present for approval to the Remuneration Committee the principles for the distribution of the bonuses to outstanding employees and key employees):
The Bank's CEO will be entitled to provide a bonus to outstanding employees and key employees, in an amount which will not exceed NIS 2,500,000, subject to the following conditions:
   - Up to 65% of the bonus amount will be distributed throughout the bonus year, in accordance with targets which will be determined by the CEO, in order to encourage the employees towards excellence, subject to the fulfillment of the required capital adequacy ratios in accordance with the directives issued by the Commissioner of Banks, and the outline which was determined by the Board of Directors for the fulfillment of the capital adequacy ratios.
   - The balance of the outstanding bonus amount will be distributed only if variable annual remuneration has not been distributed, since the Bank has not fulfilled the minimum conditions, subject to the following conditions: an annual rate of return, during the bonus year, which is no less than a rate of return of 6.5%;
   Fulfillment of the required capital adequacy ratios, in accordance with the directives issued by the Commissioner of Banks during the bonus year and the outline which was established by the Board of Directors for the purpose of fulfilling the capital adequacy ratios; The remaining bonus amount will be distributed to up to 20% of the employees and key employees, up to one monthly salary per employee, including for key employees.

In 2022, the Bank fulfilled the preconditions which signify entitlement to a variable annual bonus in accordance with the current remuneration policy documents. in order to reflect the efforts of employees and officers, and their special contribution towards reaching profitability, the Bank's Board of Directors resolved, on February 24, 2023, to grant a variable annual bonus in accordance with the remuneration policy. The rate of return for the purpose of calculating the bonus was 12.2%. In 2023, the Bank fulfilled the preconditions which signify entitlement to a variable annual bonus in accordance with the current remuneration policy documents. On March 12, 2024, after the balance sheet date, the Bank's Board of Directors resolved to grant variable annual bonuses in accordance with the remuneration policy. The rate of return for the purpose of calculating the bonus was 11.3%.

Note 22 - Employee Rights (Cont.)

6. **Ways in which the Bank adjusts remuneration in order to take into account longer term performance:**
   A. The current remuneration policy documents specify an arrangement for the distribution of the variable remuneration (including the variable remuneration of a special bonus in connection with a special transaction), an arrangement which reinforces the foundation for the variable component over the long term performance which serves as the basis for the payment of the variable bonus, including an arrangement according to which, insofar as the variable remuneration which was provided to the officer or key non-officer employee does not exceed 40% of the fixed remuneration of that officer or key employee non-officer, the distribution and postponement of the variable remuneration will be implemented as follows: 40% will be deferred and distributed over two years, in two equal annual payments, and each payment will be conditional on the achievement of a rate of return of 6.5% or higher regarding the year in which the payment is to be paid, and on the condition that the provision of that part of the deferred variable remuneration will not harm the required capital adequacy ratios, in accordance with the directives issued by the Commissioner of Banks, and the outline which was determined by the Board of Directors for the purpose of fulfilling the capital adequacy ratios. In the event that, in a certain year, the rate of return is lower than 6.5%, and/or the Bank has not fulfilled the required capital adequacy ratio and the outline which was determined by the Board of Directors for the fulfillment of the capital adequacy ratios, the deferred payment will not be paid, and will be deferred until a year when the Bank has reached a rate of return of no less than 6.5%, and the required capital adequacy ratio in accordance with the directives issued by the Commissioner of Banks and the outline determined by the Board of Directors for the purpose of fulfillment of the capital adequacy ratios. If, 5 years after the original date when the deferred payment was due, the Bank has not fulfilled the aforementioned conditions, the aforementioned deferred payment will be canceled, and the officer or key employee non-officer will not be entitled to receive it. The foregoing deferred payments will be linked to the consumer price index, according to the rate of the increase of the known index on the payment date of the deferred bonus, relative to the known index on the date when the bonuses were approved by the general meeting.
   B. Insofar as the variable remuneration which was provided to the officer exceeds 40% of the fixed remuneration of that officer or key employee who is not an officer, the distribution and postponement of the variable remuneration will be implemented as follows: 50% of the variable remuneration will be deferred and distributed over three years, in three equal annual payments, and each payment will be conditional upon the achievement of a rate of return of 6.5% or higher regarding the year in which the payment is to be paid, and on the condition that the provision of that part of the deferred variable remuneration will not harm the required capital adequacy ratios, in accordance with the directives issued by the Commissioner of Banks, and the outline which was determined by the Board of Directors for the purpose of fulfilling the capital adequacy ratios. In the event that, in a certain year, the rate of return is lower than 6.5%, and/or the Bank has not fulfilled the required capital adequacy ratio and the outline which was determined by the Board of Directors for the fulfillment of the capital adequacy ratios, the deferred payment will not be paid, and will be deferred until a year when the Bank has reached a rate of return of no less than 6.5%, and the required capital adequacy ratio in accordance with the directives issued by the Commissioner of Banks and the outline determined by the Board of Directors for the purpose of fulfillment of the capital adequacy ratios. If, 5 years after the original date when the deferred payment was due, the Bank has not fulfilled the aforementioned conditions, the aforementioned deferred payment will be canceled, and the officer or key employee non-officer will not be entitled to receive it.

Note 22 - Employee Rights (Cont.)

C. The arrangement applies to all officers and key employee non-officers. Unless the variable remuneration which has been provided to an officer and/or key employee non-officer with respect to the year of the bonus does not exceed one sixth (1/6) of the fixed remuneration of that officer and/or key employee non-officer in the same year, in which case the Remuneration Committee and the Board of Directors will be entitled to decide that it is not necessary to postpone any payment with respect to that variable remuneration.

D. The current remuneration policy documents also include a stipulation according to which the officer and key employee non-officer will repay to the Bank, under the conditions specified in the policy, amounts which were paid to him as part of the terms of tenure and employment, if these were paid to him based on data which were found to be erroneous, and which were restated in the Bank's financial statements (clawback).

There is also a stipulation which determines that any variable remuneration will be granted and paid subject to the condition that it is repayable upon the fulfillment of certain defined criteria which are defined in the current remuneration policy documents. With respect to key employee non-officers, the repayment period will be set as 5 years from the date of provision of the variable bonus. Regarding key employees who are officers, as defined in the Companies Law, the repayment period will be extended by an additional two years, upon the fulfillment of the conditions specified in the directive. The Bank's Board of Directors, after receiving the recommendation of the Remuneration Committee, will be entitled to extend the repayment period beyond the additional two years, insofar as the relevant investigation has not yet concluded, and the extent of the officer's liability has not yet been determined.

7. Form of variable remuneration

A. In accordance with Directive 301A, ratios were established between the variable remuneration and the fixed remuneration, in a manner whereby, in any case, the variable remuneration to an officer and key employee non-officer will not exceed 100% of the cost of salary for each of them, subject to the following provisions, and to the restrictions and rules set forth in The Remuneration for Officers in Financial Corporations Law. Despite the above, in exceptional circumstances, and subject to the provisions of any applicable law, the Bank will be entitled to determine that the maximum variable remuneration could reach 200% of the fixed remuneration, subject to the fulfillment of the rules set forth in Directive 301A, and the passing of a justified resolution by the Board of Directors.

B. The variable remuneration, in accordance with the remuneration policy documents, includes remuneration by way of the payment of cash only, and does not includes stocks or stock-based instruments, and other forms.

C. Beyond the annual variable remuneration, as specified extensively above, the current remuneration policy documents include an option to provide special bonuses, such as:

- Special case bonus for officers (excluding the Chairman) - as specified in section 5(D) above.
- Bonus for outstanding employees and key employees - as specified in section 5(f) above.
- Special bonus in connection with special transaction - for officers (including the CEO, and excluding the Chairman of the Board) and for employees and key employees, as specified in section 3(B) above.
- Appreciation bonus to officers - as specified in section 3(B) above.
- Continuous work bonus to employees and key employees - as specified in section 3(b) above.

Note 22 - Employee Rights (Cont.)

Amount of the benefits liability, by types

Reported amounts in NIS millions

	Balance as of December 31	
	2024	**2023**
Severance pay		
Liability amount	89.4	83.4
Fair value of plan assets	84.9	77.5
Surplus of liability (asset) over plan assets	**4.5**	**5.9**
Surplus of the liability which was included under the item for “other liabilities”	4.5	5.9
Other benefits		
Liability amount [(1)]	14.9	13.0
Fair value of plan assets	-	-
Surplus of liability over plan assets	**14.9**	**13.0**
Surplus of the liability which was included under the item for “other liabilities”	14.9	13.0
Total	-	-
Surplus of the liability with respect to employee benefits over plan assets, included under the item for “other liabilities”	**19.4**	**18.9**

[(1)] Mostly applies to the reserve for the jubilee bonus, holiday pay and other rights, as presented above in sections B-D.

Note 22 - Employee Rights (Cont.)

Reported amounts in NIS millions

Defined benefit plans

1. Liabilities and financial position

	For the year ended December 31	
	2024	**2023**
A. Change in liability with respect to expected benefit		
Liability with respect to expected benefit (reserve for retirement pay) at start of year	83.4	82.2
Service cost [1]	2.2	4.7
Cost of interest	4.4	3.8
Actuarial loss (gain)	1.4	(0.3)
Benefits paid	(2.0)	(7.0)
Liability with respect to expected benefit (reserve for retirement pay) at end of year	**89.4**	**83.4**
Liability with respect to cumulative benefit at end of year	**86.1**	**78.8**
B. Change in the fair value of plan assets and the plan's financial position		
Fair value of plan assets at start of year	77.5	74.6
Actual return on plan assets	5.8	4.9
Deposits to the plan by the banking corporation	3.0	3.0
Benefits paid	(1.4)	(5.0)
Fair value of plan assets (provision for retirement pay) at end of year	**84.9**	**77.5**
Financing condition - net asset (liability) recognized at end of year	**(4.5)**	**(5.9)**
C. Amounts recognized in the consolidated balance sheet		
Amounts which were recognized under the item for other liabilities	4.5	5.9
Net asset (liability) which was recognized at the end of the year	**(4.5)**	**(5.9)**
D. Amounts recognized under accumulated other comprehensive income (loss) before tax impact		
Actuarial gain (loss), net	2.6	1.1
Closing balance of accumulated other comprehensive income	2.6	1.1
E. Plans in which the liability for the cumulative and forecasted benefit exceeds the plan assets		
Liability with respect to expected benefit	89.4	83.4
Liability with respect to cumulative benefit	86.1	78.8
Fair value of plan assets	(84.9)	(77.5)

(1) The return with respect to some of the plan assets is carried to the remuneration component, instead of the severance pay component.

Note 22 - Employee Rights (Cont.)

Reported amounts in NIS millions

Defined benefit plans (Cont.)

2. Expenses in the period

	For the year ended December 31		
	2024	**2023**	**2022**
A. Net components of the benefit cost which were recognized under profit and loss			
Service cost (1)	2.2	4.7	3.1
Cost of interest	4.4	3.8	3.0
Other costs	-	-	-
Projected returns on plan assets	(2.7)	(3.4)	(2.7)
Amortization of unrecognized amounts:	-	-	-
Net actuarial gains (loss) for the period	(0.1)	-	(0.4)
Total amortization of unrecognized amounts	(0.1)	-	(0.4)
Total cost of the benefit, net	**3.8**	**5.1**	**3.0**
B. Changes in plan assets and in liabilities for benefits which were recognized under comprehensive income (loss) before tax impact			
Net actuarial gains for the period	(1.6)	(1.8)	(12.4)
Amortization of actuarial profit (loss)	0.1	-	(0.4)
Amortization of net liability (asset) with respect to transition	-	-	-
Total amount recognized under other comprehensive income	**(1.5)**	**(1.8)**	**(12.8)**
Total net cost of the benefit	**3.8**	**5.1**	**3.0**
Total amount recognized in the cost of the benefit, net for the period, and under other comprehensive income	**2.3**	**3.3**	**(9.8)**

Note 22 - Employee Rights (Cont.)

Reported amounts in NIS millions

Defined benefit plans (Cont.)

3. Assumptions

A. Assumptions on a weighted average basis which are used to determine the liability with respect to the benefit and to measure the net benefit cost for the years ended December 31

	2024	2023*
1. Main assumptions used in the determination of the liability with respect to the benefit		
Discount rate	2.4%	2.1%
CPI rate of increase	2.5%	2.6%
Churn rate	6.1%	7.1%
Real rate of increase in remuneration	0.9%	0.9%
2. Main assumptions used in the measurement of the net benefit cost for the period		
Discount rate	2.5%	1.9%
Projected long term returns on plan assets	5.5%	5.0%
Real rate of increase in remuneration	0.9%	0.9%

*** Reclassified according to the real discount rate.**

B. Impact of a change of percentage point on the liability with respect to the expected benefit, before tax impact *

	Retirement plan			
	Increase of one percentage point		Decrease of one percentage point	
	As of December 31			
	2024	2023	2024	2023
Discount rate	**(3.2)**	(3.7)	**5.6**	6.9
Churn rate	**0.2**	0.2	**(0.2)**	(0.3)
Rate of increase in remuneration	**5.0**	6.1	**(2.7)**	(3.2)

*The sensitivity analysis is provided only with respect to assumptions which have a significant impact on the liability.

Note 22 - Employee Rights (Cont.)

Reported amounts in NIS millions

Defined benefit plans (Cont.)

4. Plan assets

A. Composition of fair value of plan assets

	As of December 31							
	2024				2023			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset type								
Cash and deposits in banks	6.6	-	-	6.6	6.6	-	-	6.6
Stocks	20.8	-	0.4	21.2	18.4	-	2.3	20.7
Bonds:								
Government	20.6	-	-	20.6	14.6	-	4.6	19.2
Corporate	8.5	0.5	0.5	9.5	4.9	2.0	0.5	7.4
Total bonds	**29.1**	**0.5**	**0.5**	**30.1**	**19.5**	**2.0**	**5.1**	**26.6**
Other	3.6	4.4	19.0	27.0	3.9	2.0	17.7	23.6
Total	**60.1**	**4.9**	**19.9**	**84.9**	**48.4**	**4.0**	**25.1**	**77.5**

B. Fair value of plan assets according to asset type and allocation target for 2025

	Allocation target	**% of plan assets**	
	2025	**As of December 31**	
	%	**2024**	**2023**
Cash and deposits in banks	9%-1%	8%	9%
Stocks	35%-20%	25%	27%
Bonds:			
Government	28%-14%	24%	25%
Corporate	26%-9%	11%	10%
Total bonds		**35%**	**34%**
Other	36%-22%	32%	30%
Total		**100%**	**100%**

Note 22 - Employee Rights (Cont.)

Reported amounts in NIS millions

C. Changes in the fair value of plan assets whose value is measured based on significant unobservable inputs (level 3)

	Changes in 2024		
		Actual return on plan assets	
	Opening balance	Profit, acquisitions, sales and settlements, net	Closing balance
Asset type			
Corporate	5.1	(4.6)	0.5
Other	20.0	(0.6)	19.4
Total	**25.1**	**(5.2)**	**19.9**
	Changes in 2023		
Asset type			
Corporate	9.4	(4.3)	5.1
Other	11.9	8.1	20.0
Total	**21.3**	**3.8**	**25.1**

5. Cash flows

		Actual deposits	
	Forecast *	For the year ended December 31	
	2025	2024	2023
A. Deposits	3.0	3.0	3.0
B. Benefits which the Bank expects to pay in the future			
Year			
2025	12.2		
2026	5		
2027	5.3		
2028	9.2		
2029	6.7		
2029-2033	32.1		
2034 and thereafter	63.6		
Total	**134.1**		

* Estimate of deposits to be paid to the defined benefit plan in the current fiscal year.

In 2024, income was recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 1.1 million (approximately NIS 1.6 million before tax impact).

In 2023, income was recorded due to adjustments of liabilities with respect to employee benefits in the amount of NIS 1.1 million (approximately NIS 1.8 million before tax impact).

For additional details, see Note 10 - Cumulative Other Comprehensive Income (Loss).

Note 23 - Share Based Payment Transactions

As of December 31, 2024 and December 31, 2023, there are no share-based payment transactions in the Bank.

Note 24A - Equity

A. The Bank's registered share capital as of December 31, 2024 is comprised of 100,250,000 ordinary shares with a par value of NIS 1 each (as of December 31, 2023 - 100,250,000). Issued and paid-up capital as of December 31, 2024 - 70,517,741 shares listed for trading on the Tel Aviv Stock Exchange (as of December 31, 2023 - 70,517,741).
The Bank's equity as of December 31, 2024 amounts to approximately NIS 1,496.1 million.

B. **Policy and restrictions regarding dividend distributions**
On October 26, 2021, the Bank's Board of Directors resolved to adopt a dividend distribution policy (the "Previous Dividend Distribution Policy").
In accordance with this policy, at least 30% of the Bank's net profit in accordance with the Bank's financial statements may be distributed, provided that, inter alia, the Bank meets the regulatory capital adequacy targets which apply to it, including after the dividend distribution.
Due to the uncertainty which was created due to the Swords of Iron War and its main consequences, the Commissioner of Banks published, on November 12, 2023, guidelines regarding capital planning and the profit distribution policy. According to the requirements, the banks are required to re-evaluate the dividend distribution policy in light of the war's consequences and the uncertainty regarding the continuation of the war, and the extent of its impact on the economy. In light of the status and goals of capital adequacy, and the expected business development plan, the Board of Directors resolved, on November 28, 2023, that it would not be appropriate to change the conservative policy from 2021. It was also decided that the distribution dates will be adjusted according to the development and fulfillment of the capital adequacy target.
On December 26, 2024, the Bank's Board of Directors approved an updated dividend distribution policy (the "Updated Dividend Distribution Policy"). The updated dividend distribution policy is not essentially different from the previous dividend distribution policy. This policy was updated according to the Bank's updated multi-year strategy. In accordance with this policy, at least 30% of the Bank's net profit in accordance with the Bank's financial statements may be distributed as dividends, with respect to the profits in the period from the date of the previous resolution to distribute dividends, and the date of the Board's decision regarding the subsequent distribution, provided that, inter alia, the Bank meets the regulatory capital adequacy targets which apply to it, including after the dividend distribution.
The actual dividend distribution is subject to specific resolutions of the Board of Directors, before any distribution, and subject to the provisions of the law which apply to a dividend distribution, including the provisions of the Companies Law, 5759-1999, and the instructions of the Bank of Israel, as determined from time to time, and therefore, under certain circumstances, it is possible that a dividend distribution may be disallowed for the Bank.
The updated dividend distribution policy will remain in effect so long as the Board of Directors has not decided otherwise, and may be subject to changes from time to time, and its provisions will not derogate from the authority of the Bank's Board of Directors to decide, from time to time, in light of business considerations and the provisions of the law and the regulatory directives which apply to the Bank, to change the policy, or to change the rate of the dividend which will be distributed with respect to a certain period, or to decide not to distribute dividends with respect to a certain period.
On March 18, 2025, after the balance sheet date, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the second half of 2024 in the total amount of approximately NIS 20.4 million, which will be paid to the Bank's shareholders on April, 9, 2025.

Note 24A - Equity (Cont.)

23. Dividend distributions

Presented below are details regarding dividend distributions in the Bank during the years 2022-2024:

	NIS millions		
	2024	2023	2022
Dividend	38.5	70.6	43.1
Dividend announced but not yet paid as of the reporting date	-	-	35.1 (*)

(*) Paid on January 1, 2023

Note 24B - Capital Adequacy, Liquidity and Leveraging in Accordance with the Directives of the Commissioner of Banks

Reported amounts in NIS millions

A. Capital adequacy

In accordance with the directives of the Commissioner of Banks is calculated in accordance with Proper Conduct of Banking Business Directives 201-211 and Directive 299, regarding “Capital measurement and adequacy”.

1. Consolidated data

	As of December 31	
	2024	2023
A. Capital for the calculation of the capital ratio		
Tier 1 capital, after supervisory adjustments and deductions	1,486.6	1,366.1
Additional Tier 1 capital, after deductions	-	-
Tier 2 capital, after deductions	369.7	365.8
Total capital	**1,856.3**	**1,731.9**
B. Weighted balances of risk assets		
Credit risk	12,463.3	11,742.4
Market risks	24.3	15.4
Operational risk	1,441.5	1,276.8
Total weighted balances of risk assets	**13,929.1**	**13,034.6**
C. Ratio of capital to risk components (1)		
Ratio of Tier 1 capital to risk components	10.7%	10.5%
Ratio of total capital to risk components	13.3%	13.3%
Minimum Tier 1 capital ratio required by the Commissioner of Banks	9.5%	9.5%
Ratio of minimum total capital required by the Commissioner of Banks	12.5%	12.5%
2. Capital components for the purpose of calculating the capital ratio (in consolidated figures)		
A. Tier 1 capital		
Capital attributed to the Bank’s shareholders	1,451.3	1,329.2
Differences between capital attributed to the Bank’s shareholders and Tier 1 capital - minority interests	-	-
Differences between equity and Tier 1 capital - minority interests	36.0	37.7
Total Tier 1 capital, before supervised adjustments and deductions	**1,487.3**	**1,366.9**
Supervisory adjustments and deductions:		
Other	(0.7)	(0.8)
Total supervised adjustments and deductions - Tier 1 capital	**(0.7)**	**(0.8)**
Total Tier 1 capital, after supervisory adjustments and deductions	**1,486.6**	**1,366.1**
B. Tier 2 capital		
Tier 2 capital: instruments, before deductions	214.2	208.8
Tier 2 capital: provisions, before deductions	155.5	157.0
Total Tier 2 capital, before deductions	**369.7**	**365.8**
Deductions - Tier 2 capital	-	-
Total Tier 2 capital	**369.7**	**365.8**
3. Impact of the adjustments with respect to higher-risk land purchase loans on Tier 1 capital		
Ratio of capital to risk components		
Ratio of Tier 1 capital to the risk components, before the effect of the adjustments	**10.7**	**10.5**
Impact of the adjustments with respect to land purchase loans with increased risk (*)	-	-
Ratio of Tier 1 capital to risk components	**10.7**	**10.5**

Note 24B - Capital Adequacy, Liquidity and Leveraging in Accordance with the Directives of the Commissioner of Banks (Cont.)

The Bank applies directives regarding capital measurement and adequacy in accordance with the rules of Basel III, as published by the Banking Supervision Department, and as included in Proper Conduct of Banking Business Directive 201-211.

(1) A capital requirement was added to the Tier 1 capital ratio which reflects 1% of the balance of housing loans on the reporting date, except for housing loans for which concessions were given as part of the transitional provision in response to the coronavirus crisis. Accordingly, the minimum Tier 1 capital ratio and the total minimum capital ratio required of the Bank, as of the reporting date, are 9.50% and 12.50%, respectively.

(*) As of December 31, 2024 and December 31, 2023, the impact on the Tier 1 capital ratio was a decrease of approximately 0.01% and 0.02%, respectively.

Capital adequacy target

In accordance with directives issued by the Banking Supervision Department, the Bank is required to maintain a minimum Tier 1 capital ratio of no less than 9%, and a minimum total capital ratio of no less than 12.5% of the weighted total of risk assets in its balance sheet assets and in its off-balance sheet items. The method used to calculate total capital and total risk components is specified in the directives.

A capital requirement was added to the Tier 1 capital ratio which reflects 1% of the balance of housing loans on the reporting date, except for housing loans for which concessions were given as part of the transitional provision in response to the coronavirus crisis. Accordingly, the minimum Tier 1 capital ratio and the total minimum capital ratio required of the Bank, as of the reporting date, are 9.50% and 12.50%, respectively.

Based on the processes of determining the Bank's internal capital targets, and the results of the discussions which were held with the Banking Supervision Department, the Board of Directors defined an internal target for the Tier 1 capital ratio. The capital adequacy target ratio, beginning on December 31, 2022, with respect to the Tier 1 equity ratio, as determined by the Board of Directors, is 10.0%. Above this ratio, the Board of Directors established safety margins at a rate of 0.1%, and management's safety margins of 0.15%. The total capital target was determined as 12.5%, and the safety margins for that target were was determined as 0.25%.

Reported amounts in NIS millions

B. Liquidity coverage ratio (LCR) according to the directives issued by the Commissioner of Banks (in the consolidated data)

Calculated in accordance with Proper Conduct of Banking Business Directive 221, on the subject of the liquidity coverage ratio.

	For the three months ended	For the three months ended
	As of December 31, 2024	As of December 31, 2023
Liquidity coverage ratio	200%	199%
Minimum liquidity coverage ratio required by the Commissioner of Banks	100%	100%

C. The leverage ratio in accordance with the directives issued by the Commissioner of Banks (in the consolidated data) is

calculated in accordance with Proper Conduct of Banking Business Directive 218, regarding the leverage ratio.

	As of December 31	
	2024	2023
Tier 1 capital	1,486.6	1,366.1
Total exposures	23,387.2	22,633.0
Leverage ratio	**6.4%**	**6.0%**
Minimum leverage ratio required by the Commissioner of Banks	4.5%	4.5%

D. Minimum net stable funding ratio required by the Commissioner of Banks (in consolidated terms)

calculated in accordance with Proper Conduct of Banking Business Directive 222, regarding the net stable funding ratio.

	As of December 31	
	2024	2023
Net stable funding ratio	137%	132%
Minimum net stable funding ratio required by the Commissioner of Banks	100%	100%

Note 24B - Capital Adequacy, Liquidity and Leveraging in Accordance with the Directives of the Commissioner of Banks (Cont.)

Leverage ratio

On April 28, 2015, the Banking Supervision Department published Proper Conduct of Banking Business Directive 218, on the subject of the "Leverage ratio" (hereinafter: the "Directive"). The directive established a simple and transparent leverage ratio, which is not based on risk, which will serve as a supplementary and reliable measurement of risk-based capital requirements, and which is intended to limit the accumulation of leverage in the banking corporation. In accordance with the directive, a banking corporation is required to fulfill a leverage ratio which will not fall below 5% on a consolidated basis. A banking corporation whose total balance sheet assets on a consolidated basis constitute 20% or more of the total balance sheet assets in the banking system must fulfill a leverage ratio which will not fall below 6%. In accordance with the above, the minimum leverage ratio required of the Bank is 5%. On November 15, 2020, the Banking Supervision Department published a circular entitled "Additional adjustments to Proper Conduct of Banking Business Directives for the purpose of addressing the coronavirus pandemic (transitional provision)", which involved an update to Proper Conduct of Banking Business Directive No. 250, according to which the leverage ratio will be no less than 4.5%, on a consolidated basis, as compared with 5% prior to the change. In the circular of the Banking Supervision Department dated December 20, 2023, the period of the expedient was extended until December 31, 2025. A banking corporation which has used the expedient on this date will be required to return to the leverage ratio which was required before the transitional provision within two quarters, such that, upon conclusion of the transitional provision, the Bank will be subject to a minimum leverage ratio according to the actual leverage ratio or the minimum ratio which applied to the banking corporation prior to the transitional provision, whichever is lower. The Bank did not use this expedient.

Net stable funding ratio

Since December 31, 2021, the Bank has been adopting Proper Conduct of Banking Business Directive 222, regarding the net stable funding ratio - NSFR, which adopts the Basel Committee's recommendations regarding the net stable funding ratio in the banking system in Israel. In accordance with the directive, the coverage ratio of the net stable funding ratio is intended to improve the long term resilience of the liquidity risk profiles of banking corporations, by requiring banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets, and their off-balance sheet activities. The net stable funding ratio includes two components: available stable funding components (numerator), and required stable funding components (denominator). "Available stable funding" is defined as the part of equity and liabilities which can be relied upon over the time period taken into account in the net stable funding ratio, spread over one year. The amount of stable funding required for a particular corporation is derived from the liquidity characteristics and the remaining periods to maturity of the various assets which are held by that corporation, and of its off-balance sheet exposures. In accordance with the directive, the minimum required net stable funding ratio is 100%.

Israel's credit rating as given by the rating agency S&P

In accordance with Proper Conduct of Banking Business Directive 203, the capital requirements with respect to the Bank's exposure to the Israeli government, and to banks, institutional entities and public sector entities in Israel, is based on the State of Israel's rating.

On April 18, 2024, the rating agency S&P reduced Israel's long term credit rating from AA- to A+. The impact of the rating reduction is included in the capital ratio as of December 31, 2024.

In October 2024, the rating agency S&P announced another rating reduction, from A+ to A, with no effect on the Bank's capital ratio.

Note 24B - Capital Adequacy, Liquidity and Leveraging in Accordance with the Directives of the Commissioner of Banks (Cont.)

4. Dividends

On May 9, 2024, the Bank's general meeting of shareholders approved, as a final dividend for 2023, the following dividend:

- A total of approximately NIS 21.6 million (gross), in cash, based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of June 30, 2023. The aforementioned dividend was paid on September 11, 2023, to shareholders who held shares of the Bank on August 29, 2023.
- A total of approximately NIS 12.5 million (gross), in cash, based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of December 31, 2023. The aforementioned dividend was paid on April 8, 2024, to shareholders who held shares of the Bank on April 1, 2024.

On August 20, 2024, the Bank's Board of Directors resolved to distribute a dividend with respect to the profits of the first half of 2024 in the amount of approximately NIS 25.95 million (gross), based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of June 30, 2024. The dividend, in the amount of approximately NIS 0.367992 per ordinary share with a par value of NIS 1 each, was paid on September 5, 2024, to shareholders who held shares of the Bank on August 28, 2024 (the effective date).

On March 18, 2025, after the balance sheet date, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the second half of 2024 in the total amount of approximately NIS 20.4 million, which will be paid to the Bank's shareholders on April, 9, 2025.

On December 26, 2024, the Bank's Board of Directors approved an updated dividend distribution policy (the "Updated Dividend Distribution Policy"). The updated dividend distribution policy is not essentially different from the previous dividend distribution policy. This policy was updated according to the Bank's updated multi-year strategy.

In accordance with this policy, at least 30% of the Bank's net profit in accordance with the Bank's financial statements may be distributed as dividends, with respect to the profits in the period from the date of the previous resolution to distribute dividends, and the date of the Board's decision regarding the subsequent distribution, provided that, inter alia, the Bank meets the regulatory capital adequacy targets which apply to it, including after the dividend distribution.

The actual dividend distribution is subject to specific resolutions of the Board of Directors, before any distribution, and subject to the provisions of the law which apply to a dividend distribution, including the provisions of the Companies Law, 5759-1999, and the instructions of the Bank of Israel, as determined from time to time, and therefore, under certain circumstances, it is possible that a dividend distribution may be disallowed for the Bank.

The updated dividend distribution policy will remain in effect so long as the Board of Directors has not decided otherwise, and may be subject to changes from time to time, and its provisions will not derogate from the authority of the Bank's Board of Directors to decide, from time to time, in light of business considerations and the provisions of the law and the regulatory directives which apply to the Bank, to change the policy, or to change the rate of the dividend which will be distributed with respect to a certain period, or to decide not to distribute dividends with respect to a certain period.

Note 25A - Contingent Liabilities and Special Engagements

Reported amounts in NIS millions

A. Off-balance sheet engagement with respect to activity according to collection rate [(1)]

	As of December 31	
	2024	**2023**
Balance of credit from deposits by collection rate [(2)]		
CPI-linked Israeli currency	353.6	210.4
Unlinked Israeli currency	63.1	61.3
Total	**416.7**	**271.7**
Information regarding the provision of loans during the year		
Loans from deposits by collection rate	5.9	5.7
Current loans	1.2	1.3
Total	7.1	7.0

B. Flows with respect to fee collection and interest margins, with respect to activity by collection rate [(3)]

	As of December 31						
	2024						2023
	Up to 1 year	**One to 3 years**	**3 to 5 years**	**5 to 10 years**	**10 to 20 years**	**Total**	**Total**
Flows with respect to fee collection and interest margins, with respect to activity by collection rate [(3)]							
Future contractual cash flows	1.1	1.4	0.5	0.7	0.3	4.0	5.6
Discounted expected cash flows [(4)(5)]	0.9	1.0	0.3	0.5	0.1	2.8	4.1

(1) Credits and deposits from deposits whose repayment to the depositor is conditional upon the collection of credits, with the collection fees.

(2) Pending loans and government deposits given for them, in the amount of NIS 16.2 million (2023 - NIS 17.3 million), were not included in this note.

(3) Includes the foreign currency segment and the unlinked NIS segment, which does not exceed 10% of the total deposits, according to collection degree.

(4) Discounting was performed according to a rate of 3.46% (2023 - 3.80%).

(5) These data do not take into account the estimate of prepayments.

Note 25A - Contingent Liabilities and Special Engagements (Cont.)

C. **Legal claims**

1. The Bank is party to legal proceedings, including motions to approve class actions which its customers or former customers have initiated against it, who consider themselves as having incurred damages or injury due to the Bank's activities in the ordinary course of business. In the opinion of Bank management, based on the opinion of its legal counsel, with respect to the chances of pending claims, including motions to approve class actions and claims which will not be dismissed or canceled, adequate provisions have been included in these financial statements to cover possible damages due to all claims, in cases where a provision was required in accordance with generally accepted accounting principles.
2. On February 23, 2022, a motion to approve a class action was presented to the Bank, which had been filed against the Bank with the Magistrate's Court of Haifa, asserting that the Bank unlawfully collects attorney alerting fees with respect to alert letters which are sent to customers by internal attorneys, and that, in light of the circumstances, no such letters should have been sent to the customers (the petitioner). The Bank filed its response to the motion to approve the class action. In accordance with the Court's recommendation, the parties commenced mediation proceedings.
   According to the assessment of bank management, based on the assessment of its legal counsel, the claim's chances of being accepted are low.
3. The examination report regarding the prohibition on money laundering and terrorism financing, which was conducted by the Bank of Israel regarding the Bank in the months January 2021 - June 2022 identified alleged breaches of the provisions of the banking order on managing risks associated with the prohibition on money laundering and terrorism financing, and of the provisions of Proper Conduct of Banking Business Directive 411. Based on these findings, on October 29, 2024, financial sanctions were imposed on the Bank in the total amount of NIS 2.85 million, in accordance with the decision of the committee on the imposition of financial sanctions regarding banking corporations, pursuant to the Prohibition on Money Laundering Law, 5760-2000 (the "Law"), in connection with a breach of sections 2A, 9 and 31A(3) of the provisions of the Banking Ordinance, and in accordance with the decision of the Commissioner of Banks with respect to a breach of section 32 of Proper Conduct of Banking Business Directive 411.
   The amount of sanctions was reduced to the foregoing amount, inter alia, in light of the Bank's cooperation with the audit staff, and the effectives measures it applied to correct the deficiencies, including the allocation of adequate human and technological resources.
4. On July 3, 2023, a motion to approve a class action was filed against the Bank, alleging that the Bank does not update the interest rate on deposits immediately upon the interest rate increase applied by the Bank of Israel, but rather only one business day later. Similar motions were filed against other banks. The Bank has complied, and continues to comply, with the Bank of Israel's instructions on the matter, and has good defense arguments against the claim. In February 2024, the Bank filed its response to the motion with the Court. According to the assessment of bank management, based on the assessment of its legal counsel, the claim's chances of being accepted are low.
5. On March 19, 2024, the Bank received a statement of claim and a motion to approve the claim as a class action, which were filed against the Bank, alleging that the Bank does not give adequate disclosure to its customers, as required, in connection with the conversion differences which it collects from its customers, in connection with the performance of foreign currency conversion transactions, in the contract with the customer, or in the Bank's price list. Similar motions were filed against additional banks. The Bank has complied, and continues to comply, with the regulatory directives on the matter, and has good defense arguments against the claim. On October 31, 2024, the Court issued a decision in which it dismissed the claim and the motion to approve a class action. On November 13, 2024, the petitioner filed with the Supreme Court an appeal against the decision which dismissed the claim.
6. As of December 31, 2024, the Bank has no significant exposure to claims which were filed against it, or request to impose financial sanctions, the chances of which are not low, except as stated in this chapter.

Note 25A - Contingent Liabilities and Special Engagements (Cont.)

D. **Other contingent liabilities and special engagements**

A. Credit portfolio sale activity during the reporting period:

	As of December 31	
	2024	**2023**
Book value of the sold credit as of the date of sale	918.9	1,148.8
Consideration received in cash	956.3	1,191.8
Total profit from the sale of credit in the period	**37.4**	**43.0**
Balance of the sold loans which are managed by the Bank	3,210.3	2,867.8

The cumulative balance of credit portfolios sold as of December 31, 2024 amounted to approximately NIS 3,210.3 million. For additional details, see Note 29C.

B. Undertakings to invest in private debt funds

	As of December 31	
	2024	**2023**
Undertakings to invest in private debt funds	16.4	23.0

Note 25B - Guarantees

Reported amounts in NIS millions

A. General

In the ordinary course of business, the Bank offers its customers a variety of guarantees and indemnification solutions, in order to improve their credit stability, and to allow them to perform a wide range of business activities.

The guarantee contracts include a conditional demand, that the guarantor banking corporation will pay to the guaranteed party (the indemnifiee), payments based on: (A) Changes to the underlying asset, liability or equity security of the insured party; or (B) Third party failure in the performance of a binding agreement. The primary guarantee arrangements which were provided by the banking corporation as a guarantor include performance guarantees, guarantees to apartment buyers and other financial guarantees. At the beginning of the guarantee, the initial recognition date, the guarantor banking corporation recognizes a liability with respect to the guarantee, which is initially measured according to the guarantee's fair value.

B. Details regarding guarantees by contractual expiration dates:

The determination of the maximum amount of potential future payments which the banking corporation may be required to pay within the framework of the guarantees is based on the par value of the guarantees, without taking into account the possible collection as a result of the provisions of the terms of recourse, or held or pledged collateral.

Presented below are details regarding the book value and the maximum exposure amount to loss with respect to guarantees and indemnifications by the Bank:

	As of December 31, 2024					
	Expiration within one year or less	Expiration in one to 3 years	Expiration in 3 to 5 years	Expiration after 5 years	Total	Balances of contracts
Guarantees to secure credit	97.6	6.2	-	-	103.8	103.8
Guarantees to apartment buyers	0.6	-	-	-	0.6	0.6
Other guarantees and liabilities	96.5	0.7	0.7	0.1	98.0	98.0
Total guarantees	**194.7**	**6.9**	**0.7**	**0.1**	**202.4**	**202.4**

	As of December 31, 2023					
	Expiration within one year or less	Expiration in one to 3 years	Expiration in 3 to 5 years	Expiration after 5 years	Total	Balances of contracts
Guarantees to secure credit	122.4	0.5	-	-	122.9	122.9
Guarantees to apartment buyers	0.6	-	-	-	0.6	0.6
Other guarantees and liabilities	88.4	1.6	-	0.1	90.1	90.1
Total guarantees	**211.4**	**2.1**	**-**	**0.1**	**213.6**	**213.6**

Note 26 - Pledges, Conditions, Restrictive Terms and Securities

A. In accordance with the articles of association of the Maof Clearing House Ltd. (hereinafter: "Maof Clearing House"), the Bank is required, as a member of the Maof Clearing House, to deposit liquid collateral for the entire exposure with respect to activities with derivatives and for its shares in the risk reserve. For this purpose, the Bank pledged in favor of the Maof Clearing House its rights to the following accounts:
   1. An account in the Stock Exchange Clearing House, under the name of the Maof Clearing House, in which are deposited government bonds at a value equal to the entire collateral requirement from the Bank's customers, and with respect to the Bank's share in the risk reserve (hereinafter: the "Collateral Account"). The value of the bonds which were deposited as of December 31, 2024 amounted to a total of NIS 52.8 million (as of December 31, 2023 - NIS 57.2 million).
   2. An account in an Israeli bank under the name of the Maof Clearing House, in which cash will be deposited with a value equal to no less than 25% of the Bank's share in the risk reserve, and additionally, cash will be deposited in this account, which will be paid as yields of securities which will be deposited in the Bank's collateral account. As of December 31, 2024, funds had been deposited in this account in the amount of NIS 28.6 million (as of December 31, 2023: NIS 41.4 million). The accounts specified above are pledged by means of a floating pledge in favor of the Maof Clearing House, and are also pledged by means of a fixed pledge in favor of the Maof Clearing House.

B. As a stock exchange member company, the Bank is required to deposit liquid collateral to secure the fulfillment of all of the liabilities of the Bank's customers towards the Stock Exchange Clearing House, with respect to transactions which were performed in the Stock Exchange Clearing House, and to secure their share in the risk reserve of the Stock Exchange Clearing House. For this purpose, the Bank pledged, in favor of the Stock Exchange Clearing House, by means of a first priority fixed pledge, its rights to the following accounts:
   1. An account in the Stock Exchange Clearing House, under the Bank's name, and which is managed on the Bank's behalf, in which are deposited government bonds at a value equal to the entire collateral requirement from the Bank's customers, and with respect to the Bank's share in the risk reserve. As of December 31, 2024, the bonds have not been pledged for collateral towards the stock exchange (similarly to 2023).
   2. An account at an Israeli bank, under the name of the Stock Exchange Clearing House, in which will be deposited cash in a value equal to no less than 25% of the Bank's share in the risk reserve, and additionally, cash will be deposited in this account, which will be paid as yields of securities which will be deposited in the Bank's collateral account. As of December 31, 2024, funds had been deposited in this account in the amount of NIS 8.6 million (as of December 31, 2023: NIS 7.3 million).

C. For the purpose of securing the credit which had been provided, or which will be provided, by the Bank of Israel to the Bank, within the framework of the Bank's activities in the RTGS system, the Bank pledged, in favor of the Bank of Israel, in accordance with an agreement with it dated January 24, 2011, bonds which are held by the Bank and which were deposited or will be deposited in a designated account managed in the Stock Exchange under the name of the Bank of Israel. The pledge is not restricted to any amount. As of December 31, 2024, collateral was pledged in the amount of NIS 42.8 million (as of December 31, 2023 - NIS 201.8 million). Most of the collateral was pledged vis-à-vis fixed term loans from the Central Bank.

Note 26 - Pledges, Conditions, Restrictive Terms and Securities (Cont.)

D. As part of the agreements between the Bank and institutional entities for the sale of credit which were given by the Bank to its customers, the registrar recorded right assignments on rights of its customers which were sold to the buying entities (and as a result of the sale, were written off from the Bank's balance sheet). Presented below are details regarding the rights assignments which were recorded, as stated above:

1. Pledge as part of the sale of the credit portfolio on April 1, 1991 to Tamar provident fund.
2. Pledge as part of the sale of the credit portfolio on February 1, 2018, to Clal Insurance Company Ltd., Clal Pension and Provident Funds Ltd. and Atudot Pension Fund for Salaried Employees and the Self-Employed Ltd.
3. Pledge as part of an agreement dated October 31, 2018, for the sale of the consumer credit portfolio to Meitav DS Provident and Pension Ltd.
4. Pledge as part of the sale of the credit portfolio on April 30, 2019, to member corporations in the group of Phoenix Insurance Company Ltd.
5. Pledge as part of the sale of the credit portfolio on December 8, 2019, to member corporations in the group of Clal Insurance Company Ltd.
6. Pledge as part of the sale of the credit portfolio on March 11, 2020, to member corporations in the group of Phoenix Insurance Company Ltd.
7. Pledge as part of the sale of the credit portfolio on September 30, 2020, to member corporations in the group of Clal Insurance Company Ltd.
8. Pledge as part of the sale of the credit portfolio on December 16, 2021, to member corporations in the group of Phoenix Insurance Company Ltd.
9. Pledge as part of the sale of the consumer credit portfolio on November 14, 2021, to the subsidiary Tamar Ariel Capital Ltd.
10. Pledge as part of the sale of the credit portfolio on May 17, 2022, to member corporations in the group of Clal Insurance Company Ltd.
11. Pledge as part of the sale of the credit portfolio on June 30, 2022, to Gilad Pension Fund for Religious Employees Ltd.
12. Pledge as part of the sale of the credit portfolio on November 27, 2022, to the old Makefet fund and the old Mivtachim fund.
13. Pledge as part of the sale of the credit portfolio on March 6, 2023, to member corporations in the group of Clal Insurance Company Ltd.
14. Pledge as part of the sale of the credit portfolio on July 23, 2023, to member corporations in the group of Migdal Insurance Company Ltd.
15. Pledge as part of the sale of the credit portfolio on December 21, 2023, to member corporations in the group of Migdal Insurance Company Ltd.
16. Pledge as part of the sale of the credit portfolio on March 20, 2024, to the Makefet fund and the Mivtachim fund of Amitim funds.
17. Pledge as part of the sale of the credit portfolio on June 26, 2024, to member corporations of Menorah Mivtachim Holdings Group Ltd.
18. Pledge as part of the sale of the credit portfolio on July 29, 2024, to member corporations in the group of Clal Insurance Company Ltd.

Details regarding securities which were pledged in favor of Maof Clearing House and the Stock Exchange Clearing House, as specified above (NIS millions)

	As of December 31	
	2024	**2023**
Available for sale securities	52.8	57.2
Held for trading securities	-	-
Total	**52.8**	**57.2**

Note 27 - Activities with Derivative Instruments - Scope, Credit Risks and Repayment Dates

Reported amounts in NIS millions

A. Adoption of directives issued by the Commissioner on the subject of derivative instruments and hedging activities

The Bank's activities as a financial intermediary expose it to a variety of financial risks, including market risks. Market risk includes, inter alia, basis risks, interest rate risks, exchange rate volatility risks, and inflation rate risks. As part of the Bank's comprehensive strategy for managing the exposure level to market risk, as stated above, the Bank executes, inter alia, transactions with derivative financial instruments, in order to reduce its exposure to market risks. The Bank's activities in derivative financial instruments are performed as an intermediary, trader, or end user. The Bank has derivative financial instruments such as future foreign currency swap transactions and forward foreign currency contracts. The Bank does not perform transactions with options to its account (nostro), except for hedging purposes. Transactions with derivative financial instruments are recorded at fair value, and changes in their fair value are routinely recorded in the statement of income.

Additionally, the Bank engages in contracts which in themselves do into constitute derivative instruments, but which do contain embedded derivatives. Regarding each contract, the Bank evaluates whether the economic characteristics of the embedded derivative are clearly and closely associated with those of the host contract, and determines whether a separate instrument, with the same terms as those of the embedded instrument, would have met the definition of a derivative instrument. When it is determined that an embedded derivative has economic characteristics which are not clearly and closely associated with the economic characteristics of the host contract, and that a separate instrument with the same conditions qualified as a derivative instrument, the derivative instrument is separated from the host contract, and treated as an independent derivative. An embedded derivative which has been separated is presented in the balance sheet together with the host contract.

B. Scope of activities on a consolidated basis

1. Par value of derivative instruments

	December 31, 2024			December 31, 2023		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts						
Futures and forward contracts	-	30.2	30.2	-	47.0	47.0
Swaps [1]	250.0	-	250.0	300.0	-	300.0
Total [1]	**250.0**	**30.2**	**280.2**	**300.0**	**47.0**	**347.0**
Of which: hedging derivatives	-	-	-	-	-	-
Foreign currency contracts	-	-	-	-	-	-
Futures and forward contracts [2]	310.9	53.2	364.1	149.9	3.6	153.5
Written options	-	62.9	62.9	-	110.6	110.6
Acquired options	-	62.9	62.9	-	110.6	110.6
Total	**310.9**	**179.0**	**489.9**	**149.9**	**224.8**	**374.7**
Contracts with respect to stocks						
Written options	-	1,320.3	1,320.3	-	429.7	429.7
Acquired options [3]	-	1,320.3	1,320.3	-	429.7	429.7
Total	**-**	**2,640.6**	**2,640.6**	**-**	**859.4**	**859.4**
Credit contracts						
The Bank as beneficiary	30.5	-	30.5	34.9	-	34.9
Total	**30.5**	**-**	**30.5**	**34.9**	**-**	**34.9**
Total par value	**591.4**	**2,849.8**	**3,441.2**	**484.8**	**1,131.2**	**1,616.0**

(1) Of which: NIS/CPI swap transactions as of December 31, 2024 and December 31, 2023 in the amount of NIS 250.0 and 300.0 million, respectively.

(2) Of which: foreign currency spot transactions as of December 31, 2024 and December 31, 2023 in the amount of NIS 75.0 and 15.7 million, respectively.

(3) Of which: listed on the stock exchange as of December 31, 2024 and December 31, 2023 in the amount of NIS 1316.7 and 429.4 million, respectively.

Note 27 - Activities with Derivative Instruments - Scope, Credit Risks and Repayment Dates (Cont.)

Reported amounts in NIS millions

B. Scope of activities on a consolidated basis

2. Gross fair value of derivative instruments

	As of December 31, 2024					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	-	-	-	0.5	0.2	0.7
Foreign currency contracts	-	2.5	2.5	1.4	0.1	1.5
Contracts with respect to stocks	-	0.6	0.6	0.1	0.5	0.6
Commodities contracts and others	-	-	-	-	-	-
Credit contracts	-	-	-	2.3	-	2.3
Total assets / liabilities with respect to derivatives, gross	**-**	**3.1**	**3.1**	**4.3**	**0.8**	**5.1**
Amounts which were set off in the balance sheet	-	-	-	2.3	-	2.3
Balance sheet balance	**-**	**3.1**	**3.1**	**2.0**	**0.8**	**2.8**

	As of December 31, 2023					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	0.4	-	0.4	5.5	0.2	5.7
Foreign currency contracts	0.2	0.4	0.6	0.3	0.3	0.6
Contracts with respect to stocks	-	0.3	0.3	0.7	0.3	1.0
Credit contracts	-	-	-	1.6	-	1.6
Total assets / liabilities with respect to derivatives, gross	**0.6**	**0.7**	**1.3**	**8.1**	**0.8**	**8.9**
Amounts which were set off in the balance sheet	-	-	-	1.6	-	1.6
Balance sheet balance	**0.6**	**0.7**	**1.3**	**6.5**	**0.8**	**7.3**

Note 27 - Activities with Derivative Instruments - Scope, Credit Risks and Repayment Dates (Cont.)

Reported amounts in NIS millions

A. Credit risk with respect to derivative instruments by counterparty in the contract

	December 31, 2024						
	Stock exchanges	Banks	Dealers / brokers	Governments and central banks	Institutional entities	Others	Total
Book value of assets with respect to derivative instruments [2]	0.6	2.5	-	-	-	-	3.1
Gross amounts which were not set off in the balance sheet:	-	-	-	-	-	-	-
Amortization of credit risk with respect to security received in cash	-	-	-	-	-	-	-
Net amount of assets with respect to derivative instruments	**0.6**	**2.5**	**-**	**-**	**-**	**-**	**3.1**
Off-balance sheet credit risks, net, with respect to derivative instruments [1]	15.6	-	-		-	-	15.6
Total credit risk with respect to derivative instruments	**16.2**	**2.5**	**-**	**-**	**-**	**-**	**18.7**
Balance sheet balance of liabilities with respect to derivative instruments	0.6	2.0	0.2			2.3	5.1
Gross amounts which were not set off in the balance sheet:	-	-	-	-	-	-	-
Pledged collateral in cash							
Net amount of liabilities with respect to derivative instruments	**0.6**	**2.0**	**0.2**	**-**	**-**	**2.3**	**5.1**

	December 31, 2023						
	Stock exchanges	Banks	Dealers / brokers	Governments and central banks	Institutional entities	Others	Total
Book value of assets with respect to derivative instruments [2]	0.7	0.7	-	-	-	-	1.4
Gross amounts which were not set off in the balance sheet:	-	-	-	-	-	-	-
Amortization of credit risk with respect to security received in cash	-	-	-	-	-	-	-
Net amount of assets with respect to derivative instruments	**0.7**	**0.7**	**-**	**-**	**-**	**-**	**1.4**
Off-balance sheet credit risks, net, with respect to derivative instruments [1]	17.5		-	-	-	-	17.5
Total credit risk with respect to derivative instruments	**18.2**	**0.7**	**-**	**-**	**-**	**-**	**18.9**
Balance sheet balance of liabilities with respect to derivative instruments	0.6	6.0	-	-	-	2.3	8.9
Gross amounts which were not set off in the balance sheet:	-	-	-	-	-	-	-
Pledged collateral in cash							
Net amount of liabilities with respect to derivative instruments	**0.6**	**6.0**	**-**	**-**	**-**	**2.3**	**8.9**

Note 27 - Activities with Derivative Instruments - Scope, Credit Risks and Repayment Dates (Cont.)

Reported amounts in NIS millions

B. Details regarding repayment dates (par value amounts)

	As of December 31, 2024				
	Up to 3 months	3 months to one year	One to 5 years	Over 5 years	Total
	(Unaudited)				
Interest contracts - NIS/CPI	30.2	250.0	-	-	280.2
Interest contracts (other)	-	-	-	-	-
Foreign currency contracts	461.4	28.5	-	-	489.9
Contracts with respect to stocks	2,637.1	0.6	2.9	-	2,640.6
Credit contracts	-	-	-	30.5	30.5
Total	**3,128.7**	**279.1**	**2.9**	**30.5**	**3,441.2**

	As of December 31, 2023				
Total	**1,430.4**	**150.0**	**0.7**	**34.9**	**1,616.0**

(1) The difference is positive between all amounts with respect to derivative instruments (including derivative instruments with a negative fair value) which were included under the borrower's debt, as calculated for the purpose of restrictions on the borrower's debt, before the amortization of credit risk, and the balance sheet balance of assets with respect to the borrower's derivative instruments.

(2) Of which, the balance sheet balance of independent derivative instruments as of December 31, 2024 and December 31, 2023 amounts to NIS 2.3 million and NIS 1.4 million, respectively, as included under the item for assets with respect to derivative instruments.

(3) The total balance is subject to the net arrangements regarding the settling of accounts, or to similar arrangements.

Note 28 - Supervised Operating Segments

1. Definitions

(1) Private individuals - individuals, including individuals who manage joint accounts, who, as of the reporting date, have no debts to the Bank, or whose debts are classified under the market segment “private individuals - housing loans and other”.

(2) Private banking segment - private individuals where the balance of their financial assets portfolio in the Bank, on a consolidated basis (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.

(3) Households - private individuals, excluding customers included under private banking.

(4) Business - customers who are not included under the definition of “private individuals” and who are not an institutional entity or banking corporation.

(5) Business turnover - annual sales turnover or annual income turnover.

(6) Micro business - businesses with a turnover of less than NIS 10 million.

(7) Small business - businesses with a turnover greater than or equal to NIS 10 million, and less than NIS 50 million.

(8) Medium business - businesses with a turnover greater than or equal to NIS 50 million, and less than NIS 250 million.

(9) Large business - businesses with a turnover greater than NIS 250 million.

(10) Financial management segment - will include the following activities: trading activities - investment in held for trading securities, market making activities regarding securities and derivative instruments, activities with derivative instruments which are not designated for hedging and are not a part of the banking corporation’s assets and liabilities, repurchasing and borrowing transactions of held for trading securities, short sales of securities, underwriting services of securities, activities involved in the management of assets and liabilities - including investment in available for sale bonds and in held to maturity bonds, which were not associated with other segment, derivatives which are a part of the management of assets and liabilities, deposits in banks and from banks in Israel and abroad, deposits in governments and of governments, real investment activities - investment in available for sale stocks, other - management, operation, trust and safeguarding services for banks, consulting services, sale and credit portfolio management activities, and financial product development activities.

(11) Managed assets - securities of customers, loans managed by the Bank and assets due to the activity, by collection rate.

2. Main principles which were applied in the division of the results of operations among the various segments:

Interest income, net - Margin received from the difference between the credit interest which was provided to the segment’s customers and the price of money (the economic transfer price which corresponds to the linkage segment and the credit’s average lifetime) and profit received from the difference between the deposit interest rate which was provided to the segment’s customers and the price of money (the economic transfer price which corresponds to the linkage segment and the average deposit lifetime).

Non-interest income - Non-interest income is directly carried to the segment where the customer activity is classified.

Expenses with respect to credit losses - The provision was carried to the operating segment under which the customer activity for which the provision was performed is classified. Similarly, a collection from a provision which was performed or reduced was also attributed to the segment under which the customer’s activity is classified.

Operating and other expenses - Identifiable direct expenses were specifically carried to the operating segments. The balance of indirect expenses or direct expenses which were not directly attributed, was attributed according to the model which was used to attribute these expenses, based on the proportion of direct positions in the segment, relative to all positions in the Bank, which constitutes a best estimate of the customer’s scope of activities in the operating segment.

Taxes on income - Taxes were calculated according to the effective tax rate, and were attributed accordingly to each segment.

Relevant comments regarding the following tables:

(1) This segment includes activities with large businesses of an immaterial scope.

(2) As of December 31, 2024, includes credit backed by vehicle loans and general purpose credit in the amount of NIS 189.4 million (as of December 31, 2023 - NIS 176.6 million).

(3) For details regarding the increase in the provision for credit losses as of December 31, 2024, see Note 29 - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses.

(4) The disclosure was expanded prospectively following a circular which was published on January 9, 2024 by the Commissioner of Banks, regarding “Improvement of disclosure regarding interest rate risks and supervised operating segments”.

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - Activity in Israel

	For the year ended December 31, 2024 (audited) activity in Israel							
	Households							
	Total households	Of which: housing loans	Private banking	Small and micro businesses	Medium and large businesses [(1)]	Institutional entities	Financial management segment	Total
Interest income from externals	899.3	660.4	0.5	267.7	67.0	-	252.9	1,487.4
Interest expenses from externals	403.0	-	118.7	30.8	18.5	74.6	138.2	783.8
Interest income, net:								
From externals	496.3	660.4	(118.2)	236.9	48.5	(74.6)	114.7	703.6
Inter-segmental	(45.2)	(458.9)	140.5	(111.5)	(13.3)	81.5	(52.0)	-
Total interest income, net	451.1	201.5	22.3	125.4	35.2	6.9	62.7	703.6
Total non-interest income	79.9	8.4	4.9	33.9	12.4	-	80.3	211.4
Total income	**531.0**	**209.9**	**27.2**	**159.3**	**47.6**	**6.9**	**143.0**	**915.0**
Expenses (income) with respect to credit losses	62.5	(2.4)	-	9.6	1.9	-	5.7	79.7
Operating and other expenses	470.8	185.7	17.8	57.4	20.8	5.9	18.2	590.9
Profit (loss) before taxes	**(2.3)**	**26.6**	**9.4**	**92.3**	**24.9**	**1.0**	**119.1**	**244.4**
Provision for taxes on income	(0.7)	9.2	3.2	31.6	8.5	0.3	40.7	83.6
Profit (loss) after tax	**(1.6)**	**17.4**	**6.2**	**60.7**	**16.4**	**0.7**	**78.4**	**160.8**
Before attribution to non-controlling interests	(1.6)	17.4	6.2	60.7	16.4	0.7	78.4	160.8
Attributed to non-controlling interests	6.2	-	-	-	-	-	-	6.2
Attributed to the Bank's shareholders	(7.8)	17.4	6.2	60.7	16.4	0.7	78.4	154.6
Out of total operating and other expenses:								
Direct expenses	289.2	99.3	10.8	32.4	10.0	3.5	9.3	355.2
Indirect expenses	181.6	86.4	7.0	25.0	10.8	2.4	8.9	235.7
Net profit before loading indirect expenses	**117.5**	**73.9**	**10.8**	**78.0**	**23.5**	**2.4**	**84.3**	**316.5**
Average balance of assets	11,159.4	9,615.0	24.8	3,137.4	828.4	-	7,128.5	22,278.5
Average balance of credit to the public	11,159.4	9,615.0	24.8	3,137.4	828.4	-	196.9	15,346.9
Balance of credit to the public at the end of the reporting period	11,179.4	9,692.5	13.2	3,345.4	933.3	-	189.4	15,660.7
Balance of non-accruing debts and debts in arrears of over 90 days	164.1	146.2	-	48.2	2.7	-	1.9	216.9
Balance of other troubled debts	9.4	-	-	30.5	-	-	5.3	45.2
Balance of the provision for credit losses at the end the reporting period	187.5	54.7	-	19.7	5.3	-	11.9	224.4
Net accounting write-offs during the reporting period	62.4	0.5	-	0.3	-	-	7.6	70.3
Average balance of liabilities	10,885.2	-	2,929.5	1,138.6	656.6	1,727.2	3,509.6	20,846.7
Of which: average balance of public deposits	10,885.2	-	2,929.5	1,138.6	656.6	1,727.2	-	17,337.1
Balance of public deposits at the end of the reporting period	10,981.1	-	2,998.3	1,252.9	596.0	1,958.1	-	17,786.4
Average balance of risk assets	7,840.2	5,879.6	62.5	3,349.4	1,147.5	9.0	1,154.3	13,562.9
Balance of risk assets at the end of the reporting period	7,785.6	5,778.7	62.1	3,647.1	1,247.1	11.3	1,175.9	13,929.1
Average balance of managed assets	1,818.4	237.3	1,392.9	387.7	1,136.7	119.6	3,085.6	7,940.9
Separation of interest income, net:								
Margin from credit provision activity	306.5	178.2	0.1	89.3	23.4	-	18.9	438.2
Margin from deposits receipt activity	102.6	-	20.2	25.7	9.1	6.3	-	163.9
Other	42.0	23.3	2.0	10.4	2.7	0.6	43.8	101.5
Total interest income, net	**451.1**	**201.5**	**22.3**	**125.4**	**35.2**	**6.9**	**62.7**	**703.6**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - private individuals - households and private banking - activity in Israel

	For the year ended December 31, 2024				
	Households segment				
	Housing loans	Other	Total households	Total private banking	Total
Interest income from externals	660.4	238.9	899.3	0.5	899.8
Interest expenses from externals	-	403.0	403.0	118.7	521.7
Interest income, net:					
From externals	660.4	(164.1)	496.3	(118.2)	378.1
Inter-segmental	(458.9)	413.7	(45.2)	140.5	95.3
Total interest income, net	**201.5**	**249.6**	**451.1**	**22.3**	**473.4**
Total non-interest income	8.4	71.5	79.9	4.9	84.8
Total income	**209.9**	**321.1**	**531**	**27.2**	**558.2**
Expenses (income) with respect to credit losses	(2.4)	64.9	62.5	-	62.5
Operating and other expenses	185.7	285.1	470.8	17.8	488.6
Profit (loss) before taxes	**26.6**	**(28.9)**	**(2.3)**	**9.4**	**7.1**
Provision for taxes on income	9.2	(9.9)	(0.7)	3.2	2.5
Profit after taxes	**17.4**	**(19.0)**	**(1.6)**	**6.2**	**4.6**
Before attribution to non-controlling interests	17.4	(19.0)	(1.6)	6.2	4.6
Attributed to non-controlling interests	-	6.2	6.2	-	6.2
Attributed to the Bank's shareholders	17.4	(25.2)	(7.8)	6.2	(1.6)
Out of total operating and other expenses:					
Direct expenses	99.3	189.9	289.2	10.8	300.0
Indirect expenses	86.4	95.2	181.6	7.0	188.6
Net profit before loading indirect expenses	**73.9**	**43.6**	**117.5**	**10.8**	**128.3**
Average balance of assets	9,615.0	1,544.4	11,159.4	24.8	11,184.2
Average balance of credit to the public	9,615.0	1,544.4	11,159.4	24.8	11,184.2
Balance of credit to the public at the end of the reporting period	9,692.5	1,486.9	11,179.4	13.2	11,192.6
Balance of non-accruing debts	146.2	5.8	152.0	-	152.0
Balance of debts in arrears of over 90 days	-	12.1	12.1	-	12.1
Balance of other troubled debts	-	9.4	9.4	-	9.4
Balance of the provision for credit losses at the end the reporting period	54.7	132.8	187.5	-	187.5
Net accounting write-offs during the reporting period	0.5	61.9	62.4	-	62.4
Average balance of liabilities	-	10,885.2	10,885.2	2,929.5	13,814.7
Of which: average balance of public deposits	-	10,885.2	10,885.2	2,929.5	13,814.7
Balance of public deposits at the end of the reporting period	-	10,981.1	10,981.1	2,998.3	13,979.4
Average balance of risk assets	5,879.6	1,960.6	7,840.2	62.5	7,902.7
Balance of risk assets at the end of the reporting period	5,778.7	2,006.9	7,785.6	62.1	7,847.7
Average balance of managed assets	237.3	1,581.1	1,818.4	1,392.9	3,211.3
Separation of interest income, net:					
Margin from credit provision activity	178.2	128.3	306.5	0.1	306.6
Margin from deposits receipt activity	-	102.6	102.6	20.2	122.8
Other	23.3	18.7	42.0	2.0	44.0
Total interest income, net	**201.5**	**249.6**	**451.1**	**22.3**	**473.4**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - Micro, small, medium and large businesses - activity in Israel

	For the year ended December 31, 2024						
	Small and micro businesses segment			Medium and large business segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
Interest income from externals	240.0	27.7	267.7	66.3	0.7	67.0	334.7
Interest expenses from externals	10.4	20.4	30.8	5.0	13.5	18.5	49.3
Interest income, net:							
From externals	229.6	7.3	236.9	61.3	(12.8)	48.5	285.4
Inter-segmental	(128.5)	17.0	(111.5)	(28.2)	14.9	(13.3)	(124.8)
Total interest income, net	**101.1**	**24.3**	**125.4**	**33.1**	**2.1**	**35.2**	**160.6**
Total non-interest income	17.7	16.2	33.9	11.9	0.5	12.4	46.3
Total income	**118.8**	**40.5**	**159.3**	**45**	**2.6**	**47.6**	**206.9**
Expenses (income) with respect to credit losses	8.2	1.4	9.6	1.9	-	1.9	11.5
Operating and other expenses	19.0	38.4	57.4	19.3	1.5	20.8	78.2
Profit (loss) before taxes	**91.6**	**0.7**	**92.3**	**23.8**	**1.1**	**24.9**	**117.2**
Provision for taxes on income	31.4	0.2	31.6	8.1	0.4	8.5	40.1
Profit after taxes	**60.2**	**0.5**	**60.7**	**15.7**	**0.7**	**16.4**	**77.1**
Before attribution to non-controlling interests	60.2	0.5	60.7	15.7	0.7	16.4	77.1
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to the Bank's shareholders	60.2	0.5	60.7	15.7	0.7	16.4	77.1
Out of total operating and other expenses:							
Direct expenses	9.1	23.3	32.4	9.1	0.9	10.0	42.4
Indirect expenses	9.9	15.1	25.0	10.2	0.6	10.8	35.8
Net profit before loading indirect expenses	**66.7**	**11.3**	**78.0**	**22.4**	**1.1**	**23.5**	**101.5**
Average balance of assets	2,730.5	406.9	3,137.4	821.4	7.0	828.4	3,965.8
Average balance of credit to the public	2,730.5	406.9	3,137.4	821.4	7.0	828.4	3,965.8
Balance of credit to the public at the end of the reporting period	2,887.3	458.1	3,345.4	922.9	10.4	933.3	4,278.7
Balance of impaired debts	38.7	0.8	39.5	2.7	-	2.7	42.2
Balance of debts in arrears of over 90 days	3.0	5.7	8.7	-	-	-	8.7
Balance of other troubled debts	27.3	3.2	30.5	-	-	-	30.5
Balance of the provision for credit losses at the end the reporting period	17.4	2.3	19.7	5.2	0.1	5.3	25.0
Net accounting write-offs during the reporting period	-	0.3	0.3	-	-	-	0.3
Average balance of liabilities	574.2	564.4	1,138.6	290.5	366.1	656.6	1,795.2
Of which: average balance of public deposits	574.2	564.4	1,138.6	290.5	366.1	656.6	1,795.2
Balance of public deposits at the end of the reporting period	695.4	557.5	1,252.9	325.1	270.9	596.0	1,848.9
Average balance of risk assets	2,926.8	422.6	3,349.4	1,107.0	40.5	1,147.5	4,496.9
Balance of risk assets at the end of the reporting period	3,142.0	505.1	3,647.1	1,239.0	8.1	1,247.1	4,894.2
Average balance of managed assets	21.7	366.0	387.7	1,108.5	28.2	1,136.7	1,524.4
Separation of interest income, net:							
Margin from credit provision activity	79.1	10.2	89.3	23.2	0.2	23.4	112.7
Margin from deposits receipt activity	14.5	11.2	25.7	7.4	1.7	9.1	34.8
Other	7.5	2.9	10.4	2.5	0.2	2.7	13.1
Total interest income, net	**101.1**	**24.3**	**125.4**	**33.1**	**2.1**	**35.2**	**160.6**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - financial management segment - activity in Israel

	For the year ended December 31, 2024				
	Financial management segment				
	Trading activity	**Management of assets and liabilities activity**	**Real investing activities**	**Other**	**Total**
Interest income from externals	5.6	247.3	-	-	252.9
Interest expenses from externals	-	138.2	-	-	138.2
Interest income, net:	-	-	-	-	-
From externals	5.6	109.1	-	-	114.7
Inter-segmental	(5.6)	(46.4)	-	-	(52.0)
Total interest income, net	**-**	**62.7**	**-**	**-**	**62.7**
Total non-interest income	16.6	(4.9)	-	68.6	80.3
Total income	**16.6**	**57.8**	**-**	**68.6**	**143.0**
Expenses with respect to credit losses	-	5.7	-	-	5.7
Operating and other expenses	9.8	8.4	-	-	18.2
Profit before taxes	**6.8**	**43.7**	**-**	**68.6**	**119.1**
Provision for taxes on income (tax savings)	2.3	14.9	-	23.5	40.7
Profit after taxes	**4.5**	**28.8**	**-**	**45.1**	**78.4**
Before attribution to non-controlling interests	4.5	28.8	-	45.1	78.4
Attributed to non-controlling interests	-	-	-	-	-
Attributed to the Bank's shareholders	4.5	28.8	-	45.1	78.4
Out of total operating and other expenses:					
Direct expenses	4.5	4.8	-	-	9.3
Indirect expenses	5.3	3.6	-	-	8.9
Net profit before loading indirect expenses	**8.0**	**31.2**	**-**	**-**	**84.3**
Average balance of assets	-	7,128.5	-	-	7,128.5
Average balance of liabilities	-	3,509.6	-	-	3,509.6
Average balance of risk assets	147.4	1,006.9	-	-	1,154.3
Balance of risk assets at the end of the reporting period	210.2	965.7	-	-	1,175.9
Average balance of managed assets	-	3,085.6	-	-	3,085.6
Components of interest income, net, and non-interest financing income	-	-	-	-	-
Exchange differences, net	(1.5)	(1.9)	-	-	(3.4)
Index differences, net	12.0	29.0	-	-	41.0
Interest exposure, net	1.5	25.7	-	-	27.2
Exposures to shares, net	4.6	-	-	-	4.6
Interest margins associated with financial management	-	5.0	-	-	5.0
Total interest income, net, and non-interest income on an accrual basis	16.6	57.8	-	-	74.4
Profit or loss from the sale or non-temporary impairment of bonds	-	-	-	-	-
Change in difference between the fair value and the accrual basis of derivative instruments, which was recorded in profit and loss	-	-	-	-	-
Other non-interest income	-	-	-	68.6	68.6
Total interest income, net, and non-interest financing income	**16.6**	**57.8**	**-**	**68.6**	**143.0**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - activity in Israel

	For the year ended December 31, 2023							
	Households							
	Total households	Of which: housing loans	Private banking	Small and micro businesses	Medium and large businesses	Institutional entities	Financial management segment	Total
Interest income from externals	918.1	695.5	1.1	209.7	52.2	-	189.8	1,370.9
Interest expenses from externals	330.8	-	84.5	21.4	25.5	51.5	125.5	639.2
Interest income, net:								
From externals	587.3	695.5	(83.4)	188.3	26.7	(51.5)	64.3	731.7
Inter-segmental	(124.5)	(479.7)	103.9	(82.2)	3.1	56.9	42.8	-
Total interest income, net	**462.8**	**215.8**	**20.5**	**106.1**	**29.8**	**5.4**	**107.1**	**731.7**
Total non-interest income	67.6	11.1	5.0	28.8	12.2	-	47.2	160.8
Total income	**530.4**	**226.9**	**25.5**	**134.9**	**42.0**	**5.4**	**154.3**	**892.5**
Expenses (income) with respect to credit losses	118.4	9.2	-	5.9	1.4	-	7.6	133.3
Operating and other expenses	465.6	170.6	11.1	39.7	11.4	2.4	16.0	546.2
Profit (loss) before taxes	**(53.6)**	**47.1**	**14.4**	**89.3**	**29.2**	**3.0**	**130.7**	**213.0**
Provision for taxes on income	(19.2)	16.8	5.2	31.9	10.4	1.1	46.9	76.3
Profit (loss) after tax	**(34.4)**	**30.3**	**9.2**	**57.4**	**18.8**	**1.9**	**83.8**	**136.7**
Before attribution to non-controlling interests	(34.4)	30.3	9.2	57.4	18.8	1.9	83.8	136.7
Attributed to non-controlling interests	2.1	-	-	-	-	-	-	2.1
Attributed to the Bank's shareholders	(36.5)	30.3	9.2	57.4	18.8	1.9	83.8	134.6
Out of total operating and other expenses:								
Direct expenses	292.4	96.3	7.0	21.7	5.8	1.7	7.9	336.5
Indirect expenses	173.2	74.3	4.1	18.0	5.6	0.7	8.1	209.7
Net profit before loading indirect expenses	**76.9**	**78.1**	**11.8**	**69.0**	**22.4**	**2.3**	**89.0**	**271.4**
Average balance of assets	11,397.4	9,759.6	14.8	2,486.9	830.4	-	5,766.0	20,495.5
Average balance of credit to the public	11,397.4	9,759.6	14.8	2,486.9	830.4	-	218.6	14,948.1
Balance of credit to the public at the end of the reporting period	11,445.1	9,834.1	10.5	2,904.4	745.6	-	176.7	15,282.3
Balance of non-accruing debts and debts in arrears of over 90 days	145.3	132.8	-	2.9	78.9	-	2.0	169.1
Balance of other troubled debts	10.5	-	-	-	-	-	6.0	16.5
Balance of the provision for credit losses at the end the reporting period	187.4	57.6	-	11.0	2.7	-	13.9	215.0
Net accounting write-offs during the reporting period	73.8	0.7	-	-	-	-	6.8	80.6
Average balance of liabilities	9787.5	-	2683.1	960.5	882.4	1093.7	3772.6	19179.8
Of which: average balance of public deposits	9,787.5	-	2,683.1	960.5	882.4	1,093.7	-	15,407.2
Balance of public deposits at the end of the reporting period	10,338.4	-	2,840.5	980.9	716.1	1,603.2	-	16,479.1
Average balance of risk assets	7,645.3	5,833.2	39.0	2,935.0	736.9	5.0	1,087.8	12,449.0
Balance of risk assets at the end of the reporting period	7,774.9	5,838.0	44.2	3,184.8	994.9	7.8	1,028.0	13,034.6
Average balance of managed assets	1,745.5	272.6	1,215.6	359.9	850.4	105.2	2,756.2	7,032.8
Separation of interest income, net:								
Margin from credit provision activity	329.3	187.9	0.3	73.5	17.1	-	14.9	435.1
Margin from deposits receipt activity	88.4	-	18.8	25.0	10.7	4.9	-	147.8
Other	45.1	27.9	1.4	7.6	2	0.5	92.2	148.8
Total interest income, net	**462.8**	**215.8**	**20.5**	**106.1**	**29.8**	**5.4**	**107.1**	**731.7**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - private individuals - households and private banking - activity in Israel

	For the year ended December 31, 2023				
	Households segment				
	Housing loans	Other	Total households	Total private banking	Total
Interest income from externals	695.5	222.6	918.1	1.1	919.2
Interest expenses from externals	-	330.8	330.8	84.5	415.3
Interest income, net:					
From externals	695.5	(108.2)	587.3	(83.4)	503.9
Inter-segmental	(479.7)	355.2	(124.5)	103.9	(20.6)
Total interest income, net	**215.8**	**247.0**	**462.8**	**20.5**	**483.3**
Total non-interest income	11.1	56.5	67.6	5.0	72.6
Total income	**226.9**	**303.5**	**530.4**	**25.5**	**555.9**
Expenses (income) with respect to credit losses	9.2	109.2	118.4	-	118.4
Operating and other expenses	170.6	295.0	465.6	11.1	476.7
Profit (loss) before taxes	**47.1**	**(100.7)**	**(53.6)**	**14.4**	**(39.2)**
Provision for taxes on income	16.8	(36.0)	(19.2)	5.2	(14.0)
Profit (loss) after tax	**30.3**	**(64.7)**	**(34.4)**	**9.2**	**(25.2)**
Before attribution to non-controlling interests	30.3	(64.7)	(34.4)	9.2	(25.2)
Attributed to non-controlling interests	-	2.1	2.1	-	2.1
Attributed to the Bank's shareholders	30.3	(66.8)	(36.5)	9.2	(27.3)
Out of total operating and other expenses:					
Direct expenses	96.3	196.1	292.4	7.0	299.4
Indirect expenses	74.3	98.9	173.2	4.1	177.3
Net profit before loading indirect expenses	**78.1**	**(1.2)**	**76.9**	**11.8**	**88.7**
Average balance of assets	9,759.6	1,637.8	11,397.4	14.8	11,412.2
Average balance of credit to the public	9,759.6	1,637.8	11,397.4	14.8	11,412.2
Balance of credit to the public at the end of the reporting period	9,834.1	1,611.0	11,445.1	10.5	11,455.6
Balance of non-accruing debts	132.8	1.3	134.1	-	134.1
Balance of debts in arrears of over 90 days	-	11.2	11.2	-	11.2
Balance of other troubled debts	-	21.7	21.7	-	21.7
Balance of the provision for credit losses at the end the reporting period	57.6	129.8	187.4	-	187.4
Net accounting write-offs during the reporting period	0.7	73.1	73.8	-	73.8
Average balance of liabilities	-	9787.5	9787.5	2683.1	12470.6
Of which: average balance of public deposits	-	9,787.5	9,787.5	2,683.1	12,470.6
Balance of public deposits at the end of the reporting period	-	10,338.4	10,338.4	2,840.5	13,178.9
Average balance of risk assets	5,833.2	1,812.1	7,645.3	39.0	7,684.3
Balance of risk assets at the end of the reporting period	5,838.0	1,936.9	7,774.9	44.2	7,819.1
Average balance of managed assets	272.6	1,472.9	1,745.5	1,215.6	2,961.1
Separation of interest income, net:					
Margin from credit provision activity	187.9	141.4	329.3	0.3	329.6
Margin from deposits receipt activity	-	88.4	88.4	18.8	107.2
Other	27.9	17.2	45.1	1.4	46.5
Total interest income, net	**215.8**	**247.0**	**462.8**	**20.5**	**483.3**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - Micro, small, medium and large businesses - activity in Israel

	For the year ended December 31, 2023						
	Small and micro businesses segment			Medium and large business segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
Interest income from externals	189.9	19.8	209.7	52.1	0.1	52.2	261.9
Interest expenses from externals	7.0	14.4	21.4	6.2	19.3	25.5	46.9
From externals	182.9	5.4	188.3	45.9	(19.2)	26.7	215.0
Inter-segmental	(95.6)	13.4	(82.2)	(17.7)	20.8	3.1	(79.1)
Total interest income, net	**87.3**	**18.8**	**106.1**	**28.2**	**1.6**	**29.8**	**135.9**
Total non-interest income	21.3	7.5	28.8	11.3	0.9	12.2	41.0
Total income	**108.6**	**26.3**	**134.9**	**39.5**	**2.5**	**42.0**	**176.9**
Expenses (income) with respect to credit losses	4.5	1.4	5.9	1.4	-	1.4	7.3
Operating and other expenses	21.4	18.3	39.7	11.2	0.2	11.4	51.1
Profit (loss) before taxes	**82.7**	**6.6**	**89.3**	**26.9**	**2.3**	**29.2**	**118.5**
Provision for taxes on income	29.6	2.3	31.9	9.6	0.8	10.4	42.3
Profit (loss) after tax	**53.1**	**4.3**	**57.4**	**17.3**	**1.5**	**18.8**	**76.2**
Before attribution to non-controlling interests	53.1	4.3	57.4	17.3	1.5	18.8	76.2
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to the Bank's shareholders	53.1	4.3	57.4	17.3	1.5	18.8	76.2
Out of total operating and other expenses:							
Direct expenses	10.9	10.8	21.7	5.7	0.1	5.8	27.5
Indirect expenses	10.5	7.5	18.0	5.5	0.1	5.6	23.6
Net profit before loading indirect expenses	**59.8**	**9.2**	**69.0**	**20.8**	**1.6**	**22.4**	**91.4**
Average balance of assets	2,235.9	251.0	2,486.9	829.9	0.5	830.4	3,317.3
Average balance of credit to the public	2,235.9	251.0	2,486.9	829.9	0.5	830.4	3,317.3
Balance of credit to the public at the end of the reporting period	2,607.2	297.2	2,904.4	744.0	1.6	745.6	3,650.0
Balance of non-accruing debts	18.9	-	18.9	-	-	-	18.9
Balance of debts in arrears of over 90 days	2.9	-	2.9	-	-	-	2.9
Balance of other troubled debts	2.9	-	2.9	-	-	-	2.9
Balance of the provision for credit losses at the end the reporting period	2.4	-	2.4	11.3	-	11.3	13.7
Net accounting write-offs during the reporting period	-	-	-	-	-	-	-
Average balance of liabilities	498.3	462.2	960.5	346.1	536.3	882.4	1842.9
Of which: average balance of public deposits	498.3	462.2	960.5	346.1	536.3	882.4	1,842.9
Balance of public deposits at the end of the reporting period	424.1	556.8	980.9	254.4	461.7	716.1	1,697.0
Average balance of risk assets	2,685.5	249.5	2,935.0	683.4	53.5	736.9	3,671.9
Balance of risk assets at the end of the reporting period	2,788.8	396.0	3,184.8	940.4	54.5	994.9	4,179.7
Average balance of managed assets	21.1	338.8	359.9	839.9	10.5	850.4	1210.3
Separation of interest income, net:							
Margin from credit provision activity	66.0	7.5	73.5	17.1	-	17.1	90.6
Margin from deposits receipt activity	15.1	9.9	25.0	9.2	1.5	10.7	35.7
Other	6.2	1.4	7.6	1.9	0.1	2	9.6
Total interest income, net	**87.3**	**18.8**	**106.1**	**28.2**	**1.6**	**29.8**	**135.9**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - financial management segment - activity in Israel

	For the year ended December 31, 2023				
	Financial management segment				
	Trading activity	Management of assets and liabilities activity	Real investing activities	Other	Total
Interest income from externals	13.7	176.1	-	-	189.8
Interest expenses from externals	-	125.5	-	-	125.5
Interest income, net:					
From externals	13.7	50.6	-	-	64.3
Inter-segmental	(13.7)	56.5	-	-	42.8
Total interest income, net	**-**	**107.1**	**-**	**-**	**107.1**
Total non-interest income	8.7	(14.7)	-	53.2	47.2
Total income	**8.7**	**92.4**	**-**	**53.2**	**154.3**
Expenses (income) with respect to credit losses	-	7.6	-	-	7.6
Operating and other expenses	3.7	12.3	-	-	16.0
Profit (loss) before taxes	**5.0**	**72.5**	**-**	**53.2**	**130.7**
Provision for taxes on income	8.9	18.9	-	19.1	46.9
Profit (loss) after tax	**(3.9)**	**53.6**	**-**	**34.1**	**83.8**
Before attribution to non-controlling interests	(3.9)	53.6	-	34.1	83.8
Attributed to non-controlling interests	-	-	-	-	-
Attributed to the Bank’s shareholders	(3.9)	53.6	-	34.1	83.8
Out of total operating and other expenses:					
Direct expenses	1.7	6.2	-	-	7.9
Indirect expenses	2.0	6.1	-	-	8.1
Net profit before loading indirect expenses	**(5.5)**	**58.1**	**-**	**36.4**	**89.0**
Average balance of assets	-	5,766.0	-	-	5,766.0
Average balance of liabilities	-	3,772.6	-	-	3,772.6
Of which: average balance of public deposits	-	-	-	-	-
Balance of public deposits at the end of the reporting period	-	-	-	-	-
Average balance of risk assets	15.1	1,072.7	-	-	1,087.8
Balance of risk assets at the end of the reporting period	9.3	1,018.7	-	-	1,028.0
Average balance of managed assets	-	2,756.2	-	-	2,756.2
Components of interest income, net, and non-interest financing income					
Exchange differences, net	(1.2)	(12.4)	-	-	(13.6)
Index differences, net	-	18.0	-	-	18.0
Interest exposure, net	9.3	11.9	-	-	21.2
Exposures to shares, net	0.6	-	-	-	0.6
Interest margins associated with financial management	-	75.4	-	-	75.4
Total interest income, net, and non-interest income on an accrual basis	8.7	92.9	-	-	101.6
Profit or loss from the sale or non-temporary impairment of bonds	-	(0.5)	-	-	(0.5)
Change in difference between the fair value and the accrual basis of derivative instruments, which was recorded in profit and loss	-	-	-	-	-
Other non-interest income	-	-	-	53.2	53.2
Total interest income, net, and non-interest financing income	**8.7**	**92.4**	**-**	**53.2**	**154.3**

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - activity in Israel

	For the year ended December 31, 2022							
	Households	Private banking	Small and micro businesses	Medium and large businesses	Institutional entities	Financial management segment	Unallocated amounts and adjustments	Total
Interest income from externals	740.5	-	97.6	15.8	-	52.8	-	906.7
Interest expenses from externals	113.2	24.9	7.9	4.5	10.4	150.6	-	311.5
Interest income, net:								
From externals	627.3	(24.9)	89.7	11.3	(10.4)	(97.8)	-	595.2
Inter-segmental	(260.5)	31.9	(26.3)	3.2	12.5	239.2	-	-
Total interest income, net	**366.8**	**7.0**	**63.4**	**14.5**	**2.1**	**141.4**	**-**	**595.2**
Total non-interest income	63.1	4.1	33.1	10.0	-	114.4	13.3	224.7
Total income	**429.9**	**11.1**	**96.5**	**24.5**	**2.1**	**255.8**	**13.3**	**819.9**
Expenses (income) with respect to credit losses	66.0	-	3.2	0.6	-	9.0	-	78.8
Operating and other expenses	424.3	8.3	30.1	9.4	2.2	15.7	-	490.0
Profit (loss) before taxes	**(60.4)**	**2.8**	**63.2**	**14.5**	**(0.1)**	**231.1**	**13.3**	**251.1**
Provision for taxes on income	(21.0)	1.2	22.1	5.0	-	79.9	2.5	87.2
Profit (loss) after tax	**(39.4)**	**1.6**	**41.1**	**9.5**	**(0.1)**	**151.2**	**10.8**	**163.9**
Before attribution to non-controlling interests	(39.4)	1.6	41.1	9.5	(0.1)	151.2	-	163.9
Attributed to non-controlling interests	0.5	-	-	-	-	-	-	0.5
Attributed to the Bank's shareholders	(39.9)	1.6	41.1	9.5	(0.1)	151.2	-	163.4
Out of total operating and other expenses:	**138.7**	**4.4**	**31.3**	**13.0**	**0.8**	**81.6**	**10.7**	**280.5**
Direct expenses *	268.4	5.4	16.6	4.8	1.5	8.4	-	305.1
Indirect expenses *	155.9	2.9	13.5	4.6	0.7	7.3	-	184.9
Net profit before loading indirect expenses *	62.3	3.3	49.9	12.5	0.6	156.0	-	284.6
Average balance of assets	10,988.2	6.8	1,844.9	367.0	-	4,571.3	-	17,778.2
Average balance of credit to the public	10,988.2	6.8	1,844.9	367.0	-	257.1	-	13,464.0
Balance of credit to the public at the end of the reporting period	11,247.2	13.7	2,253.6	434.7	-	268.9	-	14,218.1
Balance of non-accruing debts and debts in arrears of over 90 days	126.1	-	18.0	-	-	1.4	-	145.5
Average balance of liabilities	8,136.2	2,381.1	916.6	1,137.2	878.0	3,124.5	-	16,573.6
Of which: average balance of public deposits	8,136.2	2,381.1	916.6	1,137.2	878.0	-	-	13,449.1
Balance of public deposits at the end of the reporting period	8,944.3	2,524.3	881.2	1,039.8	877.2	-	-	14,266.8
Average balance of risk assets	7335	22.4	1952.7	592.3	3.4	1068.6	-	10974.4
Balance of risk assets at the end of the reporting period	7,497.9	30.6	2,822.3	513.1	0.1	1,129.5	-	11,993.5
Average balance of managed assets	1,880.3	1,142.7	285.2	405.6	101.5	1,641.3	-	5,456.6
Separation of interest income, net:								
Margin from credit provision activity	314.5	-	52.0	8.5	-	9.7	-	384.7
Margin from deposits receipt activity	31.8	7.0	9.1	5.4	2.1	-	-	55.4
Other	20.5	-	2.3	0.6	-	131.7	-	155.1
Total interest income, net	**366.8**	**7.0**	**63.4**	**14.5**	**2.1**	**141.4**	**-**	**595.2**

* Reclassified

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - private individuals - households and private banking - activity in Israel

	For the year ended December 31, 2022				
	Households segment			Total private banking	Total
	Housing loans	Other	Total households		
Interest income from externals	559.9	180.6	740.5	-	740.5
Interest expenses from externals	-	113.2	113.2	24.9	138.1
Interest income, net:					
From externals	559.9	67.4	627.3	(24.9)	602.4
Inter-segmental	(360.0)	99.5	(260.5)	31.9	(228.6)
Total interest income, net	**199.9**	**166.9**	**366.8**	**7.0**	**373.8**
Total non-interest income	18.4	44.7	63.1	4.1	67.2
Total income	**218.3**	**211.6**	**429.9**	**11.1**	**441.0**
Expenses (income) with respect to credit losses	9.1	56.9	66.0	-	66.0
Operating and other expenses	154.1	270.2	424.3	8.3	432.6
Profit (loss) before taxes	**55.1**	**(115.5)**	**(60.4)**	**2.8**	**(57.6)**
Provision for taxes on income	19.3	(40.3)	(21.0)	1.2	(19.8)
Profit (loss) after tax	**35.8**	**(75.2)**	**(39.4)**	**1.6**	**(37.8)**
Before attribution to non-controlling interests	35.8	(75.2)	(39.4)	1.6	(37.8)
Attributed to non-controlling interests	-	0.5	0.5	-	0.5
Attributed to the Bank's shareholders	35.8	(75.7)	(39.9)	1.6	(38.3)
Out of total operating and other expenses:					
Direct expenses *	88.6	179.8	268.4	5.4	273.8
Indirect expenses *	65.5	90.4	155.9	2.9	158.8
Net profit before loading indirect expenses *	**78.4**	**(16.1)**	**62.3**	**3.3**	**65.6**
Average balance of assets	9,399.9	1,588.3	10,988.2	6.8	10,995.0
Average balance of credit to the public	9,399.9	1,588.3	10,988.2	6.8	10,995.0
Balance of credit to the public at the end of the reporting period	9,718.6	1,528.6	11,247.2	13.7	11,260.9
Balance of non-accruing debts	116.0	1.5	117.5	-	117.5
Balance of debts in arrears of over 90 days	-	8.6	8.6	-	8.6
Average balance of liabilities	-	8,136.2	8,136.2	2,381.1	10,517.3
Of which: average balance of public deposits	-	8,136.2	8,136.2	2,381.1	10,517.3
Balance of public deposits at the end of the reporting period	-	8,944.3	8,944.3	2,524.3	11,468.6
Average balance of risk assets	5664.9	1670.1	7335	22.4	7357.4
Balance of risk assets at the end of the reporting period	5,813.9	1,684.0	7,497.9	30.6	7,528.5
Average balance of managed assets	321.7	1,558.6	1,880.3	1,142.7	3,023.0
Separation of interest income, net:					
Margin from credit provision activity	185.0	129.5	314.5	-	314.5
Margin from deposits receipt activity	-	31.8	31.8	7.0	38.8
Other	14.9	5.6	20.5	-	20.5
Total interest income, net	**199.9**	**166.9**	**366.8**	**7.0**	**373.8**

* Reclassified.

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - Micro, small, medium and large businesses - activity in Israel

	For the year ended December 31, 2022						
	Small and micro businesses segment			Medium and large business segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
Interest income from externals	70.2	27.4	97.6	15.8	-	15.8	113.4
Interest expenses from externals	1.6	6.3	7.9	1.1	3.4	4.5	12.4
Interest income, net:							
From externals	68.6	21.1	89.7	14.7	(3.4)	11.3	101.0
Inter-segmental	(12.9)	(13.4)	(26.3)	(2.0)	5.2	3.2	(23.1)
Total interest income, net	**55.7**	**7.7**	**63.4**	**12.7**	**1.8**	**14.5**	**77.9**
Total non-interest income	18.1	15.0	33.1	8.2	1.8	10.0	43.1
Total income	**73.8**	**22.7**	**96.5**	**20.9**	**3.6**	**24.5**	**121.0**
Expenses (income) with respect to credit losses	1.8	1.4	3.2	0.6	-	0.6	3.8
Operating and other expenses	17.0	13.1	30.1	9.2	0.2	9.4	39.5
Profit (loss) before taxes	**55.0**	**8.2**	**63.2**	**11.1**	**3.4**	**14.5**	**77.7**
Provision for taxes on income	19.3	2.8	22.1	3.8	1.2	5.0	27.1
Profit (loss) after tax	**35.7**	**5.4**	**41.1**	**7.3**	**2.2**	**9.5**	**50.6**
Before attribution to non-controlling interests	35.7	5.4	41.1	7.3	2.2	9.5	50.6
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to the Bank's shareholders	35.7	5.4	41.1	7.3	2.2	9.5	50.6
Out of total operating and other expenses:							
Direct expenses *	8.5	8.1	16.6	4.7	0.1	4.8	21.4
Indirect expenses *	8.4	5.1	13.5	4.5	0.1	4.6	18.1
Net profit before loading indirect expenses *	41.2	8.7	49.9	10.3	2.2	12.5	62.4
Average balance of assets	1,683.2	161.7	1,844.9	367.0	-	367.0	2,211.9
Average balance of credit to the public	1,683.2	161.7	1,844.9	367.0	-	367.0	2,211.9
Balance of credit to the public at the end of the reporting period	2,038.9	214.7	2,253.6	434.7	-	434.7	2,688.3
Balance of non-accruing debts	15.2	-	15.2	-	-	-	15.2
Balance of debts in arrears of over 90 days	2.8	-	2.8	-	-	-	2.8
Average balance of liabilities	563.4	353.2	916.6	420.2	717.0	1,137.2	2,053.8
Of which: average balance of public deposits	563.4	353.2	916.6	420.2	717.0	1,137.2	2,053.8
Balance of public deposits at the end of the reporting period	494.6	386.6	881.2	405.5	634.3	1039.8	1921
Average balance of risk assets	1,789.7	163.0	1,952.7	504.3	88.0	592.3	2,545.0
Balance of risk assets at the end of the reporting period	2,629.2	193.1	2,822.3	467.6	45.5	513.1	3,335.4
Average balance of managed assets	13.8	271.4	285.2	392.7	12.9	405.6	690.8
Separation of interest income, net:							
Margin from credit provision activity	48.0	4.0	52.0	8.5	-	8.5	60.5
Margin from deposits receipt activity	5.9	3.2	9.1	3.7	1.7	5.4	14.5
Other	1.8	0.5	2.3	0.5	0.1	0.6	2.9
Total interest income, net	**55.7**	**7.7**	**63.4**	**12.7**	**1.8**	**14.5**	**77.9**

* Reclassified

Note 28 - Supervised Operating Segments (Cont.)

Reported amounts in NIS millions

4. Information regarding supervised operating segments (Cont.) - financial management segment

	For the year ended December 31, 2022				
	Financial management segment				
	Trading activity	Management of assets and liabilities activity	Real investing activities	Other	Total
Interest income from externals	-	52.8	-	-	52.8
Interest expenses from externals	-	150.6	-	-	150.6
Interest income, net:					
From externals	-	(97.8)	-	-	(97.8)
Inter-segmental	-	239.2	-	-	239.2
Total interest income, net	**-**	**141.4**	**-**	**-**	**141.4**
Total non-interest income	5.6	5.7	-	103.1	114.4
Total income	**5.6**	**147.1**	**-**	**103.1**	**255.8**
Expenses (income) with respect to credit losses	-	9.0	-	-	9.0
Operating and other expenses	4.2	11.5	-	-	15.7
Profit (loss) before taxes	**1.4**	**126.6**	**-**	**103.1**	**231.1**
Provision for taxes on income	(1.5)	45.4	-	36.0	79.9
Profit (loss) after tax	**2.9**	**81.2**	**-**	**67.1**	**151.2**
Before attribution to non-controlling interests	**2.9**	**81.2**	**-**	**67.1**	**151.2**
Attributed to non-controlling interests	-	-	-	-	-
Attributed to the Bank's shareholders	**2.9**	**81.2**	**-**	**67.1**	**151.2**
Out of total operating and other expenses:					
Direct expenses *	2.3	6.1	-	-	8.4
Indirect expenses *	1.9	5.4	-	-	7.3
Net profit before loading indirect expenses *	6.0	84.6	-	65.4	156.0
Average balance of assets	-	4,571.3	-	-	4,571.3
Average balance of liabilities	-	3,124.5	-	-	3,124.5
Of which: average balance of public deposits	-	-	-	-	-
Balance of public deposits at the end of the reporting period	-	-	-	-	-
Average balance of risk assets	61.4	1,007.2	-	-	1,068.6
Balance of risk assets at the end of the reporting period	39.3	1,090.2	-	-	1,129.5
Average balance of managed assets	-	1,641.3	-	-	1,641.3
Components of interest income, net, and non-interest financing income	-	1,641.3	-	-	1,641.3
Exchange differences, net	-	8.2	-	-	8.2
Index differences, net	-	37.4	-	-	37.4
Interest exposure, net	7.2	(5.6)	-	-	1.6
Exposures to shares, net	(1.6)	-	-	-	(1.6)
Interest margins associated with financial management	-	108.6	-	-	108.6
Total interest income, net, and non-interest income on an accrual basis	5.6	148.6	-	-	154.2
Profit or loss from the sale or non-temporary impairment of bonds	-	(1.5)	-	-	(1.5)
Change in difference between the fair value and the accrual basis of derivative instruments, which was recorded in profit and loss	-	-	-	-	-
Other non-interest income	-	-	-	103.1	103.1
Total interest income, net, and non-interest financing income	**5.6**	**147.1**	**-**	**103.1**	**255.8**

* Reclassified

Note 29A - Additional Information Regarding Credit Risk, Credit To The Public And Provision For Credit Losses

Reported amounts in NIS millions

The Bank has adopted the generally accepted accounting principles in the United States regarding expected credit losses (CECL) since January 1, 2022, on a prospective basis.

For additional details, see Note 1. In this note, comparative figures relative to previous periods were not restated.

A. Changes in the provision for credit losses

	Commercial	Housing	Other private	Total public	Banks, governments and available-for-sale bonds	Total
Balance of the provision for credit losses as of December 31, 2021	**11.7**	**55.8**	**49.1**	**116.6**	**-**	**116.6**
Adjustment of opening balance due to impact of initial adoption [(1)]	(5.0)	(16.0)	12.7	(8.3)	-	(8.3)
Expenses with respect to credit losses	12.8	9.2	56.8	78.8	-	78.8
Accounting write-offs	(1.4)	-	(40.3)	(41.7)	-	(41.7)
Collection of debts which were written off in previous years	1.5	-	15.4	16.9	-	16.9
Net accounting write-offs	0.1	-	(24.9)	(24.8)	-	(24.8)
Balance of the provision for credit losses as of December 31, 2022	**19.6**	**49.0**	**93.7**	**162.3**	**-**	**162.3**
Expenses with respect to credit losses	14.8	9.3	109.2	133.3	-	133.3
Accounting write-offs	(6.9)	(0.7)	(89.9)	(97.5)	-	(97.5)
Collection of debts which were written off in previous years	0.1	-	16.8	16.9	-	16.9
Net accounting write-offs	(6.8)	(0.7)	(73.1)	(80.6)	-	(80.6)
Balance of the provision for credit losses as of December 31, 2023	**27.6**	**57.6**	**129.8**	**215.0**	**-**	**215.0**
Expenses with respect to credit losses	17.2	(2.4)	64.9	79.7	-	79.7
Accounting write-offs	(7.9)	(0.5)	(82.8)	(91.2)	-	(91.2)
Collection of debts which were written off in previous years	-	-	20.9	20.9	-	20.9
Net accounting write-offs	(7.9)	(0.5)	(61.9)	(70.3)	-	(70.3)
Balance of the provision for credit losses as of December 31, 2024	**36.9**	**54.7**	**132.8**	**224.4**	**-**	**224.4**
(*) Of which: with respect to off-balance sheet credit instruments						
As of December 31, 2022	0.3	0.9	0.5	1.7	-	1.7
As of December 31, 2023	0.4	1.9	0.6	2.9	-	2.9
As of December 31, 2024	1.4	1.8	0.6	3.8	-	3.8

(1) For additional details regarding the impact of the initial adoption of the public reporting regulations regarding expected credit losses, see Note 1 - significant accounting policies.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public

1. Credit quality and arrears

	As of December 31, 2024 (audited)					
		Troubled [(1)]			Accruing debts - additional information	
Activities of borrowers in Israel	In good standing [(*)]	Accruing	Non-accruing	Total	In arrears of 90 days or more [(2)]	In arrears of 30 to 89 days [(3)]
Public - commercial						
Construction and real estate - construction	1,470.5	30.3	14.2	1,515.0	0.1	0.2
Construction and real estate - real estate activities	1,393.8	-	-	1,393.8	2.9	0.5
Financial services	536.1	5.3	1.9	543.3	-	5.3
Commercial - other	1,064.4	8.9	28.0	1,101.3	5.7	3.2
Total commercial	**4,464.8**	**44.5**	**44.1**	**4,553.4**	**8.7**	**9.2**
Private individuals - housing loans	9,546.3	-	146.2	9,692.5	-	119.9
Private individuals - other	1,387.5	21.5	5.8	1,414.8	12.1	7.9
Total public - activities in Israel	**15,398.6**	**66.0**	**196.1**	**15,660.7**	**20.8**	**137.0**

(1) Credit to the public which is non-accruing, subordinated or under special supervision

(2) Classified as troubled debts accruing interest income.

(3) Accumulate interest income. Debts in arrears of 30 to 89 days, in the amount of NIS 9.6 million, were classified as troubled debts.

(*) Debts in good standing include debts which are not classified as troubled, with payment deferral of 180 days or more, which were given during the war period to borrowers not facing financial difficulties, in the amount of NIS 167.4 million as of December 31, 2024 (commercial in the amount of NIS 3.2 million, housing loans in the amount of NIS 160.6 million, and other credit to private individuals in the amount of NIS 3.6 million). For this purpose, payment deferral includes period extension and includes payment deferral without interest during the deferral period.

In case of debts for which repeated payment deferral was given, the deferral period is calculated according to the accumulated deferral period. The deferral of payments does not include deferrals in which an eligibility was exercised to which the borrower was entitled pursuant to any law.

	As of December 31, 2023 (audited)					
		Troubled [(2)]			Accruing debts - additional information	
Activities of borrowers in Israel	In good standing	Accruing	Non-accruing	Total	In arrears of 90 days or more [(4)]	In arrears of 30 to 89 days [(5)]
Public - commercial						
Construction and real estate - construction	1,329.5	-	9.1	1,338.6	-	-
Construction and real estate - real estate activities [(*)]	1,451.4	-	-	1,451.4	-	-
Financial services [(*)]	498.7	6.0	2.0	506.7	-	6.0
Commercial - other *	602.7	2.9	9.8	615.4	2.9	15.2
Total commercial	**3,882.3**	**8.9**	**20.9**	**3,912.1**	**2.9**	**21.2**
Private individuals - housing loans [(6)]	9,701.3	-	132.8	9,834.1	-	87.2
Private individuals - other	1,513.1	21.7	1.3	1,536.1	11.2	8.1
Total public - activities in Israel	**15,096.7**	**30.6**	**155.0**	**15,282.3**	**14.1**	**116.5**

(*) Reclassified

(1) Credit to the public which is non-accruing, subordinated or under special supervision

(2) Classified as troubled debts accruing interest income.

(3) Accumulate interest income. Debts in arrears of 30 to 89 days, in the amount of NIS 9.1 million, were classified as troubled debts.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

A. Credit to the public (Cont.)

1.1 Credit quality by year of credit provision

	December 31, 2024 audited							
	Registered balance of credit to the public for defined periods						Recorded debit balance of renewed loans	
Public - commercial	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**		**Total**
Construction and real estate - total	**1,821.7**	**567.4**	**288.1**	**105.1**	**69.7**	**56.8**	**-**	**2,908.8**
Performance grade credit	1,777.6	566.7	281.8	94.4	69.7	56.8	-	2,847.0
Non-performance grade and non-troubled credit	-	0.3	6.3	10.7	-	-	-	17.3
Accruing troubled credit	29.9	0.4	-	-	-	-	-	30.3
Non-accruing credit	14.2	-	-	-	-	-	-	14.2
Commercial - other - total	**847.8**	**399.0**	**262.6**	**32.9**	**40.1**	**62.2**	**-**	**1,644.6**
Performance grade credit	844.5	384.5	258.1	22.3	36.4	54.7	-	1,600.5
Non-performance grade and non-troubled credit	-	-	-	-	-	-	-	-
Accruing troubled credit	3.0	1.3	3.1	-	0.8	6.0	-	14.2
Non-accruing credit	0.3	13.2	1.4	10.6	2.9	1.5	-	29.9
Gross accounting write-offs	0.6	-	7.1	-	0.1	0.1	-	7.9
Private individuals - housing loans - total	**1,855.3**	**1,946.9**	**1,575.6**	**1,456.6**	**729.8**	**2,128.3**	**-**	**9,692.5**
LTV of up to 60%	1,208.1	1,358.7	920.2	788.6	403.5	1,530.6	-	6,209.7
LTV from 60% to 75% (*)	575.1	520.8	572.6	589.6	304.9	527.3	-	3,090.3
LTV over 75%	72.1	67.4	82.8	78.4	21.4	70.4	-	392.5
Credit which is not in arrears and performance grade	1,850.2	1,923.9	1,556.7	1,402.3	714.8	1,978.6	-	9,426.5
Credit which is not in arrears and not performance grade	-	-	-	-	-	-	-	-
Arrears of 30 days or more	4.6	12.7	10.9	28.6	7.2	55.8	-	119.8
Non-accruing credit	0.5	10.3	8.0	25.7	7.8	93.9	-	146.2
Gross accounting write-offs	-	-	-	-	-	0.5	-	0.5
Private individuals - other - total	**421.6**	**432.8**	**335.0**	**104.4**	**53.7**	**21.0**	**46.3**	**1,414.8**
Credit which is not in arrears and performance grade	391.2	403.1	310.8	96.9	50.2	20.4	46.3	1,318.9
Credit which is not in arrears and not performance grade	19.1	22.4	19.3	5.4	2.2	0.2	-	68.6
Arrears of 30-89 days	2.6	2.7	1.9	1.1	0.7	0.4	-	9.4
Arrears of 90 days or more	4.9	3.8	2.5	0.6	0.3	-	-	12.1
Non-accruing credit	3.8	0.8	0.5	0.4	0.3	-	-	5.8
Gross accounting write-offs	22.5	35.8	15.7	4.3	2.7	1.8	-	82.8
Total credit to the public - activity in Israel	**4,946.4**	**3,346.1**	**2,461.3**	**1,699.0**	**893.3**	**2,268.3**	**46.3**	**15,660.7**

(*) Loans which were refinanced with the original LTV data.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

A. Credit to the public (Cont.)

1.1 Credit quality by year of credit provision (Cont.)

	December 31, 2023 audited							
	Registered balance of credit to the public for defined periods						Recorded debit balance of renewed loans	
Public - commercial	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**		**Total**
Construction and real estate - total	**1,655.4**	**583.8**	**223.5**	**108.8**	**92.1**	**126.4**	**-**	**2,790.0**
Performance grade credit	1,655.4	583.6	198.9	108.0	73.8	124.8	-	2,744.5
Non-performance grade and non-troubled credit	-	-	5.7	-	18.0	-	-	23.7
Accruing troubled credit	-	0.2	-	0.8	0.3	1.6	-	2.9
Non-accruing credit	-	-	18.9	-	-	-	-	18.9
Commercial - other - total	**565.5**	**357.1**	**42.8**	**61.2**	**36.4**	**59.1**	**-**	**1,122.1**
Performance grade credit	565.5	350.4	42.8	60.5	35.8	59.1	-	1,114.1
Non-performance grade and non-troubled credit	-	-	-	-	-	-	-	-
Accruing troubled credit	-	4.8	-	0.6	0.6	-	-	6.0
Non-accruing credit	-	1.9	-	0.1	-	-	-	2.0
Private individuals - housing loans - total	**2,377.9**	**2,171.9**	**1,897.6**	**860.9**	**571.7**	**1,954.1**	**-**	**9,834.1**
LTV of up to 60%	1,843.2	1,385.7	1,073.2	474.2	353.1	1,321.0	-	6,450.4
LTV from 60% to 75% (*)	464.2	717.3	761.6	343.9	202.7	535.1	-	3,024.8
LTV over 75%	70.5	68.9	62.8	42.8	15.9	98.0	-	358.9
Credit which is not in arrears and performance grade	2,363.1	2,156.2	1,866.2	849.5	543.1	1,836.0	-	9,614.1
Credit which is not in arrears and not performance grade	-	-	-	-	-	-	-	-
Arrears of 30 days or more	3.0	5.9	15.5	6.2	9.6	47.0	-	87.2
Non-accruing credit	11.8	9.8	15.9	5.2	19.0	71.1	-	132.8
Private individuals - other - total	**657.8**	**502.1**	**170.8**	**101.7**	**43.8**	**19.8**	**40.1**	**1,536.1**
Credit which is not in arrears and performance grade	598.8	459.6	153.9	90.0	41.9	18.9	40.1	1,403.2
Credit which is not in arrears and not performance grade	48.9	35.0	14.1	10.1	1.3	0.5	-	109.9
Arrears of 30-89 days	4.8	3.3	1.3	0.8	0.3	-	-	10.5
Arrears of 90 days or more	4.7	4.2	1.1	0.5	0.3	0.4	-	11.2
Non-accruing credit	0.6	-	0.4	0.3	-	-	-	1.3
Total credit to the public - activity in Israel	**5,256.6**	**3,614.9**	**2,334.7**	**1,132.6**	**744.0**	**2,159.4**	**40.1**	**15,282.3**

(*) Loans which were refinanced with the original LTV data.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2A. Additional information regarding non-accruing debts[(1)]

	As of December 31, 2024 (audited)				
Activities of borrowers in Israel	**Balance[(2)] of non-accruing debts for which a provision exists**	**Balance of the provision**	**Balance[(2)] of non-accruing debts for which a provision does not exist**	**Total balance of [(2)] non-accruing debts**	**Contractual balance of principal of non-accruing debts**
Public - commercial					
Construction and real estate	14.2	3.2	-	14.2	14.3
Commercial - other	29.9	3.0	-	29.9	30.1
Total commercial	**44.1**	**6.2**	**-**	**44.1**	**44.4**
Private individuals - housing loans	146.2	3.0	-	146.2	146.2
Private individuals - other	5.8	4.1	-	5.8	6.8
Total credit to the public - activity in Israel	**196.1**	**13.3**	**-**	**196.1**	**197.4**
[(*)] Had the accruing debts accrued interest according to the original terms, interest income in the amount of NIS 12.9 million would have been recorded.					
Of which:					
Measured according to the present value of cash flows	-	-	-	-	-
Measured specifically according to the security's fair value	9.6	3.8	-	9.6	9.6
Measured on a collective basis	186.5	9.5	-	186.5	187.8

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of a resale agreement.

(2) Recorded debit balance.

(3) Interest income was not recorded during the reporting period, with respect to the average balance of non-accruing debts, during the period of time when the debts were classified as non-accruing.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2A. Additional information regarding accruing debts[1] (Cont.)

	As of December 31, 2023 (audited)				
Activities of borrowers in Israel	**Balance[2] of non-accruing debts for which a provision exists**	**Balance of the provision**	**Balance[2] of non-accruing debts for which a provision does not exist**	**Total balance of [2] non-accruing debts**	**Contractual balance of principal of non-accruing debts**
Public - commercial					
Construction and real estate (*)	9.1	2.1	-	9.1	9.1
Commercial - other *	11.8	1.8	-	11.8	11.8
Total commercial	**20.9**	**3.9**	**-**	**20.9**	**20.9**
Private individuals - housing loans	132.8	7.6	-	132.8	132.8
Private individuals - other	1.3	0.8	-	1.3	1.3
Total credit to the public - activity in Israel	**155.0**	**12.3**	**-**	**155.0**	**155.0**
(*) Had the accruing debts accrued interest according to the original terms, interest income in the amount of NIS 6.3 million would have been recorded.					
Of which:					
Measured according to the present value of cash flows	-	-	-	-	-
Measured specifically according to the security's fair value	11.8	4.5	-	11.8	11.8
Measured on a collective basis	143.2	7.8	-	143.2	143.2

(*) Reclassified

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of a resale agreement.

(2) Recorded debit balance.

(3) Interest income was not recorded during the reporting period, with respect to the average balance of non-accruing debts, during the period of time when the debts were classified as non-accruing.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2A. Additional information regarding accruing debts[1] (Cont.)

	As of December 31, 2022 (audited)				
Activities of borrowers in Israel	**Balance[2] of non-accruing debts for which a provision exists**	**Balance of the provision**	**Balance[2] of non-accruing debts for which a provision does not exist**	**Total balance of [2] non-accruing debts**	**Contractual balance of principal of non-accruing debts**
Public - commercial					
Construction and real estate (*)	5.3	0.7	-	5.3	5.3
Commercial - other *	11.3	0.9	-	11.3	11.3
Total commercial	**16.6**	**1.6**	**-**	**16.6**	**16.6**
Private individuals - housing loans	116.0	5.9	-	116.0	116.0
Private individuals - other	1.5	0.5	-	1.5	1.5
Total credit to the public - activity in Israel	**134.1**	**8.0**	**-**	**134.1**	**134.1**

(*) Had the accruing debts accrued interest according to the original terms, interest income in the amount of NIS 2.8 million would have been recorded.

Of which:					
Measured according to the present value of cash flows	-	-	-	-	-
Measured specifically according to the security's fair value	29.4	5.0	-	29.4	29.4
Measured on a collective basis	104.7	3.0	-	104.7	104.7

(*) Reclassified

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of a resale agreement.

(2) Recorded debit balance.

(3) Interest income was not recorded during the reporting period, with respect to the average balance of non-accruing debts, during the period of time when the debts were classified as non-accruing.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2.B. Information regarding debts[1] of borrowers facing financial difficulties whose terms were changed

1.B.2. Credit quality and state of arrears with respect to debts of borrowers facing financial difficulties whose terms were changed

	Balance as of December 31, 2024 (Audited)				
	Recorded debit balance				
	Troubled		Non-troubled		
	Non-accruing	Accrues interest income	In arrears of 30 days or more	Not in arrears	Total
Commercial	-	-	-	-	-
Private individuals - housing loans	38.3	-	4.4	17.4	60.1
Private individuals - other	5.8	1.4	-	-	7.2
Total credit to the public - activity in Israel	**44.1**	**1.4**	**4.4**	**17.4**	**67.3**
Total credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total credit to the public	**44.1**	**1.4**	**4.4**	**17.4**	**67.3**

Credit quality and state of arrears with respect to debts of borrowers facing financial difficulties whose terms were changed during the reporting period

	Debts of borrowers facing financial difficulties whose terms were changed during the year ended December 31, 2024					
	Recorded debit balance					
	Troubled		Non-troubled			
	Non-accruing	Accrues interest income	In arrears of 30 days or more	Not in arrears	Total	Accounting write-offs
Commercial	-	-	-	-	-	-
Private individuals - housing loans	25.5	-	-	5.2	30.7	-
Private individuals - other	4.2	-	-	0.1	4.3	0.2
Total credit to the public - activity in Israel	**29.7**	**-**	**-**	**5.3**	**35.0**	**0.2**
Total credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**	**-**
Total credit to the public	**29.7**	**-**	**-**	**5.3**	**35.0**	**0.2**

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2.B. Information regarding debts[(1)] of borrowers facing financial difficulties whose terms were changed (Cont.)

1.B.2. Credit quality and state of arrears with respect to debts of borrowers facing financial difficulties whose terms were changed (Cont.)

	As of December 31, 2023 (audited)				
	Recorded debit balance				
	Not accruing interest income	**Accruing (2) in arrears of 90 days or more**	**Accruing (2) in arrears of 30 to 89 days**	**Accruing (2) not in arrears**	**Total**
Public - commercial					
Construction and real estate - construction	-	-	-	-	-
Commercial - other	-	-	-	-	-
Total commercial	**-**	**-**	**-**	**-**	**-**
Private individuals - housing loans	5.7	-	1.9	5.3	12.9
Private individuals - other	1.3	-	-	2.4	3.7
Total credit to the public - activity in Israel	**7.0**	**-**	**1.9**	**7.7**	**16.6**
Total credit to the public - activity abroad	-	-	-	-	-
Total	**7.0**	**-**	**1.9**	**7.7**	**16.6**

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(2) Accrues interest income.

(3) presented for the first time in light of the adoption of the new rules regarding the identification of re-organization of troubled debts on housing loans.

(4) Balances lower than NIS 0.1 million are not presented.

(5) The disclosure pertaining to restructuring of troubled debt made until December 31, 2023, remains in its previous framework.

As of December 31, 2024, there are no liabilities in the Bank for the provision of additional credit to debtors regarding whom a troubled debt restructuring was performed, which involved the implementation of changes to the credit terms.

In accordance with the Bank of Israel’s circular, changes in loan terms do not automatically lead to the classification of loans as troubled debts in restructuring.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2.B.2 Debts of borrowers facing financial difficulties whose terms were changed during the reporting period

	Debts of borrowers facing financial difficulties whose terms were changed during the reporting period (audited)				
	Total		Type of change		
	Recorded debit balance	% of total	Period extension	Deferral of payments	Interest concession and period extension
	NIS millions	In percent	NIS millions		
	In the year ended December 31, 2024				
Activities of borrowers in Israel					
Commercial	-	-	-	-	-
Private individuals - housing loans	30.7	0.3	1.5	25.5	3.7
Private individuals - other	4.3	0.3	0.1	4.2	-
Total credit to the public - activity in Israel	**35.0**	**0.6**	**1.6**	**29.7**	**3.7**
Total credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**35.0**	**0.6**	**1.6**	**29.7**	**3.7**

	Financial effects of changes in terms of borrowers facing financial difficulties (audited)		
	Type of change		
	Average interest concession (*)	Average extension period	Average deferral of payments
	In percent	Months	Months
	In the year ended December 31, 2024		
Activities of borrowers in Israel			
Commercial	-	-	-
Private individuals - housing loans	2.70	134.9	9.6
Private individuals - other	-	6.0	9.1
Total credit to the public - activity in Israel	**2.70**	**133.3**	**9.6**
Total credit to the public - activity abroad	**-**	**-**	**-**
Total	**2.70**	**133.3**	**9.6**

* According to the contractual interest rate.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2.B.2 Debts of borrowers facing financial difficulties whose terms were changed during the reporting period (Cont.)

	Debts of borrowers facing financial difficulties who defaulted during the reporting period, after their terms were changed			
	Total	Type of change		
	(Audited)			
	Recorded debit balance	Period extension	Extension of interest concession period	Deferral of payments
	NIS millions			
	In the year ended December 31, 2024			
Activities of borrowers in Israel				
Commercial	-	-	-	-
Private individuals - housing loans	10.1	1.7	8.4	-
Private individuals - other	-	-	-	-
Total credit to the public - activity in Israel	**10.1**	**1.7**	**8.4**	**-**
Total credit to the public - activity abroad	**-**	**-**	**-**	**-**
Total	**10.1**	**1.7**	**8.4**	**-**

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2.B.2 Debts of borrowers facing financial difficulties whose terms were changed during the reporting period (Cont.)

	Restructuring processes which were performed (4) (audited)					
	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Number of contracts	Recorded debit balance before restructuring	Recorded debit balance after restructuring	Number of contracts	Recorded debit balance before restructuring	Recorded debit balance after restructuring
Public - commercial						
Construction and real estate	-	-	-	-	-	-
Commercial - other	-	-	-	-	-	-
Total commercial	**-**	**-**	**-**	**-**	**-**	**-**
Private individuals - housing loans	54	9.3	9.3	6	0.1	0.1
Private individuals - other	46	1.7	1.7	15	0.5	0.4
Total activities in Israel	**100**	**11.0**	**11.0**	**21**	**0.6**	**0.5**

(*) Debts which, during the reporting year, became debts in arrears of 30 days or more, whose terms were changed during the 12 months prior to the date when they became debts in arrears.

	Restructuring processes which were performed and failed (2)(4) (audited)			
	For the year ended December 31			
	2023		2022	
	Number of contracts	Recorded debit balance	Number of contracts	Recorded debit balance
Public - commercial				
Construction and real estate	-	-	-	-
Commercial - other	-	-	-	-
Total commercial	**-**	**-**	**-**	**-**
Private individuals - housing loans	6	1.9	-	-
Private individuals - other	1	0.1	1	-
Total activities in Israel	**7**	**2.0**	**1**	**-**

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(2) Debts which became, during the reporting year, debts in arrears of 30 days or more, which were restructured in a troubled debt restructuring during the 12 months which preceded the date when they became debts in arrears.

(3) Balances lower than NIS 0.1 million are not presented.

(4) The disclosure pertaining to restructuring of troubled debt made until December 31, 2023, remains in its previous framework.

(5) In accordance with the Bank of Israel's circular, changes in loan terms do not automatically lead to the classification of loans as troubled debts in restructuring, when short term changes have been made to payments, for borrowers who were not previously in arrears, due to the Swords of Iron War.

Note 29B - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

B. Credit to the public (Cont.)

2C. Additional information regarding non-accruing credit in arrears

	Not in arrears of 90 days or more	In arrears of 90 to 180 days	In arrears of 180 days to one year	In arrears of one to 3 years	in arrears of 3 to 5 years	in arrears of 5 to 7 years	In arrears of over 7 years	Total
	As of December 31, 2024							
Commercial	3.2	20.6	8.4	11.9	-	-	-	44.1
Housing loans	24.7	47.7	29.5	33.4	4.4	3.3	3.2	146.2
Private individuals - other	5.8	-	-	-	-	-	-	5.8
Total	**33.7**	**68.3**	**37.9**	**45.3**	**4.4**	**3.3**	**3.2**	**196.1**
	As of December 31, 2023							
Commercial	18.9	2.0	-	-	-	-	-	20.9
Housing loans	20.4	42.9	36.3	23.7	4.8	0.6	4.1	132.8
Private individuals - other	1.3	-	-	-	-	-	-	1.3
Total	**40.6**	**44.9**	**36.3**	**23.7**	**4.8**	**0.6**	**4.1**	**155.0**

3. Additional information regarding housing loans without purchasing groups - Balances as of the end of the year, by financing rate (LTV), repayment type and interest type

		December 31, 2024			
		Balance of housing loans			**Total off-balance sheet credit risk**
		Total	**Of which: Bullet and balloon**	**Of which: Variable interest**	
First priority pledge: financing rate	Up to 60%	6,209.7	166.6	3,774.1	972.8
	Over 60%	3,482.8	87.3	2,081.5	273.2
Second priority pledge or no pledge		-	-	-	-
Total		**9,692.5**	**253.9**	**5,855.6**	**1,246.0**
		December 31, 2023			
First priority pledge: financing rate	Up to 60%	6,450.5	195.9	4,014.3	854.4
	Over 60%	3,383.6	85.3	2,095.0	170.5
Second priority pledge or no pledge		-	-	-	-
Total		**9,834.1**	**281.2**	**6,109.3**	**1,024.9**

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of a resale agreement.

Credit quality - LTV ratio

The LTV ratio constitutes an additional indication of credit quality for the Bank. The LTV ratio is the ratio between the loan amount and the estimated value of the financed asset which was approved by the Bank when the facility was provided.

Note 29C - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

C1. Sale, purchase[(1)] and syndication of credit to the public in 2024

1. Sale and purchase of credit to the public

	Credit to the public risk which was sold					Credit to the public risk which was purchased		
	Credit to the public which was sold this year	**Off-balance sheet credit risk which was sold this year (*)**	**Of which: troubled credit**	**Total profit with respect to sold credit**	**Balance at year-end of sold credit, for which the banking corporation provides service**	**credit to the public which was purchased this year**	**Off-balance sheet credit risk purchased this year (*)**	**Of which: troubled credit**
Total commercial	266.4	-	-	13.5	233.9	59.8	-	-
Private individuals - housing loans	652.5	-	-	23.9	2,976.4	-	-	-
Private individuals - other	-	-	-	-	-	130.4	-	-
Total credit to the public risk	**918.9**	**-**	**-**	**37.4**	**3,210.3**	**190.2**	**-**	**-**

2. Syndications and participation in syndications of loans

	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others	
	Balance as of December 31, 2024					
	The banking corporation's share		Share of others		The banking corporation's share	
	Credit to the public	**Off-balance sheet credit risk (*)**	**Credit to the public**	**Off-balance sheet credit risk (*)**	**Credit to the public**	**Off-balance sheet credit risk (*)**
Construction and real estate - construction	958.6	371.9	1,198.2	513.6	-	-
Private individuals - housing loans	20.1	4.0	180.6	35.8	-	-
Private individuals - other	-	-	-	-	-	-
Total credit to the public risk	**978.7**	**375.9**	**1,378.8**	**549.4**	**-**	**-**

(1) As of December 31, 2024, the Bank did not participate in any syndication transactions initiated by other parties.

As of December 31, 2024, the limit on the Bank's scope of housing loan portfolio sales amounts to 25% of the balance (including the managed portfolio), and another 10% through joint provision (syndication).

(*) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the debt restrictions of a single borrower, except with respect to derivative instruments.

(**) For additional details regarding credit to the public which was sold and the joint provision of housing loans (syndication) in 2024, see Note 34, Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date.

Note 29C - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

C1. Sale, purchase[(1)] and syndication of credit to the public in 2023

1. Sale and purchase of credit to the public

	Credit risk which was sold					Credit risk which was purchased		
	Credit to the public which was sold this year	Off-balance sheet credit risk which was sold this year (*)	Of which: troubled credit	Total profit with respect to sold credit	Balance at year-end of sold credit, for which the banking corporation provides service	credit to the public which was purchased this year	Off-balance sheet credit risk purchased this year (*)	Of which: troubled credit
Total commercial	-	-	-	-	9.0	-	-	-
Private individuals - housing loans	1,148.8	-	-	43.0	2,858.7	-	-	-
Private individuals - other	-	-	-	-	-	-	-	-
Total credit to the public risk	**1,148.8**	**-**	**-**	**43.0**	**2,867.7**	**-**	**-**	**-**

2. Syndications and participation in syndications of loans

	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others	
	Balance as of December 31, 2023					
	The banking corporation's share		Share of others		The banking corporation's share	
	Credit to the public	Off-balance sheet credit risk (*)	Credit to the public	Off-balance sheet credit risk (*)	Credit to the public	Off-balance sheet credit risk (*)
Construction and real estate - construction	756.2	252.5	1,223.7	299.9	-	-
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - other	-	-	-	-	-	-
Total credit to the public risk	**756.2**	**252.5**	**1,223.7**	**299.9**	**-**	**-**

(1) As of December 31, 2023, the Bank did not participate in any syndication transactions initiated by other parties.

(*) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the debt restrictions of a single borrower, except with respect to derivative instruments.

Note 29D - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

D. Credit to the public and off-balance sheet credit risk, by the borrower's credit size

	December 31, 2024			December 31, 2023 *		
Maximum credit limit, NIS thousands	**Number of borrowers**	**Credit**	**Off-balance sheet credit risk**	**Number of borrowers**	**Credit**	**Off-balance sheet credit risk**
Credit to borrowers - up to 10	10,410	35.5	3.3	11,387	43.0	4.2
Credit to borrowers - 10 to 20	7,736	83.3	6.0	9,214	109.9	7.9
Credit to borrowers - 20 to 40	8,485	182.1	11.4	10,636	246.5	15.2
Credit to borrowers - 40 to 80	7,622	326.7	12.1	9,576	435.9	16.0
Credit to borrowers - 80 to 150	5,777	506.9	8.0	5,923	553.6	11.8
Credit to borrowers - 150 to 300	3,298	556.4	7.5	3,193	570.4	10.8
Credit to borrowers - 300 to 600	5,382	1,909.5	16.5	5,408	1,983.9	67.0
Credit to borrowers - 600 to 1200	6,101	4,019.1	104.7	6,048	4,091.4	262.5
Credit to borrowers - 1200 to 2000	2,461	2,663.2	227.9	2,146	2,490.4	231.4
Credit to borrowers - 2000 to 4000	1,098	1,850.8	373.7	905	1,740.4	303.3
Credit to borrowers - 4000 to 8000	363	1,132.3	358.3	255	887.1	282.8
Credit to borrowers - 8000 to 20000	154	853.9	494.2	126	881.6	440.3
Credit to borrowers - 20000 to 40000	45	750.8	464.2	28	587.8	204.3
Credit to borrowers - 40000 to 200000	18	790.2	405.6	13	660.4	172.8
Total	**58,950**	**15,660.7**	**2,493.4**	**64,858**	**15,282.3**	**2,030.3**

* Reclassified.

(1) Credit and off-balance sheet credit risk are presented according to the effect of the provision for credit losses and before the effect of the deductible collateral for the purpose of the borrower's debt.

(2) Number of borrowers by total credit and off-balance sheet credit risk.

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the debt restrictions of a single borrower.

Note 29E - Additional Information Regarding Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

E. Off-balance sheet financial instruments

Contract balances or specified amounts at end of year

	As of December 31			
	2024	**2023**	**2024**	**2023**
	Balances of contracts [1]		**Balance of the provision for credit losses [2]**	
Transactions in which the balance represents credit risk:				
Guarantees to secure credit [1]	103.8	122.9	0.2	-
Guarantees to apartment buyers	0.6	0.6	0.2	-
Other guarantees and liabilities	98.0	90.1	0.1	0.1
Unused credit facilities of credit cards	68.7	74.1	0.6	0.6
Unused revolving debitory account facilities and other credit facilities in accounts on demand	88.7	53.5	0.3	0.2
Irrevocable undertakings to provide credit which have been approved and not yet provided	2,133.5	1,689.1	2.4	2.0
Total	**2,493.3**	**2,030.3**	**3.8**	**2.9**

(1) Balances or specified amounts of contracts at the end of the period, before the effect of the provision for credit losses.
(2) Balance of the provision for credit losses at end of year.
(3) Balances lower than NIS 0.1 million are not presented.

Note 30 - Consolidated report regarding assets and liabilities by linkage bases

Reported amounts in NIS millions

	As of December 31, 2024					
	Israeli currency		Foreign currency [1]			
	Unlinked	CPI-linked	US Dollar	Other	Non-monetary items	Total
Assets						
Cash and deposits in banks	4,791.6	-	166.2	98.2	-	5,056.0
Securities	846.4	150.1	157.2	72.8	95.9	1,322.4
Credit to the public, net [2]	9,336.7	5,786.3	214.4	102.7	-	15,440.1
Buildings and equipment	-	-	-	-	265.1	265.1
Assets with respect to derivative instruments	0.1	-	2.4	-	0.6	3.1
Other assets	119.4	9.6	-	-	173.6	302.6
Total assets	**15,094.2**	**5,946.0**	**540.2**	**273.7**	**535.2**	**22,389.3**
Liabilities						
Public deposits [3]	14,634.7	2,101.9	826.5	223.3	-	17,786.4
Deposits from banks	37.7	10.1	-	-	-	47.8
Government deposits	-	-	-	-	-	-
Bonds and CoCo bonds	9.8	2,712.2	-	-	-	2,722.0
Liabilities with respect to derivative instruments	0.3	0.5	0.4	1.0	0.6	2.8
Other liabilities	303.5	-	-	0.9	29.8	334.2
Total liabilities	**14,986.0**	**4,824.7**	**826.9**	**225.2**	**30.4**	**20,893.2**
Difference	108.2	1,121.3	(286.7)	48.5	504.8	1,496.1
Non-hedging derivative instruments						
Derivative instruments (excluding options)	63.7	(253.0)	242.5	(53.2)	-	-
Total general	**171.9**	**868.3**	**(44.2)**	**(4.7)**	**504.8**	**1,496.1**

(1) Including linked to foreign currency.
(2) After deducting provisions for credit losses which were attributed to linkage bases.
(3) Including savings plans with a minimum NIS limit of NIS 12.4 million.

Note 30 - Consolidated report regarding assets and liabilities by linkage bases (Cont.)

Reported amounts in NIS millions

	As of December 31, 2023					
	Israeli currency		Foreign currency [1]			
	Unlinked	CPI-linked	US Dollar	Other	Non-monetary items	Total
Assets						
Cash and deposits in banks	4,938.4	-	154.7	64.0	-	5,157.1
Securities	644.5	139.7	110.0	116.0	88.6	1,098.8
Credit to the public, net [2]	9,635.6	5,049.8	263.9	120.9	-	15,070.2
Buildings and equipment	-	-	-	-	232.5	232.5
Assets with respect to derivative instruments	-	0.6	0.2	-	0.5	1.3
Other assets	63.5	13.0	-	-	189.1	265.6
Total assets	**15,282.0**	**5,203.1**	**528.8**	**300.9**	**510.7**	**21,825.5**
Liabilities						
Public deposits [3]	13,900.3	1,574.9	695.4	308.5	-	16,479.1
Deposits from banks	182.5	14.3	-	-	-	196.8
Government deposits	-	-	-	-	-	-
Bonds and CoCo bonds	348.8	3,114.5	-	-	-	3,463.3
Liabilities with respect to derivative instruments	0.7	5.5	0.2	0.3	0.6	7.3
Other liabilities	281.9	-	-	0.8	28.5	311.2
Total liabilities	**14,714.2**	**4,709.2**	**695.6**	**309.6**	**29.1**	**20,457.7**
Difference	567.8	493.9	(166.8)	(8.7)	481.6	1,367.8
Non-hedging derivative instruments						
Derivative instruments (excluding options)	191.6	(308.6)	115.7	1.3	-	-
Total general	**759.4**	**185.3**	**(51.1)**	**(7.4)**	**481.6**	**1,367.8**

(1) Including linked to foreign currency.
(2) After deducting provisions for credit losses which were attributed to linkage bases.
(3) Including savings plans with a minimum NIS limit of NIS 64.0 million.

Note 31 - Cash Flows by Contractual Repayment Date [1]

Reported amounts in NIS millions

	As of December 31, 2024										
	Cash flows by contractual repayment date								Balance sheet balance (1)		
	On demand to one day	One day to one week	One week to one month	One to 3 months	3 months to one year	One to 3 years	3 to 5 years	Over 5 years	No repayment date	Total	Effective rate of return (2)
Cash, deposits and marketable bonds (3)											
Cash and deposits in banks	4,281.4	689.9	-	-	-	-	-	-	84.7	5,056.0	0.09%
Marketable government bonds	-	-	-	3.8	123.4	233.7	322.2	315.5	-	998.6	4.37%
Other marketable bonds	-	-	-	-	15.7	40.6	69.5	102.1	-	227.9	3.31%
Total cash, deposits and marketable bonds	**4,281.4**	**689.9**	**-**	**3.8**	**139.1**	**274.3**	**391.7**	**417.6**	**84.7**	**6,282.5**	**0.89%**
Other financial assets											
Credit to the public (4)	397.8	7.3	122.7	328.5	1,565.5	1,955.1	1,348.8	9,319.3	395.1	15,440.1	6.45%
Other financial assets excluding derivatives	-	-	-	-	-	-	-	-	99.0	99.0	1.07%
Total financial assets excluding derivatives	**4,679.2**	**697.2**	**122.7**	**332.3**	**1,704.6**	**2,229.4**	**1,740.5**	**9,736.9**	**578.8**	**21,821.6**	**4.83%**
Financial liabilities											
Public deposits (5)	2,423.9	672.7	695.9	341.5	3,682.8	6,893.6	693.1	2,382.9	-	17,786.4	3.49%
of which: households and small businesses	1,068.2	50.1	0.7	33.9	2,386.2	5,250.5	423.5	1,578.6	-	10,791.7	3.58%
Deposits from banks	37.8	-	-	-	4.9	5.1	-	-	-	47.8	3.65%
Bonds and CoCo bonds	-	-	0.3	-	546.1	1,145.6	784.1	245.9	-	2,722.0	3.00%
Other financial liabilities, excluding derivatives	8.6	-	-	1.2	8.8	28.1	23.5	49.6	152.0	271.8	
Total financial liabilities, excluding derivatives	**2,470.3**	**672.7**	**696.2**	**342.7**	**4,242.6**	**8,072.4**	**1,500.7**	**2,678.4**	**152.0**	**20,828.0**	**3.38%**
Employee rights and off-balance sheet components											
Impact of derivative instruments	(1.4)	2.3	(0.6)	-	-	-	-	-	-	0.3	
Credit provision liabilities	104.9	36.7	207.3	1,019.0	214.3	708.5	0.2	-	-	2,290.9	
Employee rights	-	-	0.4	0.3	1.5	2.3	2.9	20.4	-	19.4	
Impact of employee rights and off-balance sheet components	**103.5**	**39.0**	**207.1**	**1,019.3**	**215.8**	**710.8**	**3.1**	**20.4**	**-**	**2,310.6**	
Total net cash flows in foreign currency (including in NIS and in foreign currency)	**2,105.4**	**(14.5)**	**(780.6)**	**(1,029.7)**	**(2,753.8)**	**(6,553.8)**	**236.7**	**7,038.1**	**426.8**	**(1,317.0)**	

Note 31 - Cash Flows by Contractual Repayment Date (1)

Reported amounts in NIS millions

	As of December 31, 2024										
	Cash flows by contractual repayment date								Balance sheet balance (1)		
	On demand to one day	One day to one week	One week to one month	One to 3 months	3 months to one year	One to 3 years	3 to 5 years	Over 5 years	No repayment date	Total	Effective rate of return (2)
Of which, in foreign currency:											
Total cash, deposits and marketable bonds	264.4	-	-	3.8	5.2	54.7	6.9	159.4	-	494.4	2.20%
Total other financial assets	75.4	-	-	-	18.6	43.8	37.6	141.7	-	317.1	1.83%
Total financial liabilities	342.6	90.1	175.1	192.0	250.0	-	-	-	0.9	1,050.7	4.78%
Impact of employee rights and off-balance sheet components	(1.4)	2.4	-	-	-	-	-	-	-	1.0	
Total net cash flows in foreign currency	**(1.4)**	**(92.5)**	**(175.1)**	**(188.2)**	**(226.2)**	**98.5**	**44.5**	**301.1**	**(0.9)**	**(240.2)**	
	As of December 31, 2023										
Cash, deposits and marketable bonds	4,231.4	862.6	42.4	191.6	67.0	182.3	243.4	283.5	-	6,167.3	0.71%
Other financial assets excluding derivatives	281.7	2.9	66.8	336.4	1,447.4	1,824.3	1,425.5	9,369.3	465.3	15,146.7	4.77%
Public deposits	2,059.2	419.8	967.0	145.2	1,296.9	8,902.5	805.2	1,883.3	-	16,479.1	3.67%
Other financial liabilities, excluding derivatives	1,077.6	48.9	1.6	28.0	1,309.1	7,518.3	1,382.3	1,617.0	282.7	13,265.5	2.69%
Impact of employee rights and off-balance sheet components	2.7	32.1	215.1	702.1	769.0	99.8	2.4	19.4	-	1,835.6	
Total net cash flows	**1,373.6**	**364.7**	**(1,074.5)**	**(347.3)**	**(1,860.6)**	**(14,514.0)**	**(521.0)**	**6,133.1**	**182.6**	**(10,266.2)**	
Of which: Total net cash flows in foreign currency	**(94.8)**	**(52.3)**	**(21.7)**	**(138.7)**	**(321.4)**	**114.2**	**85.7**	**255.0**	**(0.8)**	**(174.9)**	

1. As included in the note “Assets and Liabilities by Linkage Bases”, including off-balance sheet amounts with respect to derivatives, uncleared, net.
2. The interest rate which deducts the expected future contractual cash flows with respect to monetary items, to their balance sheet balance.
3. The fair value of unpledged cash, deposits and marketable bonds amounted to NIS 6,149.6 million as of December 31, 2024, and NIS 5,859.6 million as of December 31, 2023.
4. Future cash flows of loans to the public are presented according to the contractual repayment date of the loans. credit in checking accounts or revolving debitory accounts, on call credit, and credit in arrears of 30 days or more, are presented in the column “no repayment date”. The provision for credit losses is deducted from the relevant cash flows.
5.The future cash flows of deposits are presented according to the earliest possible withdrawal date according to the contract. Contractual on demand deposits are presented under the column “on demand to one day”.

Note 32A - Balances and Fair Value Estimates of Financial Instruments

A. Fair value of financial instruments

The information included in this note refers to the assessment of the fair value of financial instruments.

Regarding most of the Bank's financial instruments, "market prices" cannot be quoted, since there is no active market in which they are traded. Therefore, fair value is estimated using conventional pricing models, such as the present value of future cash flows, discounted at a rate which reflects the risk level embedded in the financial instrument. The estimation of fair value using forecasts of future cash flows and the determination of the discount interest rate are subjective. Therefore, for most financial instruments, the aforementioned fair value estimate is not necessarily an indication of the disposal value of the financial instrument on the reporting date. The fair value estimate is prepared according to the interest rates which are valid as of the reporting date, and do not take into account fluctuations in interest rates. Different assumptions regarding interest rates will result in fair value amounts which may be significantly different. The above generally applies to fixed interest bearing or non-interest bearing financial instruments.

Additionally, the determination of fair value does not take into account fees which were received or paid though business activities, and do not include the tax impact. It should be noted that it is possible that the difference between the balance sheet balance and the fair value balances will not be realized, due to the fact that, in most cases, the Bank may hold the financial instrument to maturity. Due to all of the above factors, it should be emphasized that the data included in this note do not indicate the value of the banking corporation as a going concern. Additionally, caution should be applied when conducting comparisons between the fair value amounts of various banks due to the multiplicity of valuation techniques and possible estimates for application when assessing fair value.

The calculation of fair value was made in consideration of the estimated possibility of mortgage prepayment, the distribution of checking account deposits, and the actual behavior of depositors with an option to withdraw, and are based on empirical analysis.

B. Main method and assumptions used to estimate the fair value of financial instruments

Deposits in banks, bonds and non-traded bills, and credit to the government - According to the discounted future cash flows method, based on interest rates at which the Bank executed similar transactions on the reporting date.

Marketable securities - by market value, non-marketable securities **-** by revaluation data which are received from external sources.

Credit to the public - The fair value of the balance of credit to the public is estimated using the method regarding the present value of future cash flows, less the appropriate discount rates. The balance of credit was distributed into categories by main population types, distributed by linkage and credit segments, according to fixed and variable interest rates. The cash flows (principal and interest) were discounted according to interest rates which are identical to the average interest rate used in the Bank for similar transactions on the reporting date. The mortgage prepayment assumptions are based on empirical evaluations and on a borrower behavior model in connection with the annual rate of early settlement out of total mortgages, on an annual basis. The assumptions are examined from time to time against the actual early settlements.

The fair value of troubled debts was calculated using discount interest rates which reflect the high credit risk embodied in them. These discount rates were no lower than the highest interest rate used by the Bank in its transactions as of the reporting date. Future cash flows for troubled debts were calculated after deducting write-offs and provisions for credit losses. The fair value of troubled debt was calculated using discount interest rates which reflect the high credit risk embodied in them. These discount rates were no lower than the highest interest rate used by the Bank in its transactions as of the reporting date. Future cash flows for troubled debts were calculated after deducting write-offs and provisions for credit losses.

Deposits, bonds and CoCo bonds - according to the future discounted cash flows method, using the interest rates at which the Bank raises similar deposits, or in issuances of similar bonds or CoCo bonds, by the Bank on the reporting date, excluding bonds listed for trading on the stock exchange, which are presented at market value. The behavioral assumptions regarding deposits are based on an empirical analysis, and are evaluated and updated from time to time.

Regarding off-balance sheet financial instrument whose balance represents credit risk - Fair value was estimated according to the present value of future cash flows, discounted by the interest rate which reflects the interest level at which a similar transaction would have been performed on the reporting date. Derivative instruments for which there is an active market were estimated according to market value, and derivative instruments which are not traded on an active market were estimated according to models which were used by the Bank in its current operations, and which take into account the risks embodied in the financial instrument.

Financial instruments for an original period of up to three months, and at variable market interest - The balance sheet balance constitutes an approximation of fair value, subject to changes in credit risk and in the Bank's margin in variable interest transactions.

Note 32A - Balances and Fair Value Estimates of Financial Instruments (Cont.)

Reported amounts in NIS millions

	As of December 31, 2024				
	Balance sheet balance	Fair value			
		Level 1 (1)	Level 2 (1)	Level 3 (1)	Total
Financial assets					
Cash and deposits in banks	5,056.0	5,056.0	-	-	5,056.0
Securities (2)	1,322.4	1,242.7	-	-	1,242.7
Credit to the public, net (3)	15,440.1	-	-	15,418.0	15,418.0
Assets with respect to derivative instruments	3.1	3.1	-	-	3.1
Other financial assets	99.0	-	-	99.0	99.0
Total financial assets(4)	**21,920.6**	**6,301.8**	**-**	**15,517.0**	**21,818.8**
Financial liabilities					
Public deposits	17,786.4	-	2,423.9	15,313.8	17,737.7
Deposits from banks	47.8	1.7	-	45.7	47.4
Bonds and CoCo bonds	2,722.0	2,721.7	54.4	32.9	2,809.0
Liabilities with respect to derivative instruments	2.8	2.7	-	0.1	2.8
Other financial liabilities	271.8	-	-	271.8	271.8
Total financial liabilities (4)	**20,830.8**	**2,726.1**	**2,478.3**	**15,664.3**	**20,868.7**

See the remarks at the end of this Note 32A.

Note 32A - Balances and Fair Value Estimates of Financial Instruments (Cont.)

Reported amounts in NIS millions

	As of December 31, 2023				
	Balance sheet balance	Fair value			
		Level 1 [1]	Level 2 [1]	Level 3 [1]	Total
Financial assets					
Cash and deposits in banks	5,157.1	5,157.1	-	-	5,157.1
Securities [2] [*]	1,098.8	1,021.8	-	-	1,021.8
Credit to the public, net [3]	15,070.2	-	-	15,128.8	15,128.8
Assets with respect to derivative instruments	1.3	0.7	0.6	-	1.3
Other financial assets	76.5	-	-	76.5	76.5
Total financial assets[4]	**21,403.9**	**6,179.6**	**0.6**	**15,205.3**	**21,385.5**
Financial liabilities					
Public deposits [*]	16,479.1	-	2,059.2	14,454.6	16,513.8
Deposits from banks	196.8	3.1	-	193.7	196.8
Bonds and CoCo bonds	3,463.3	3,382.7	-	36.0	3,418.7
Liabilities with respect to derivative instruments	7.3	6.3	0.3	0.7	7.3
Other financial liabilities	282.7	-	-	282.7	282.7
Total financial liabilities [4]	**20,429.2**	**3,392.1**	**2,059.5**	**14,967.7**	**20,419.3**

* Reclassified

(1) Level 1 - fair value measurements which use quoted prices on an active market. Level 2 - fair value measurements which use other significant observable inputs.
Level 3 - fair value measurements which use significant unobservable inputs.

(2) For additional details regarding the balance sheet balance of securities, see the note 12, Securities.

(3) Of which, impaired credit whose collection is conditional upon collateral as of December 31, 2024 and December 31, 2023 in the amount of NIS 147.5 million and NIS 142.6 million, respectively.

(4) Of which: Assets whose balance sheet balance is identical to fair value (instruments which are presented in the balance sheet at fair value) or which constitute an approximation of fair value (instruments for an original period of up to 3 months regarding which use was made of the balance sheet balance as an approximation of fair value) as of December 31, 2024 and December 31, 2023, in the amount of NIS 6,402.1 million and NIS 6,333.7 million, respectively. Liabilities whose balance sheet balance is identical to fair value (instruments which are presented in the balance sheet at fair value) or which constitute an approximation of fair value (instruments for an original period of up to 3 months regarding which use was made of the balance sheet balance as an approximation of fair value) as of December 31, 2024 and December 31, 2023, in the amount of NIS 2,700.2 million and NIS 2,546 million, respectively. For additional information regarding instruments which were measured at fair value on a repeated basis, and on a non-repeated basis, see Note 32B.

Note 32B - Items Measured at Fair Value on a Repeated Basis

Reported amounts in NIS millions

A. Items measured at fair value on a repeated basis

	As of December 31, 2024			
	Fair value measurements used in:			Total fair value
	Level 1 (1)	Level 2 (1)	Level 3 (1)	
Assets				
Available for sale bonds:				
Bonds - Government of Israel	735.2	-	-	735.2
Foreign governments	76.5	-	-	76.5
Financial institutions	70.0	-	-	70.0
Of others in Israel	147.8	-	-	147.8
Total available for sale securities	**1,029.5**	**-**	**-**	**1,029.5**
Stocks, ETF's and funds not held for trading	**8.7**	**-**	**-**	**8.7**
Securities held for trading:				
Bonds - Government of Israel	82.7	-	-	82.7
Foreign governments	3.8	-	-	3.8
Financial institutions	1.1	-	-	1.1
Of others in Israel	8.4	-	-	8.4
Stocks and ETF's	5.1	-	-	5.1
Total securities held for trading	**101.1**	**-**	**-**	**101.1**
Assets with respect to derivative instruments:				
Interest contracts - other	-	-	-	-
Foreign currency contracts	2.5	-	-	2.5
Share contracts	0.6	-	-	0.6
Total assets with respect to derivative instruments	**3.1**	**-**	**-**	**3.1**
Total financial assets	**1,142.4**	**-**	**-**	**1,142.4**
Liabilities				
Deposits from banks	1.7	-	-	1.7
Liabilities with respect to derivative instruments:				
Interest contracts - NIS/CPI	0.5	-	-	0.5
Interest contracts - other	0.2	-	-	0.2
Foreign currency contracts	1.5	-	-	1.5
Share contracts	0.5	-	0.1	0.6
Contracts with respect to credit derivatives	-	-	2.3	2.3
Total liabilities with respect to derivative instruments	**2.7**	**-**	**2.4**	**5.1**
Total financial liabilities	**4.4**	**-**	**2.4**	**6.8**

(1) Level 1 - fair value measurements which use quoted prices on an active market. Level 2 - fair value measurements which use other significant observable inputs. Level 3 - fair value measurements which use significant unobservable inputs.

Note 32B - Items Measured at Fair Value on a Repeated Basis (Cont.)

Reported amounts in NIS millions

A. Items measured at fair value on a repeated basis (Cont.)

	As of December 31, 2023			
	Fair value measurements used in:			Total fair value
	Level 1 (1)	Level 2 (2)	Level 3 (3)	
Assets				
Available for sale securities:				
Bonds - Government of Israel	698.1	-	-	698.1
Foreign governments	74.6	-	-	74.6
Financial institutions	73.9	-	-	73.9
Of others in Israel	154.1	-	-	154.1
Others foreign	-	-	-	-
Total available for sale securities	**1,000.7**	**-**	**-**	**1,000.7**
Stocks, ETF's and funds not held for trading	**7.5**	**-**	**-**	**7.5**
Marketable securities:				
Bonds - Government of Israel	0.2	-	-	0.2
Financial institutions	0.8	-	-	0.8
Of others in Israel	8.5	-	-	8.5
Of others, international	-	-	-	-
Stocks and ETF's	4.1	-	-	4.1
Total securities held for trading	**13.6**	**-**	**-**	**13.6**
Assets with respect to derivative instruments:				
Interest contracts - NIS/CPI	-	-	-	-
Interest contracts - other	-	0.4	-	0.4
Foreign currency contracts	0.4	0.2	-	0.6
Share contracts	0.3	-	-	0.3
Contracts with respect to credit derivatives	-	-	-	-
Total assets with respect to derivative instruments	**0.7**	**0.6**	**-**	**1.3**
Total financial assets	**1,022.5**	**0.6**	**-**	**1,023.1**
Liabilities				
Deposits from banks	3.1	-	-	3.1
Liabilities with respect to derivative instruments:				
Interest contracts - NIS/CPI	5.5	-	-	5.5
Interest contracts - other	0.2	-	-	0.2
Foreign currency contracts	0.3	0.3	-	0.6
Share contracts	0.3	-	0.7	1.0
Contracts with respect to credit derivatives	-	-	1.6	1.6
Total liabilities with respect to derivative instruments	**6.3**	**0.3**	**2.3**	**8.9**
Total financial liabilities	**9.4**	**0.3**	**2.3**	**12.1**

(2) Level 1 - fair value measurements which use quoted prices on an active market. Level 2 - fair value measurements which use other significant observable inputs. Level 3 - fair value measurements which use significant unobservable inputs.

Note 32C - Changes in Items Measured at Fair Value on a Repeated Basis Which Were Included on Level 3

Reported amounts in NIS millions

	As of December 31, 2024						
		Realized and realized net profit (loss) from adjustments which were included					
	Fair value at start of period	In the statement of income	In other comprehensive income	Acquisitions	Sales	Fair value at end of period	Unrealized profit (loss) with respect to instruments held at end of period
Contracts with respect to stocks	(0.7)	0.6	-	-	-	(0.1)	0.6
Liabilities with respect to credit derivatives	(1.6)	(0.7)	-	-	-	(2.3)	(0.7)

	As of December 31, 2023						
Contracts with respect to stocks	(3.9)	3.2	-	-	-	(0.7)	3.2
Liabilities with respect to credit derivatives	(0.1)	(1.5)	-	-	-	(1.6)	(1.5)

Note 32D - Quantitative Information Regarding Items Measured at Fair Value on a Repeated Basis Which Were Included On Level 3

Items measured at fair value on a repeated basis

	As of December 31, 2024			
	Fair value	Valuation technique	Unobservable inputs	Weighted average
Liabilities with respect to credit derivatives	2.3	Discounted cash flows	Mortgage interest Risk of mortgage default	1.34%
Contracts with respect to stocks	0.1	B&S	Annual standard deviation	26.10%
	As of December 31, 2023			
	Fair value	**Valuation technique**	**Unobservable inputs**	**Weighted average**
Liabilities with respect to credit derivatives	1.6	Discounted cash flows	Mortgage interest Risk of mortgage default	1.79%
Contracts with respect to stocks	0.7	B&S	Annual standard deviation	24.20%

Note 33 - Interested Parties and Related Parties (1) of the Bank and Its Consolidated Companies

Reported amounts in NIS millions

A. Interested party balances

	December 31, 2024									
	Shareholder									
	Controlling shareholders (2)		Others (3)		Officers (4)		Others (5)(6)		Anyone who was a interested party when the transaction was executed	
	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)
Assets										
Credit to the public	-	-	-	-	0.1	0.4	-	-	0.8	1.1
Provision for credit losses	-	-	-	-	-	-	-	-	-	-
Credit to the public, net	-	-	-	-	0.1	0.4	-	-	0.8	1.1
Liabilities										
Public deposits	26.3	40.2	-	-	1.3	1.4	6.5	10.9	-	-
Other liabilities - other payables and credit balances	-	-	-	-	-	-	-	-	-	-
Shares (included in equity) (9)	1,257.6	1,257.6	-	-	-	-	-	-	-	-

	December 31, 2023									
	Shareholder									
	Controlling shareholders (2)		Others (3)		Officers (4)		Others (5)(6)		Anyone who was a interested party when the transaction was executed	
	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)	As of December 31 (7)	Highest balance during the year (8)
Assets										
Credit to the public	-	-	-	-	0.6	0.7	-	-	0.8	1.4
Provision for credit losses	-	-	-	-	-	-	-	-	-	-
Credit to the public, net	-	-	-	-	0.6	0.7	-	-	0.8	1.4
Liabilities										
Public deposits	33.3	44.9	-	-	1.0	1.1	11.2	12.4	-	-
Other liabilities - other payables and credit balances	-	-	-	-	-	-	-	-	-	-
Shares (included in equity) (9)	1,151.8	1,151.8	0.1	0.1	-	-	-	-	-	-

Note 33 - Interested Parties and Related Parties (1) of the Bank and Its Consolidated Companies (Cont.)

B. Summary business results

	December 31, 2024				December 31, 2023				December 31, 2022			
	Shareholders				Shareholders				Shareholders			
	Controlling shareholders (2)	Others (3)	Officers (4)	Others (5)(6)	Controlling shareholders (2)	Others (3)	Officers (4)	Others (5)(6)	Controlling shareholders (2)	Others (3)	Officers (4)	Others (5)(6)
Interest income, net	(0.9)	-	-	-	(1.3)	-	-	-	(0.1)	-	-	-
Expenses with respect to credit losses	-	-	-	-	-	-	-	-	-	-	-	-
Non-interest income	-	-	-	-	0.1	-	-	-	-	-	-	-
Operating and other expenses	0.4	-	22.5	0.4	0.3	-	22.8	0.4	0.3	-	(22.7)	0.4
Total	**(1.3)**	-	**(22.5)**	**(0.4)**	**(1.5)**	-	**(22.8)**	**(0.4)**	**(0.4)**	-	**(22.7)**	**(0.4)**

C. Remuneration and any other benefit to interested parties

	2024							
	Interested parties							
	Shareholders							
	Controlling shareholders (2)		Others (3)		Officers (4)		Others (5)(6)	
	Total benefit	Number of benefit recipients	Total benefit	Number of benefit recipients	Total benefit	Number of benefit recipients	Total benefit	Number of benefit recipients
Interested party who is employed in the Corporation or on its behalf (*)	-	-	-	-	20.2	12.0	-	-
Director who is not employed in the Corporation or on its behalf (*)	0.4	2.0	-	-	2.3	8.0	-	-
Other interested party who is not employed in the Corporation or on its behalf	-	-	-	-	-	-	0.4	1.0
								2023
Interested party who is employed in the Corporation or on its behalf (*)	-	-	-	-	21.5	14.0	-	-
Director who is not employed in the Corporation or on its behalf (*)	0.3	2.0	-	-	1.3	6.0	-	-
Other interested party who is not employed in the Corporation or on its behalf	-	-	-	-	-	-	0.4	2.0
	2022							
Interested party who is employed in the Corporation or on its behalf (*)	-	-	-	-	21.1	15.0	-	-
Director who is not employed in the Corporation or on its behalf (*)	0.3	1.0	-	-	1.6	7.0	-	-
Other interested party who is not employed in the Corporation or on its behalf	-	-	-	-	-	-	0.4	2.0

(*) Not including payroll tax.

Note 33 - Interested Parties and Related Parties[1] of the Bank and Its Consolidated Companies (Cont.)

D. Interest income, net, in transactions with the banking corporation and its consolidated companies with interested parties and related parties

	2024	2023	2022
A. With respect to assets			
From credit to the public	-	-	-
B. With respect to liabilities	-	-	-
On public deposits	(0.9)	(1.3)	(0.1)
Total interest income, net	**(0.9)**	**(1.3)**	**(0.1)**

(1) Interested party, related party, related person - as defined in section 80.D of the public reporting regulations.
(2) Controlling shareholders and their relatives - as defined in section 80.D(1) of the public reporting regulations.
(3) Other holders - including holders of 5% or more of the means of control of the banking corporation, and those who are entitled to appoint one or more directors of the banking corporation, or its CEO - in accordance with section 80.D(2) of the public reporting regulations.
(4) Officers - As defined in section 80.D(3) of the public reporting regulations.
(5) In accordance with section 80.D(4) of the public reporting regulations.
(6) As of the balance sheet date, there are no assets or liabilities with respect to corporations, where the person or corporation which was included in one of the aforementioned groups of interested parties, in accordance with the Securities Law, holds twenty five percent or more of their issued share capital, or of the voting rights therein, or who is entitled to appoint twenty five percent or more of their directors.
(7) Balance as of the balance sheet date.
(8) The highest balance during the year, based on end of month balances at the end of each month.
(9) Holdings of interested parties and related parties in the capital of the banking corporation.
(10) Balances lower than NIS 0.1 million are not presented in this note.

Note 33 - Interested Parties and Related Parties[(1)] of the Bank and Its Consolidated Companies (Cont.)

Main employment terms of the CEO, Mr. Yair Kaplan

On March 30, 2022, notice was received from the Bank of Israel, stating that the Bank of Israel did not object to the appointment of Mr. Kaplan as the Bank's CEO. On April 1, 2022, Mr. Yair Kaplan, began his tenure in the Bank in a overlapping training period with the outgoing CEO, Mr. Gil Topaz. On April 14, 2022, Mr. Kaplan's tenure as the Bank's CEO commenced (hereinafter: the "**Bank's CEO**").

Terms of tenure and employment of the Bank's CEO:

The terms of employment and tenure of the Bank's CEO were approved in the general shareholder meeting of the Bank on April 28, 2022, for a period of four years after his employment commencement date on April 1, 2022, after the Board of Directors' approval was received, in its meeting on March 22, 2022, as well as the approval of the Audit Committee (in its role as the Remuneration Committee), in its meeting on March 15, 2022. The employment terms of the CEO were determined in accordance with the Bank's officer remuneration policy for the years 2020-2022, which was approved by the general meeting on December 11, 2019, and updated on May 13, 2021 and April 28, 2022 (hereinafter: the "Remuneration Policy for the Years 2020-2022"). On December 4, 2022, the general meeting of the Bank's shareholders approved an amendment to the CEO's terms of tenure and employment, beginning from January 1, 2023, in accordance with the approval of the officer remuneration policy for 2023-2025 (hereinafter: the "**Remuneration Policy for 2023-2025**"), which was approved by the general meeting on the same date, and after approval was received from the Board of Directors and the Audit Committee (in its function as the Remuneration Committee). For details regarding the remuneration policy for the years 2023-2025, see Note 22.

On November 6, 2024, the general meeting of the Bank's shareholders approved an update to the CEO's terms of tenure and employment, in accordance with the amendment to the Bank's officer remuneration policy for 2023-2025, which was approved by the general meeting on the same date, and after approval was received from the Board of Directors and the Audit Committee (in its function as the Remuneration Committee).

Presented below are details regarding the original employment terms of the Bank's CEO, Mr. Yair Kaplan:

General

The CEO's employment period will be four years, beginning at the start of his tenure in the Bank on April 1, 2022. The parties will be entitled to terminate the work relationship at any time, subject to notice in writing, provided 6 months in advance. During 6 months after the date of advance notice, the CEO will be subject to provisions regarding non-competition, as specified in the terms of the transaction, and in consideration of an adjustment bonus. The Bank is entitled, in its exclusive discretion, to extend the non-competition period by an additional 3 months, against payment in the amount of his salary for this period.

Fixed remuneration

The CEO's monthly salary during his first year of tenure amounted to a total of NIS 110,000 (linked to the consumer price index, as stated in the employment terms), where in each year of his employment terms, an additional gross total of NIS 10,000 will be added to his monthly salary (linked to the consumer price index, as stated in the employment terms). The CEO is also entitled to social benefits and fringe benefits, as specified in the employment terms.

Variable remuneration

The CEO is entitled to a variable annual bonus in accordance with and subject to the remuneration policy and the directives of the Commissioner of Banks.

Subject to the foregoing, the variable annual bonus limit, respectively, which the CEO will be entitled to receive with respect to a certain calendar year, will be up to NIS 700,000, subject to the restrictions and rules prescribed in the Remuneration of Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional remuneration), 5776-2016 (hereinafter: the "**Remuneration of Officers in Financial Corporations Law**"). For details regarding the preconditions for the variable annual remuneration in accordance with the remuneration policy for 2023-2025, see the update to the terms of the Bank's current CEO, beginning on January 1, 2023, as described below.

Note 33 - Interested Parties and Related Parties[1] of the Bank and Its Consolidated Companies (Cont.)

Retirement terms

The Bank's payments to the pension severance pay plan will come in place of the payment of severance pay which may be owed to the CEO or to his survivors, as applicable, and will exhaust all of the Bank's liabilities in connection with the payment of severance pay, as specified in section 14 of the Severance Pay Law. Upon the conclusion of the CEO's employment, the Bank will release, in favor of the Bank's CEO, all funds which have accrued in his favor in the pension plan, including interest accrued thereupon, and the Bank will not be entitled to receive any amount out of the plan funds.

The advance notice period in case of the termination of the employer - employee relationship, as initiated by either of the parties, the advance notice period will be 6 months, in writing. The Bank will be entitled to forgo the work of the Bank's CEO during the advance notice period, in whole or in part. In that case, the Bank's CEO will be entitled to receive payment of all of the rights set forth in the agreement, as if he had effectively worked during this period. However, the Bank will be entitled to terminate the working relationship immediately, or during the advance notice period, provided that it will pay to the Bank's CEO the advance notice consideration which remains in his favor, in the amount of the monthly salary and the value of the fringe benefits and social benefits specified in the agreement, excluding the variable remuneration. In the event that the Bank's CEO has breached his obligation to submit advance notice to the Bank regarding his resignation, he will be required to pay liquidated damages to the Bank, in the amount of the total salary which he would have been entitled to receive, had he continued working.

Adjustment bonus

Upon the conclusion of the CEO's employment, an adjustment bonus will be paid to the CEO in an amount equal to 3 monthly salaries, according to the fixed salary, as stated above, which was paid to him upon the conclusion of his employment in the Bank. The adjustment bonus constitutes consideration for the 6 month non-competition undertaking. The Board of Directors, after receiving the Remuneration Committee's recommendation, may release, for special reasons, the CEO from effective non-competition during an adjustment period of up to one month. Variable retirement arrangements will be paid in accordance with the dates and conditions specified in the Bank's remuneration policy, as it stands from time to time.

Additional general provisions

All of the provisions of the agreement with the CEO will be subject to the Bank's remuneration policy, as this will be in effect from time to time, and to the directives issued by the Bank of Israel and the Commissioner of Banks, from time to time, and to The Remuneration of Officers in Financial Corporations Law, and will be amended as required accordingly. The Board of Directors will be entitled, for special reasons, to decide to reduce the variable remuneration (in whole or in part) given to the Bank's CEO, after receiving the recommendation of the Remuneration Committee. If it is found that amounts have been paid to the Bank's CEO as part of his terms of tenure and employment, which were based on figures which were found to be erroneous, and which were restated in the Bank's financial statements, and where, in light of the restatement of those figures, lower amounts should have been paid to the Bank's CEO than those which he actually reviewed, or if no amounts at all should have been paid, then the Bank's CEO will repay those amounts to the Bank, upon the Bank's demand, plus linkage differentials from the payment date until the repayment date.

Annual vacation

The CEO is entitled to 27 days of annual leave per full year of employment, without a limit on accrual, except for four (4) days of leave per year which are not redeemable other than through actual use.

Provision of a letter of indemnity to officers in the Bank and in its subsidiaries

For details regarding the provision of a letter of indemnity to officers in the Bank and in its subsidiaries, see the chapter "controlling shareholder transactions" in the corporate governance report.

Letter of release

the Bank's CEO was given a letter of release upon his appointment to the position, in accordance with the approval given by the shareholder meeting on May 13, 2021, to grant a letter of release to the Bank's officers. The letter of release which was granted to the CEO is according to the wording of the letter of release which was published in the meeting convention report dated April 21, 2021.

Changes to the CEO's employment terms:

On December 4, 2022, the general meeting approved, following the unanimous approval of the Bank's Board of Directors on October 27, 2022, and following the unanimous approval of the Audit Committee (in its function as the Remuneration Committee), an update to the CEO's terms of tenure and employment, in accordance with the approval of the officer remuneration policy for 2023-2025.

For details regarding the remuneration policy for the years 2023-2025, see Note 22.

Fixed remuneration

Clarification was added stating that increases in the CEO's monthly salary, as specified in his employment agreement, will be linked to increases in the CPI, with the base index being the known index on the tenure commencement date of the Bank's CEO - April 1, 2022. The updates will be implemented in January, April, July and October of each year. In accordance with the decision of the general meeting of the Bank's shareholders from November 6, 2024, beginning from the salary for August 2024, the CEO's salary was increased by a gross monthly total of NIS 20,000, with respect to a full time position. This salary raise is linked to the known consumer price index as of August 1, 2024, and not as of the commencement date of the CEO's employment.

Variable remuneration

The CEO will be entitled to a variable annual bonus with respect to each calendar year in the amount of up to 8 monthly salaries, provided that the CEO's total remuneration does not exceed the highest cap permissible in accordance with the Remuneration for Officers in Financial Corporations Law (instead of a limit of NIS 700,000, subject to the restrictions and rules prescribed in the Remuneration for Officers in Financial Corporations Law, as determined in the previous remuneration policy for the years 2020-2022, and the CEO's employment agreement). The agreement was also amended such that it will be possible to grant to the CEO also the variable special bonuses specified in the officer remuneration policy for 2023-2025 (bonus in special circumstances, appreciation bonus and special bonus with respect to a special transaction), and subject to the fulfillment of the conditions which were determined therein. The total sum of the discretionary bonuses which the Bank's CEO will be entitled to receive with respect to one year, if any, will not exceed 3 monthly salaries, subject to the rules prescribed in the Remuneration for Officers in Financial Corporations Law. The remuneration policy for 2023-2025 included the definition of the following preconditions for granting variable annual remuneration:

The "rate of return" is calculated according to comprehensive income as reported in the Bank's audited annual financial statements, relative to average equity. In the calculation of the rate of return, profits / losses which are due to non-recurring events will be neutralized (financial profits / losses, such as nostro, will not be considered non-recurring), as well as capital profits / losses, in the discretion of the Board of Directors. (Comprehensive income will be after the payment of bonuses to the CEO, officers, and non-officer key employees, and after taking into account the expenses with respect to options for officers (and for any other entity, if any), as these have been recorded, or will be recorded, in the Bank's books.)

Note 33 - Interested Parties and Related Parties[(1)] of the Bank and Its Consolidated Companies (Cont.)

Subject to the fulfillment of the minimum conditions, a list of criteria was established which, upon fulfillment, will entitle the Remuneration Committee and the Board of Directors to grant up to 3 monthly salaries subject to discretion, and additionally, the Remuneration Committee and the Board of Directors will be entitled to approve an additional variable annual bonus, beyond these 3 salaries, according to measurable parameters which will be determined proximate to the commencement of each bonus year by the Board of Directors, after receiving approval from the Remuneration Committee, up to the annual bonus cap as specified in the remuneration policy, and subject to The Remuneration for Officers in Financial Corporations Law.

The maximum variable remuneration will not exceed 100% of the fixed remuneration (as defined in the remuneration policy) for the Bank's CEO.

Any variable remuneration will be granted and will be paid subject to the condition that it is repayable, according to the conditions which are defined in the remuneration policy.

The CEO's variable annual bonus with respect to a calendar year will be paid according to the dates and conditions which are specified in the remuneration policy.

With respect to all types of variable remuneration, fringe benefits are not paid. In circumstances where the Bank's CEO is not entitled to receive severance pay, and in other circumstances, as will be determined (if determined) by the Board of Directors from time to time, after receiving the recommendation of the Remuneration Committee, the Bank will be entitled to revoke the CEO's entitlement to variable remuneration (in whole or in part), including the bonuses, and to all parts of the variable remuneration which have not yet been paid, including with respect to the deferred parts of the variable remuneration.

On April 3, 2024, the general meeting approved, after approval was received from the Board of Directors on March 12, 2024, and after approval was received from the Audit Committee on March 7, 2024, an annual bonus to the CEO for 2023, in the amount of NIS 720,000.

Main Employment Terms of the Chairman of the Board, Mr. Zeev Nahari

On August 13, 2019, the Bank's Board of Directors resolved to approve the renewal of Mr. Nahari's appointment as the Chairman of the Board, beginning on October 11, 2019. The renewal of Mr. Nahari's appointment will be subject to the general meeting's approval of his appointment as a director in the Bank, and to the Commissioner of Banks not announcing her objection to the appointment within 60 days after the date when the Commissioner was informed of the matter, or her announcement that she consents to it.

On August 15, 2019, the Bank's Board of Directors approved, after approval was received from the Audit Committee (in its function as the Remuneration Committee), the terms of tenure and employment of the Chairman of the Board, for a four year term, beginning from the date of extension of his tenure, on October 11, 2019, i.e., until October 11, 2023.

On October 3, 2019, the Bank of Israel announced that the Bank of Israel did not object to the appointment of Mr. Nahari for an additional term, as a director and as the Chairman of the Bank's Board of Directors.

On October 10, 2019, the general meeting approved the appointment of Mr. Nahari as a director in the Bank, as well as the updated employment terms of the Chairman of the Board, for a period of four years beginning on October 11, 2019.

On March 22, 2022, the Bank's Board of Directors approved, after approval was received from the Audit Committee (in its function as the Remuneration Committee), an update to the terms of tenure and employment of the Chairman of the Board.

On April 28, 2022, the general meeting approved an update to the terms of tenure and employment of the Chairman of the Board.

On August 10, 2022, the general meeting approved the appointment of Mr. Nahari as a director in the Bank and as the Chairman of the Board, for an additional 3 year term, beginning on August 10, 2022.

On August 21, 2023, the Bank's Board of Directors resolved to re-appoint Mr. Nahari as the Chairman of the Board, for an additional two year term, beginning on October 11, 2023.

Employment terms of the Chairman of the Board from October 11, 2015 to October 10, 2019:

The Bank's Board of Directors, in its meeting on September 17, 2015, decided to appoint Mr. Zeev Nahari as a director and as the Chairman of the Bank's Board of Directors (the "Chairman of the Board" or "Mr. Nahari"), in accordance with section 11c.(a)(3) of the Banking Ordinance, 1941, and the Bank's articles of association, until the date when the appointment will be presented for approval to the special general meeting which will be convened for this purpose, and subject to the receipt of the required approvals.

On October 11, 2015, approval was received from the Bank of Israel, certifying that it does not have an objection to the appointment of Mr. Nahari as a director and as the Chairman of the Bank's Board of Directors, and from that date onwards, Mr. Nahari has effectively served as a director and as the Chairman of the Bank's Board of Directors. On November 19, 2015, the general meeting approved the appointment of Mr. Nahari as a director in the Bank. The period of the Chairman of the Board's term was 4 years, beginning on October 11, 2015.

Notwithstanding the provisions of the above section, the parties will be entitled to terminate the work relationship at any time, by providing written notice three (3) months in advance.

Presented below are details regarding the employment terms of the Chairman of the Board:

General

During the employment period, the Chairman will be employed on a 4 day work week basis (no less than 80% position).

The Chairman of the Board undertakes not to engage in any other activity and/or in any other position and/or in nay other engagement and/or work, at or on behalf of any banking corporation or financial entity or entity active in the capital market, and/or in any other engagement which is prohibited in accordance with the Proper Conduct of Banking Business Directives, unless advance written consent has been received for the foregoing from the Bank's Board of Directors. The Chairman of the Board undertook to avoid conflicts of interest.

Monthly salary and fringe benefits

The Chairman of the Board's monthly salary was set as a gross total of NIS 95,000 per month of work (with respect to a 80% position). The salary will be linked to increases in the consumer price index, with the base index being the index on the commencement date of his position. Additionally, the Chairman of the Board will be entitled to receive social benefits and fringe benefits which include, inter alia, social provisions; sick days, convalescence pay, a vehicle appropriate for his position, officer's insurance according to the Bank's policy, insofar as there will be a transfer of control in the Bank, run-off insurance according to the Bank's conventional practice, letters of indemnity according to the customary terms for officers of the Bank, reimbursement of expenses associated with the fulfillment of his position, and additional benefits.

Variable remuneration

In accordance with the terms of tenure and employment, and in accordance with Proper Conduct of Banking Business Directive 301A, the Chairman of the Board will not be entitled to receive a variable annual bonus.

Retirement terms

Severance pay - the Bank's payments to the pension severance pay plan will come in place of the payment of severance pay which may be owed to the Chairman of the Board or to his survivors, as applicable, and will exhaust all of the Bank's obligations in connection with the payment of severance pay, as specified in section 14 of the Severance Pay Law. Upon the conclusion of the employment of the Chairman of the Board, the Bank will release, in favor of the Chairman of the Board, all funds which have accrued in his favor in the pension plan, including interest accrued thereupon, and the Bank will not be entitled to receive any amount out of the plan funds.

Note 33 - Interested Parties and Related Parties[1] of the Bank and Its Consolidated Companies (Cont.)

The advance notice period in case of the termination of the employer - employee relationship, as initiated by either of the parties, the advance notice period will be 3 months, in writing. The Bank will be entitled to forgo the work of the Chairman of the Board during the advance notice period, in whole or in part. In the above case, the Chairman of the Board will be entitled to receive payment of all of the rights set forth in the agreement, as if he had effectively worked during this period.

However, the Bank will be entitled to terminate the working relationship immediately, or during the advance notice period, provided that it pays to the Chairman of the Board the consideration for the remaining advance notice period which remains in his favor, in the amount of the monthly salary and the value of the fringe and social benefits specified in the agreement. On October 1, 2024, the general shareholders' meeting approved an update to the terms of tenure and employment of the Chairman of the Board, and resolved to grant him an adjustment bonus upon the conclusion of his period of employment, in an amount equal to three monthly salaries as of the conclusion date of his employment, against non-competition, and the Chairman's employment agreement must be amended accordingly, and an appropriate section added to his employment agreement, in the Bank's standard wording.

Additional general provisions

All of the provisions of the agreement with Chairman of the Board will be subject to the Bank's remuneration policy, as this will be in effect from time to time, and to the directives issued by the Bank of Israel and the Commissioner of Banks, from time to time.

Changes to the employment terms of the Chairman of the Board, beginning on October 11, 2019.

Scope of employment:

The scope of the Chairman of the Board's position was updated to 100%.

Monthly salary:

His monthly salary will amount to a total of NIS 128,000 for a 100% position (linked to the known CPI on October 11, 2019).

Annual vacation days:

The Chairman of the Board will be entitled to four additional vacation days, which will be accruable, but not redeemable, such that the total number of annual vacation days will be 27 working days per full year of work, of which, as stated above, 4 annual vacation days will not be redeemable (instead of 23 annual vacation working days per full year, without an accrual limit).

Change of participation in vehicle maintenance:

The Bank will pay to the Chairman of the Board vehicle maintenance fees in the net amount of NIS 11,250 per month (instead of a net total of NIS 10,250 per month), instead of providing a vehicle for the purpose of his work and for his private needs, and instead of bearing the expenses for the use thereof, so long as an employee-employer relationship exists between the Chairman of the Board and the Bank.

Letter of release

In accordance with the shareholder meeting's approval on May 13, 2021, the CEO and the Bank's other officers were given a letter of release according to the wording which was published in the meeting convention report dated April 21, 2021.

Changes to the employment terms of the Chairman of the Board, beginning on April 1, 2022:

Monthly salary:

His monthly salary will amount to a total of 146,800 (linked to increases in the known consumer price index as of April 1, 2022). Mr. Nahari's other terms of tenure and employment remain unchanged.

Note 33 - Interested Parties and Related Parties[1] of the Bank and Its Consolidated Companies (Cont.)

Changes to the employment terms of the Chairman of the Board, beginning on October 11, 2023.

Monthly salary:

In his third term, the Chairman of the Board's monthly salary, for a 100% position, will be updated gradually such that, in the first year of his third term, his monthly salary will amount to a total of NIS 170,000, and in the second year of his third term, his monthly salary will amount to a total of NIS 184,000, linked to the known consumer price index as of October 11, 2023. Notwithstanding the foregoing, in case of a decrease in the CPI, there will not be a corresponding reduction of the monthly salary; however, the rate of decrease in the CPI will be deducted from the next rate of increase.

Change of participation in vehicle maintenance:

The Bank will pay to the Chairman of the Board vehicle maintenance fees in the net amount of NIS 13,000 per month (instead of a net total of NIS 11,250 per month).

Changes to the employment terms of the Chairman of the Board, in accordance with the meeting's resolution on November 6, 2024:

Adjustment bonus:

In accordance with the resolution of the general meeting of the Bank's shareholders from November 6, 2024, the terms of tenure and employment of the Chairman of the Board were updated such that he will be entitled to an adjustment bonus upon conclusion of his period of employment, in an amount equal to three monthly salaries as of the conclusion date of his employment, against non-competition.

No changes were made to the other terms of tenure and employment.

Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date

1. The Swords of Iron War began on October 7, 2023, and is adversely affecting the economic activities in Israel to which the Bank's activities are exposed, and is also affecting the Bank's business, including an increase in credit risk in the household and business credit segment, and an increase in financial risks and operational risks. At this stage, it is not also possible to estimate the future scope or consequences of the war, or to estimate or quantify the duration or extent of the event, or its future impact on the Israeli economy, the Bank's customers, and the Bank itself.

   Bank management monitors the development of the war and its financial and business implications, and evaluates the suitability of its business strategy in light of the events. Tight monitoring and control has been defined for the Bank's various operating segments. Various scenarios of ways in which the event could develop and affect the various risks and the Bank's activities are evaluated continuously. Bank management also routinely reports to the Bank's Board of Directors and its committees regarding its steps towards managing the event, in the relevant areas.

Due to the war and its possible effects on the state of the economy and of borrowers, with the aim of providing relief for customers, the Bank of Israel announced a program which was agreed upon with the banking system, to freeze payments on credit which customers have received from the Bank. According to the program, deferrals were granted on loan payments for a period of 3 months, where the group of customers including those living near Gaza and in the south, security forces called up for reserve military service, people who were forced to leave their homes, and the relatives of those who were murdered, kidnapped and missing (circle 1), will be permitted deferral without charging interest or fees. Deferral will be permitted for all other customers (circle 2) according to the original interest rate of the loan, without charging fees. Additionally, in order to encourage banking corporations to allow additional flexibility in the repayment of loans for borrowers who were affected by the war, the Bank of Israel published points of emphasis when handling debts to which the foregoing arrangements were applied. In light of the continuation of the Swords of Iron War, the Bank of Israel's program was extended by three additional periods of three months each.

The estimated total benefits which will be given to the Bank's customers in circle 1 will depend on the scope of use, and could reach a total of approximately NIS 21.8 million if fully used, and will be carried to the statement of income, in accordance with the realization by the customers.

As of December 31, 2024, the balance of housing credit for which payments were deferred at the Bank amounted to a total of approximately NIS 236 million, approximately 2.4% of the housing credit portfolio, and the scope of payments which were deferred with respect to housing credit amounted to a total of approximately NIS 14.0 million. The balance of non-housing credit to private individuals for which payments were deferred at the Bank amounted to a total of approximately NIS 6 million, approximately 0.4% of the balance of non-housing credit to private individuals, and the scope of payments which were deferred with respect to non-housing credit to private individuals amounted to a total of approximately NIS 1.1 million. The balance of commercial credit for which payments were deferred at the Bank amounted to a total of approximately NIS 15 million, approximately 0.3% of the balance of commercial credit, and the scope of payments which were deferred with respect to commercial credit amounted to a total of approximately NIS 0.3 million.

The total scope of credit for which payments were deferred as of December 31, 2024 amounted to approximately NIS 257 million, approximately 1.6% of total credit.

Additionally, from the beginning of the Swords of Iron War until December 31, 2024, the Bank increased the collective provision for credit losses with respect to the war's impact in the amount of approximately NIS 49.6 million. When estimating the collective provision with respect to the war, the Bank took into account a forecast of macro data, such as the expected unemployment rate, the effect on housing prices, the forecasted Bank of Israel interest rate, and other parameters.

Additionally, on February 26, 2025, the Bank of Israel published a voluntary proposed outline, which mainly involves the allocation of funds in the amount of NIS 1.5 billion from the entire banking system in each of the years 2025 - 2026, whereby the allocation rate of each bank will be derived from its market share as of the publication date of the outline. The funds will be designated to finance various expedients for the customers of each bank, in accordance with different baskets which are as specified in the outline proposal, and the manner of distribution between baskets will be done in the discretion of each bank. The Bank of Israel believes that the adoption the outline will make unnecessary, inter alia, taxation processes which are specific to the banking system, which are not intended for banks with limited scopes of activity (i.e., banks with an asset value less than 5% of the asset value of all banks in Israel, and which are not controlled by another bank).

The Bank is continuing to monitor the developments, both on the macro-economic level and with respect to decisions involving the credit portfolio, and will update the provision for credit losses on an ongoing basis, continuously the actual results, which may differ from the Bank's assessments at this stage.

Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date (Cont.)

2. On January 7, 2024, a special general meeting of the Bank's shareholders approved the appointment of Ms. Moran Ofir Weinstein as an outside director, following the announcement of the Commissioner of Banks on November 23, 2023, that he does not object to her appointment as an outside director in the Company in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301. Approval was also given for a transaction with a relative of the controlling shareholder.
3. On January 22, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the marketable securities (Series 3), in the amount of approximately NIS 333.1 million.
4. On February 9, 2024, Moody's announced a reduction of the state's rating and of the rating outlook with negative outlook, and on May 5, 2024, it announced a reduction of the rating and rating outlook of the large banks, with negative outlook. Additionally, on April 18, 2024, the credit rating company S&P (where the Bank is exposed to changes in rating in their capital adequacy calculations) reduced Israel's credit rating

   from AA- to A+. On October 1, 2024, and after the balance sheet date, it announced another rating reduction, to A.

   On August 12, 2024, the rating company Fitch reduced Israel's rating to A, negative outlook.

   Additionally, on September 27, 2024, Moody's again reduced the state's rating, by two notches, to a rating of Baa1, negative outlook.

   These rating reductions had a minimal direct effect on the Bank.
5. On March 13, 2024, the Knesset plenum passed, in a the second and third reading, the Bill for Special Payment to Achieve Budget Goals (Temporary Provision - Swords of Iron), 5784-2024, which determined that a bank which is not a "bank with limited scope of activity" (i.e., a bank whose asset value is less than 5% of the asset value of all banks in Israel, and which is not controlled by another bank), will pay to the State Treasury, with respect to the effective period (April 1, 2024 to December 31, 2025), an annual payment in an amount equal to 6% of the profit which it produced from its activity in Israel. This process was performed is in light of the spike in the profits of banks due to the Bank of Israel's interest rate hikes, and is expected to add to the state coffers an additional NIS 1.2 billion in 2024, and NIS 1.3 billion in 2025.

   Since Bank of Jerusalem is considered a "bank with limited scope of activity", it is excluded from the scope of this law.
6. On April 14, 2024, the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions) (Amendment), 5784-2024, was published in the Official Gazette, which amended the Value Added Tax Ordinance (Tax Rate for Not-For-Profit Organizations and Financial Institutions), 5753-1992, in which the rate of payroll tax and capital gains tax which are due with respect to the activity of financial institutions in Israel will be increased from 17% to 18%, beginning on January 1, 2025. During the reporting period, the Bank recognized an increase in the deferred tax balance in the amount of approximately NIS 0.8 million.
7. On March 20, 2024, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable and final bill of sale transaction, 90% of its rights and liabilities in connection with the portfolio of housing loans totaling approximately NIS 397 million, comprised of housing loans which were provided by the Bank (the "Portfolio of Loans").

   The remaining portfolio of loans remains owned by the Bank, such that the buyer's rights and the Bank's rights to the portfolio of loans will have an identical priority rank (pari passu).

In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the portfolio of loans which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans which remains owned by it.

The Bank recognized gross profit (before tax) of approximately NIS 11.5 million in the financial statements for the first quarter of 2024, with respect to this transaction.

8. Due to the uncertainty regarding the economic conditions resulting from the Swords of Iron War and the security situation, and further to the letter of the Commissioner of Banks dated November 12, 2023, the Commissioner of Banks published, on March 5, 2024 and May 16, 2024, instructions which may involved re-evaluation of the dividend distribution policy for the coming period, while exercising extra precaution and conservatism in the foregoing policy.

   In consideration of the foregoing, the Board of Directors resolved: (A) On March 21, 2024, to distribute dividends at a rate of 20%, with respect to the profits from the second half of 2023 in the amount of approximately NIS 12.5 million (gross), which was paid to the Bank's shareholders on April 8, 2024; and (B) on August 20, 2024, to distribute dividends at a rate of 30%, with respect to the profits from the first half of 2024, in the amount of approximately NIS 26.0 million (gross), which was paid to the Bank's shareholders on September 5, 2024.

9. on May 2, 2024, the rating company S&P ratified the Bank's rating of ilAA-, despite the increased geopolitical risks. The rating outlook remained negative.
10. On May 9, 2024, the general meeting of the Bank's shareholders approved the provision of variable remuneration to officers in the Bank with respect to 2023, and an extension of letters of release for directors in the Bank who are and/or whose relatives are controlling shareholders of the Bank, for an additional three year period.
11. On May 31, 2024, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. performed a final and complete redemption of the bonds (Series M), in the amount of approximately NIS 224.2 million.
12. On June 10, 2024, an agreement was signed between the Bank and member companies of an institutional entity group, regarding the joint provision of housing loans (hereinafter: the "Syndication Agreement"), whereby the Bank will provide 10%, and the member companies of the institutional entity's group will provide 90% of each of loans which will be provided to customers in accordance with the agreement. The syndication agreement was signed for a period of 3 years, and the scope of housing loans which will be provided thereunder is estimated at a total of up to approximately NIS 1.8 billion. In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the member companies of the institutional entity's group, the part of the portfolio of loans which they provided, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans was provided by the Bank, and it will also receive, from the member companies of the institutional entity's group, initiation fees with respect to the loans which will be provided within the framework of the collaboration.

    The Bank believes that the syndication agreement will allow the Bank to increase its scopes of activity in the mortgage market, while reducing the exposure to in mortgage sales.

Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date (Cont.)

13. On June 24, 2024, the Bank's Board of Directors adopted a buyback plan under which the Bank will be entitled to purchase bonds which have been issued by the Bank's subsidiary Jerusalem Finance & Issuance (2005) Ltd. (hereinafter, in this section: the "Subsidiary"), from each bond series issued by the subsidiary, up to a total of NIS 100 million par value, in accordance with the published plan. Further to the adoption of the plan by the Board of Directors, on June 30, 2024, the Bank purchased, in a single over the counter transaction, NIS 100 million par value of bonds (Series R) which had been issued by the subsidiary, which constitute 12.42% of all of the securities from that series (as of the date of that purchase, the Bank held NIS 163 million par value of this series, which constitute 20.25% of all of the securities from that series). The purchase consideration amounted to a total of approximately NIS 103.1 million. The Bank thereby announced the conclusion of the foregoing purchase plan. With respect to that purchase, the Bank recognized profit of approximately NIS 7.4 million (before tax) in the second quarter of 2024. It is clarified that in accordance with the terms of the trust deeds of the bonds, the bonds which are purchased by the Bank will not give it any rights whatsoever, including any voting rights or rights to receive interest.
14. On June 26, 2024, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable, final and absolute bill of sale transaction, 90% of its rights and liabilities in connection with a commercial credit portfolio which was provided to customers by the Bank, in the total amount of approximately NIS 296 million (the "Credit Portfolio").
    The Bank retains ownership of the remaining credit portfolio, such that the buyers' rights and the Bank's rights to the balance of the credit portfolio will have an identical priority rank (pari passu).
    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the credit portfolio which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates commercial credit for itself, including the part of the portfolio of loans which remains owned by it.
    The Bank recognized gross profit (before tax) of approximately NIS 13.5 million in the financial statements for the second quarter of 2024, with respect to this transaction.
15. On June 27, 2024, the rating company Midroog left the Bank's internal financial strength assessment at a1.il. The rating of the Bank's long term deposits and senior debt remained Aa2.il, stable outlook. The contingent convertible bonds (CoCo Series 17) remained at A2.il hyb, stable outlook.
16. On July 29, 2024, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable and final bill of sale transaction, 90% of its rights and liabilities in connection with the portfolio of housing loans totaling approximately NIS 328 million, comprised of housing loans which were provided by the Bank (the "Portfolio of Loans").
    The remaining portfolio of loans remains owned by the Bank, such that the buyer's rights and the Bank's rights to the portfolio of loans will have an identical priority rank (pari passu).
    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the portfolio of loans which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans which remains owned by it.
    The Bank recognized gross profit (before tax) of approximately NIS 12.4 million in the financial statements for the third quarter of 2024, with respect to this transaction.

Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date (Cont.)

17. On September 26, 2024, the Bank's Board of Directors resolved, in accordance with Regulations 1A(2) and 1B(A)(3) of the Companies Regulations (Expedients Regarding Transactions with Interested Parties), 5760-2000 (hereinafter: the "Expedient Regulations"), after receiving approval from the Audit Committee, in its function as the Remuneration Committee, on September 26, 2024, to approve an update to the remuneration of all of the Bank's directors, including directors who are controlling shareholders and/or relatives of theirs, who serve as directors in the Bank (excluding the Chairman of the Board), who hold office, or who will hold office from time to time, in the Bank, in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses of Outside Director), 5760-2000.
18. On October 29, 2024, after the balance sheet date, financial sanctions were imposed on several banks, including the imposition of financial sanctions on Bank of Jerusalem in the total amount of NIS 2.85 million, in accordance with the decision of the committee on the imposition of financial sanctions regarding banking corporations, pursuant to the Prohibition on Money Laundering Law, 5760-2000 (the "Law"), in connection with a breach of sections 2A, 9 and 13A(3) of the Prohibition on Money Laundering Order (Duties of Identification, Reporting and Record-Keeping of Banking Corporations for the Prevention of Money Laundering and Terror Financing), 5761-2001, and in accordance with the decision of the Commissioner of Banks with respect to a breach of section 32 of Proper Conduct of Banking Business Directive 411, regarding the management of risks pertaining to the prohibition on money laundering and the prohibition on terrorism financing, based on the findings of an audit report regarding the prohibition on terrorism financing of the Banking Supervision Department, dated December 27, 2022, which was conducted in the Bank during the months January 2021 to June 2022. The amount of sanctions was reduced to the foregoing amount, inter alia, in light of the Bank's cooperation with the audit staff, and the effectives measures it applied to correct the deficiencies, including the allocation of adequate human and technological resources.
19. On November 5, 2024, after the balance sheet date, the general meeting of the Bank's shareholders approved:
    - A. The appointment of Mr. Eli Frank as an outside director for a three year term, following the announcement of the Commissioner of Banks on September 19, 2024, that he does not object to his appointment as an outside director in the Bank in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301;
    - B. The appointment of Mr. Shmuel Eshel as an outside director for an additional three year term, following the announcement of the Commissioner of Banks on October 15, 2024, after the balance sheet date, that he does not object to his appointment as an outside director in the Bank in accordance with the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301.
    - C. Changes which are immaterial from the Bank's perspective to the employment terms of the Bank's Chairman of the Board or of the Bank's CEO, and amendments to the Bank's remuneration policy for the years 2023-2025.
20. On November 14, 2024, and after the balance sheet date, the Bank reported that the Israel Securities Authority had decided to extend the period for offering securities in accordance with the Bank's shelf prospectus, until November 24, 2025.

Note 34 - Various Issues and Significant Events During the Reporting Period and After the Balance Sheet Date (Cont.)

21. On November 21, 2024, the Bank's Board of Directors notified Isracard Ltd. of its intention to submit to Isracard, within 21 days, an offer for a transaction to purchase all Isracard shares, by way of a reverse triangular merger. A letter to this effect was sent by the Bank to Isracard on November 21, 2024.
    In accordance with the letter, most of the consideration in the transaction will be paid by way of a share exchange. The proposed transaction will also include a significant dividend distribution or cash payment component.
    After the transaction, the controlling block of the Bank will be maintained. Further to the Bank's offer to Isracard Ltd. ("Isracard"), to purchase Isracard's entire share capital by way of a reverse triangular merger, on February 6, 2025, after the balance sheet date, the Bank submitted to Isracard another improved offer to purchase the Company's entire share capital, by way of a reverse triangular merger. The Bank believes that the foregoing proposed transaction between the Bank and Isracard has features which could contribute significantly to market competition, and that it offers extensive business potential, in light of the expected market developments, which could be reflected in a wide range of synergies and supplementary fields of activity. The Bank also believes that its offer, including all of its terms and features, and à fortiori in light of the improvement specified in the offer, is clearly superior in terms of maximizing value for Isracard shareholders in both the short and long term, and also relative to the other offers which were submitted to Isracard.
    On February 16, 2025, after the balance sheet date, the Bank submitted an update letter to Isracard, in which the Bank announced that further to its improved and superior offer to acquire Isracard's entire share capital, and the discussions and correspondence with them, it does not intend to make any further changes to its offer.
    On February 20, 2025, after the balance sheet date, Isracard's general meeting approved Isracard's engagement in an investment agreement with Delek Group Ltd.
22. On January 21, 2025, after the balance sheet date, the subsidiary Jerusalem Finance & Issuance (2005) Ltd. extended the bonds (Series S) in the amount of approximately NIS 232.8 million par value, for a total (gross) consideration of approximately NIS 246.7 million.
23. On February 27, 2025, after the balance sheet date, an agreement was signed between the Bank and institutional entities (the "Buyers"), according to which the Bank sold, in an irrevocable, final and absolute bill of sale transaction, 90% of its rights and liabilities in connection with a commercial credit portfolio which was provided to customers by the Bank, in the total amount of approximately NIS 350 million (the "Credit Portfolio").
    Out of the total credit portfolio, the Bank retained ownership of the remaining approximately NIS 35 million, such that the buyers' rights and the Bank's rights to the balance of the credit portfolio will have an identical priority rank (pari passu).
    In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the buyers, the part of the credit portfolio which they purchased, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates commercial credit for itself, including the part of the portfolio of loans which remains owned by it.
    The Bank recognized gross profit (before tax) of approximately NIS 12.5 million in the financial statements for 2025 with respect to this transaction.
24. On March 18, 2025, after the balance sheet date, the Bank's Board of Directors approved a dividend distribution with respect to the profits in the second half of 2024 in the total amount of approximately NIS 20.4 million, which will be paid to the Bank's shareholders on April, 9, 2025.

Note 35 - Data Based on Nominal Historical Figures for Tax Purposes

Reported amounts in NIS millions

	As of December 31	
	2024	2023
	NIS millions	
Total assets	23,315.2	22,609.3
Total liabilities	21,862.1	21,278.7
Equity	1,453.1	1,330.6

	For the year ended December 31		
	2024	2023	2022
Net profit	154.7	134.6	163.9

Note 36 - Condensed Balance Sheet - Bank

Reported amounts in NIS millions

	As of December 31	
	2024	2023
Assets		
Cash and deposits in banks	5,056.0	5,157.1
Securities [(1)]	1,497.0	1,165.4
Credit to the public	14,403.4	13,901.7
Provision for credit losses	(99.1)	(93.8)
Credit to the public, net	14,304.3	13,807.9
Investments in investee companies	2,026.1	2,106.8
Buildings and equipment	241.5	207.3
Assets with respect to derivative instruments	3.1	1.3
Other assets	186.0	162.1
Total assets	**23,314.0**	**22,607.9**
Liabilities and equity		
Public deposits	20,932.7	20,241.0
Deposits from banks	47.8	196.8
Bonds and CoCo bonds	250.7	246.7
Liabilities with respect to derivative instruments	2.7	6.6
Other liabilities [(2)]	628.8	587.6
Total liabilities	**21,862.7**	**21,278.7**
Equity	1,451.3	1,329.2
Total liabilities and equity	**23,314.0**	**22,607.9**

1. For details regarding securities which are measured at fair value, and regarding securities which were pledged, see Note 12 - Investments in Securities.
2. Of which, the provision for credit losses with respect to off-balance sheet credit instruments, in the Bank and in consolidated terms, as of December 31, 2024 and December 31, 2023, in the amount of NIS 3.8 million and NIS 1.7 million, respectively.

Note 36 - Condensed Statement of Income - Bank

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Interest income	1,320.2	1,177.7	815.4
Interest expenses	809.7	663.3	326.5
Interest income, net	**510.5**	**514.4**	**488.9**
Expenses with respect to credit losses	20.8	31.5	37.3
Interest income, net, after expenses with respect to credit losses	**489.7**	**482.9**	**451.6**
Non-interest income			
Non-interest financing income	48.3	33.8	77.2
Fees	202.8	177.6	143.1
Other income	7.4	-	6.1
Total non-interest income	**258.5**	**211.4**	**226.4**
Operating and other expenses			
Payroll and associated expenses	243.2	235.8	202.9
Maintenance and depreciation of buildings and equipment	129.6	114.6	95.9
Other expenses	219.7	196.3	197.4
Total operating and other expenses	**592.5**	**546.7**	**496.2**
Profit before taxes	**155.7**	**147.6**	**181.8**
Provision for taxes on income	57.6	52.4	64.5
Profit after taxes	**98.1**	**95.2**	**117.3**
The Bank's share in the profits of investee companies after tax impact	56.5	39.4	46.1
Net profit	**154.6**	**134.6**	**163.4**
Earnings per share (in NIS)			
Basic and diluted net earnings per share (NIS)	2.19	1.91	2.32

Note 36 - Condensed Statement of Cash Flows - Bank

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Cash flows from operating activities			
Net profit for the year	154.6	134.6	163.4
Adjustments:			
The banking corporation's share in undistributed profits of investee companies	(56.5)	(26.1)	(46.1)
Depreciation of buildings and equipment	78.4	65.2	49.7
Expenses with respect to credit losses	20.8	31.5	37.3
Profit from the sale of credit portfolios	(37.4)	(43.0)	(65.9)
Loss (profit) from the sale of available for sale bonds and stocks not held for trading	-	0.5	1.6
Realized and unrealized profit (loss) from adjustments to the fair value of held for trading securities	(4.8)	(7.3) (*)	2.7(*)
Realized and unrealized loss (profit) from adjustments to the fair value of stocks not held for trading	(1.1)	1.8(*)	-(*)
Deferred taxes, net	(1.3)	0.1	47.9
Retirement pay - increase in the excess of reserves over funds (increase in the excess of funds over reserves)	0.2	0.2	0.1
Impact of changes in exchange rate on cash balances	0.8	(5.4)	(19.5)
Net change in current assets:			
Assets with respect to derivative instruments	(1.8)	4.8	(1.6)
Held for trading securities	(76.1)	66.0	(30.9)
Other assets	(25.5)	34.4	(10.4)
Net change in current liabilities:			
Liabilities with respect to derivative instruments	(3.9)	1.0	2.1
Other liabilities	43.4	(52.0)	319.3
Accrual differences which were included under investing and financing activities	(24.0)	(37.7)	(44.4)
Net cash from operating activities	**65.8**	**168.6**	**405.3**

Note 36 - Condensed Statement of Cash Flows - Bank (Cont.)

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Cash flows from investing activities			
Net change in credit to the public	(1,108.7)	(2,038.7)	(3,397.3)
Purchase of available for sale bonds and stocks not held for trading	(1,139.7)	(1,049.2)	(1,018.8)
Purchase of held to maturity bonds	(100.3)	-	-
Proceeds from the sale of available for sale bonds and stocks not held for trading	660.0	911.3	469.7
Proceeds from redemption of available for sale bonds and stocks not held for trading	361.8	69.4	229.1
Proceeds from sale of credit portfolios	956.3	1,191.8	1,282.8
Purchase of credit portfolios	(190.2)	-	(267.0)
Purchase of buildings and equipment	(105.7)	(102.9)	(67.7)
Net cash from investing activities	**(666.5)**	**(1,018.3)**	**(2,769.2)**
Cash flows from financing activities			
Net change in public deposits	691.7	2,863.5	2,221.2
Net change in deposits from banks	(149.0)	(146.1)	36.3
Redemption of bonds and CoCo bonds	(3.8)	(5.5)	(55.9)
Dividend paid to shareholders	(38.5)	(70.6)	(43.1)
Net cash from financing activities	**500.4**	**2,641.3**	**2,158.5**
Impact of changes in exchange rate on cash balances	(0.8)	5.4	19.5
Increase (decrease) in cash and deposits in banks	(100.3)	1,791.6	(205.4)
Balance of cash and deposits in banks at start of period	5,157.1	3,360.1	3,546.0
Balance of cash and deposits in banks at end of period	**5,056.0**	**5,157.1**	**3,360.1**
Interest and taxes paid and/or received:			
Interest received	1,604.2	988.0	729.3
Interest paid	733.1	356.8	192.7
Dividends received	4.9	3.5	4.7
Taxes on income paid	93.7	52.8	51.8
Taxes on income received	16.6	12.0	1.1
Annex C - Non-cash investing activities during the reporting period			
Right-of-use assets which were recognized with respect to new operating leases	6.5	21.4	30.8
Acquisition of fixed assets on credit	6.9	11.1	0.5

Note 36 - Condensed Report Regarding Debts, Credit to the Public and Balance of the Provision for Credit Losses (Cont.)

Debts, credit to the public and balance of the provision for credit losses

	Commercial	Housing	Other private	Total public	Banks, governments and bonds	Total
As of December 31, 2024						
Recorded debit balance						
Debts evaluated on an individual basis	3,706.0	3.3	-	3,709.3	1,512.9	5,222.2
Debts evaluated on a collective basis	863.1	9,689.2	141.8	10,694.1	-	10,694.1
Total debts (*)	**4,569.1**	**9,691.5**	**141.8**	**14,403.4**	**1,512.9**	**15,916.3**
(*) Of which:						
Non-accruing debts	44.1	146.2	0.3	190.6	-	190.6
Debts in arrears of 90 days or more	5.9	-	2.8	8.7	-	8.7
Other troubled debts	38.6	-	0.5	39.1	-	39.1
Total troubled debts	**88.6**	**146.2**	**3.6**	**238.4**	**-**	**238.4**
Balance of the provision for credit losses with respect to debts						
With respect to debts which were evaluated on an individual basis	22.2	-	-	22.2	-	22.2
Debts evaluated on a collective basis	13.3	52.9	10.7	76.9	-	76.9
Total(**)	**35.5**	**52.9**	**10.7**	**99.1**	**-**	**99.1**
(**) Of which: In respect of non-accruing debts	6.2	3.0	0.2	9.4	-	9.4
(**) Of which: In respect of other troubled debts	5.5	-	(0.7)	4.8	-	4.8
As of December 31, 2023						
Recorded debit balance						
Debts evaluated on an individual basis	3,185.3	10.3	-	3,195.6	1,251.0	4,446.6
Debts evaluated on a collective basis	726.8	9,823.8	155.5	10,706.1	-	10,706.1
Total debts (*)	**3,912.1**	**9,834.1**	**155.5**	**13,901.7**	**1,251.0**	**15,152.7**
(*) Of which:						
Non-accruing debts	20.9	132.8	0.3	154.0	-	154.0
Debts in arrears of 90 days or more	2.9	-	2.4	5.3	-	5.3
Other troubled debts	6.0	-	0.5	6.5	-	6.5
Total troubled debts	**29.8**	**132.8**	**3.2**	**165.8**	**-**	**165.8**
Balance of the provision for credit losses with respect to debts	-	-	-	-	-	-
With respect to debts which were evaluated on an individual basis	13.3	2.4	-	15.7	-	15.7
Debts evaluated on a collective basis	13.9	53.3	10.9	78.1	-	78.1
Total(**)	**27.2**	**55.7**	**10.9**	**93.8**	**-**	**93.8**
(**) Of which: In respect of non-accruing debts	3.9	7.6	0.2	11.7	-	11.7
(**) Of which: In respect of other troubled debts	4.3	-	1.1	5.4	-	5.4

Note 36 - Condensed Report Regarding Changes in the Balance of the Provision - Bank (Cont.)

Debts, credit to the public and balance of the provision for credit losses

	Commercial	Housing	Other private	Total public	Banks and governments	Total
Balance of the provision for credit losses as of December 31, 2021	**11.7**	**55.8**	**49.1**	**116.6**	**-**	**116.6**
Adjustment of opening balance due to impact of initial adoption (1)	(5.0)	(16.0)	12.7	(8.3)	-	(8.3)
Transfer of credit activity to subsidiary	-	-	(65.2)	(65.2)	-	(65.2)
Expenses with respect to credit losses	12.8	9.2	15.3	37.3	-	37.3
Accounting write-offs	(1.4)	-	(13.4)	(14.8)	-	(14.8)
Collection of debts which were written off in previous years	1.5	-	8.8	10.3	-	10.3
Net accounting write-offs	0.1	-	(4.6)	(4.5)	-	(4.5)
Balance of the provision for credit losses as of December 31, 2022	**19.6**	**49.0**	**7.3**	**75.9**	**-**	**75.9**
Expenses with respect to credit losses	14.8	9.3	7.4	31.5	-	31.5
Accounting write-offs	(6.9)	(0.7)	(5.2)	(12.8)	-	(12.8)
Collection of debts which were written off in previous years	0.1	-	2.0	2.1	-	2.1
Net accounting write-offs	(6.8)	(0.7)	(3.2)	(10.7)	-	(10.7)
Balance of the provision for credit losses as of December 31, 2023	**27.6**	**57.6**	**11.5**	**96.7**	**-**	**96.7**
Expenses with respect to credit losses	17.2	(2.4)	6.0	20.8	-	20.8
Accounting write-offs	(7.9)	(0.5)	(7.4)	(15.8)	-	(15.8)
Collection of debts which were written off in previous years	-	-	1.3	1.3	-	1.3
Net accounting write-offs	(7.9)	(0.5)	(6.2)	(14.6)	-	(14.6)
Balance of the provision for credit losses as of December 31, 2024	**36.9**	**54.7**	**11.3**	**102.9**	**-**	**102.9**
(*) Of which: with respect to off-balance sheet credit instruments						
As of December 31, 2022	0.3	0.9	0.5	1.7	-	1.7
As of December 31, 2023	0.4	1.9	0.6	2.9	-	2.9
As of December 31, 2024	1.4	1.8	0.6	3.8	-	3.8

Note 36 - Condensed Report Regarding Interest Income and Expenses - Bank (Cont.)

	For the year ended December 31		
	2024	**2023**	**2022**
A. Interest income			
From credit to the public	1,019.2	941.5	752.2
From loans to subsidiary	65.4	61.3	20.2
From deposits in the Bank of Israel and from cash	196.3	136.3	30.3
From deposits in banks	2.9	2.5	-
From bonds	36.4	36.1	12.7
Total interest income	**1,320.2**	**1,177.7**	**815.4**
B. Interest expenses			
On public deposits	805.0	659.6	322.0
On deposits from banks	2.7	1.7	2.9
On liability notes and CoCo bonds	2.0	2.0	1.6
On other liabilities	-	-	-
Total interest expenses	**809.7**	**663.3**	**326.5**
Total interest income, net	**510.5**	**514.4**	**595.2**
C. Details of interest income on an accrual basis from bonds			
Held to maturity	0.7	-	-
Available for sale	28.5	22.4	12.2
Held for trading	5.6	13.7	0.5
Total included under interest income	**34.8**	**36.1**	**12.7**

Corporate Governance, Auditing and Additional Details Regarding the Banking Corporation's Business Affairs and the Management Thereof - Table of Contents

Part A - Corporate Governance and Auditing

Board of Directors

Names and positions of Board members [1]

Name of director	Main occupation
Zeev Nahari, C.P.A. [3]	Chairman of the Bank's Board of Directors.
Zalman Shoval	Joint Chairman of the Faire Fund.
Dr. Ruth Arad [2]	Director.
Lior Ben Ami	CEO-Partner of Spike IT Information Technology Ltd. Chairman of the Board of Export Investment Co. Ltd. (the parent company).
Shmuel Eshel [2] [5]	Investment Committee Chairman of Cogito Capital Fund, external consultant for handling debt settlements at Menorah Mivtachim.
Yoav Nardi	Director; Investment Committee Chairman of the National Library, Investment Committee Chairman of Yad Sarah (volunteer position), member of the board of trustees and of the investment committee of The Hebrew University.
Gideon Shoval	CEO of Export Investment Co. Ltd.
Aviv Shanzer	CEO and owner of Shanzer Risk Management Ltd., strategic business consulting to various companies and entities, Chief Risk Officer of WeSure Insurance Company Ltd.
Dr. Moran Ofir Weinstein [4]	Senior member of faculty at Reichman University.
Eli Frank [6]	Chairman of The Israeli Chamber of Information Technology, owner and CEO of Frank IT Consulting and Management Ltd.
Yehuda Orbach [7]	Chairman and member of various committees and entities. Consultant, reviewer and lecturer in the field of information systems and information technology auditing.

(1) Additional details regarding the members of the Bank's Board of Directors are presented in the Bank's periodic report for 2024.

(2) Outside director in accordance with the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**"), and outside director in accordance with Directive 301. Her term will conclude on April 10, 2025.

(3) On August 21, 2023, the Bank's Board of Directors resolved to re-appoint Mr. Nahari as the Chairman of the Board, for an additional two year term, beginning on October 11, 2023. For details, see the immediate report which was published by the Bank on August 21, 2023 (reference number: 2023-01-096297), whose provisions are included in this report by way of reference.

(4) On January 7, 2024, the general meeting of the Bank's shareholders approved the appointment of Dr. Moran Ofir Weinstein as an outside director, pursuant to the Companies Law and in accordance with Directive 301, for a three year term.

(5) On November 5, 2024, the Bank's general meeting approved the appointment of Mr. Shmuel Eshel as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for an additional three year term beginning on February 19, 2025.

(6) On November 5, 2024, the Bank's general meeting approved the appointment of Mr. Eli Frank as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for a three year term. For details, see the immediate meeting convention report dated October 1, 2024 (reference number: 2024-01-607620), and the immediate meeting results report dated November 6, 2024 (reference number:2024-01-614183), whose provisions are included in this report by way of reference.

(7) The tenure of Mr. Yehuda Orbach on the Bank's Board of Directors concluded on September 13, 2024.

Report regarding directors with accounting and financial expertise

In accordance with the provisions of the Companies Law and the Companies Regulations (Conditions and Tests for Director with Accounting and Financial Expertise and for Director with Professional Qualifications), 5765-2005 (hereinafter: the "Expertise and Qualification Regulations"), at least two directors must have accounting and financial expertise, as this term is defined in the Companies Law (hereinafter: "Directors with Accounting and Financial Expertise") and at least two of the outside directors must have accounting and financial expertise; In accordance with Proper Conduct of Banking Business Directive 301 (hereinafter: "Directive 301"), at least one fifth of all Board members must have accounting and financial expertise; On January 27, 2022, the Board of Directors discussed the accounting and financial expertise of the Bank's directors, in accordance with a letter which was sent by the Banking Supervision Department to all banking corporations, in which the banking corporations were requested to re-evaluate the qualifications of all of the who have declared, and have been approved, as having accounting and financial expertise. The Board of Directors determined, following a re-evaluation of the matter, and based on the Board members' declarations, that most of the Bank's directors have accounting and financial expertise. In accordance with a resolution of the Bank's Board of Directors (as set forth in the work policy of the Board of Directors and the Board of Directors' committees), the minimum number of directors with accounting and financial expertise will be the number set forth in Directive 301, and in the Companies Law, viz.: (a) At least one fifth of all Board members must have accounting and financial expertise, and no less than two Board members. Additionally, at least two of the outside directors must have accounting and financial expertise; (b) At least two members of the Audit Committee, which also serves as the Financial Statements Review Committee, must have accounting and financial expertise, This is for the reasons specified below:

(a) In the assessment of the Board of Directors, the aforementioned minimum number must allow the Board of Directors and the Audit Committee to fulfill the obligations applicable to them, in accordance with the provisions of the law and the incorporation documents, and in particular, their obligation to evaluate the Bank's financial position and to prepare the financial statements;

(b) The aforementioned minimum number must take into account the size of the Bank, the complexity of its operations, and the range of risks associated therewith.

As of the publication date of this report, all members of the Bank's Board of Directors have accounting and financial expertise, in accordance with their education and experience and/or their main occupation, as specified below:

Name	Qualifications and experience
Zeev Nahari	Chairman of the Board of Bank of Jerusalem (since 2015); Fulfilled various roles in Bank Leumi Le-Israel Ltd. (during the years 1965-2011); In his last position, served as an executive member of the management board with respect to funds, accounting and the capital market. Also served as Chairman of the Board of Arab Israeli Bank Ltd., and as Chairman or director in companies from the Bank Leumi Le-Israel Group, as specified in the Bank's periodic report for 2024; Also served as a director in Bank Leumi USA, Bank Leumi le-Israel Corporation and Israel Corporation Ltd. Served as an advisor to the Electric Corporation until December 31, 2016.
Zalman Shoval	Joint Chairman of the Faire Fund. Served as the CEO of Export Bank, Ambassador of Israel to the United States, Chairman of Bank of Jerusalem, member of the Knesset Finance Committee, member of the Knesset Foreign Affairs and Defense Committee, and as member of the Board of Hadassah (Israel).
Yehuda Orbach	Chairman and member of the Audit Committees and IT committees of various entities. Consultant, examiner and reviewer, and lecturer at universities and colleges in the field of information systems and information technology auditing. Served as VP, chief Internal Auditor in Union Bank of Israel Ltd. and its subsidiaries (during the years 2000-2014).
Dr. Ruth Arad	Served in various positions in the financial division, private banking and investment division and risk management division at Bank Leumi Le-Israel Ltd., including a position in a foreign branch of Bank Leumi during the years 1982-2011); Outside director at Isracard (and Chairman of the Risk Management Committee and member of the Audit Committee) (in the years 2011-2014); Member of the credit committee of Solo Fund (during the years 2014-2016), capital market analyst at Morgan Guaranty Trust, New York (during the years 1973-1975).
Lior Ben Ami	Chairman of the Board of Export Investment Co. Ltd. (the parent company). CEO-Partner of Spike IT Information Technology Ltd. Served as independent director in Unicorn Technologies - Limited Partnership (2020-2022); Joint CEO of Help PC The Center for Home Computing Support (in the years 2006-2013); Manager of the Communication Products Division at Siemens Israel (in the years 2003-2005); Business Development and Strategy Manager at Paz Oil Ltd. (in the years 1997-2003); Executive VP in the Israel Ports and Railway Authority (in the years 1996-1997); Company analyst in the consulting unit of the capital markets and finance department; Economist in the planning and business control department of First International Bank of Israel (in the years 1993-1996); Assistant to the Chief Economist in the Research Department of the Monetary Division at the Bank of Israel (in the years 1992-1993).
Yoav Nardi	Held various roles in the banking system: Director in Bank Leumi Le-Israel Ltd. (2010-2019); Executive VP, Bank of Jerusalem (1995-2010); Chief Economist, First International Bank of Israel Ltd. (1988-1994); Also held several positions in the Bank of Israel's Banking Supervision Department (1973-1988).
Gideon Shoval	CEO and Director of Export Investment Co. Ltd.
Aviv Shanzer	CEO and owner of Shanzer Risk Management Ltd. (2011 - present); Strategic business consulting to various companies and entities; Chief Risk Officer at WeSure Insurance Company Ltd. (since 2023). Compliance and Enforcement Supervisor of Rom Study Fund (2013 - February 2019); Chief Risk Officer of S. Shlomo Insurance (2018 - February 2019); Non-Financial Risks Manager at the Study Fund for State employees (2016 - present).
Shmuel Eshel	Business consulting and accompaniment; Investment Committee Chairman of Cogito Capital Fund, external consultant for handling debt settlements at Menorah Mivtachim. Served as Internal Credit Committee Chairman at Menorah Mivtachim (2021-2022), outside director in Bank of Jerusalem (2009-2018), VP Mortgages at Union Bank (2004-2009); Member of the management board of Union Bank, VP, Business Division Manager at Union Bank (1998-2004).

Additional details regarding the Board of Directors and Its Committees

During 2024 and until the publication date of the report, the following changes took place in the composition of the Board of Directors:

Concluded their tenure during 2024 and until the publication date of the report:

The tenure of Mr. Yehuda Orbach on the Bank concluded on September 13, 2024.

Appointments or renewed appointments during 2024 and until the publication of the report:

On January 7, 2024, the general meeting of the Bank's shareholders approved the appointment of Dr. Moran Ofir Weinstein as an outside director, pursuant to the Companies Law and in accordance with Directive 301, for a three year term.

On November 5, 2024, the Bank's general shareholder meeting approved the appointment of Mr. Eli Frank as an outside director in accordance with the Companies Law and in accordance with Directive 301, for a three year term.

On November 5, 2024, the Bank's general meeting approved the appointment of Mr. Shmuel Eshel as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for an additional three year term beginning on February 19, 2025.

Composition of the Board of Directors as of the publication date of the report:

As of the publication date of the report, the Bank's Board of Directors includes 10 directors, 4 of whom are outside directors as defined in the Companies Law, who are also outside directors in accordance with Directive 301.
The number of directors stated above is in accordance with section 22 of Directive 301, according to which the Board of Directors of a banking corporation will be comprised of no more than 10 directors and no less than 7 directors (it is noted that, in accordance with the Commissioner's approval, the banking corporation may have more than 10 directors, if it believes that the matter is necessary for the proper functioning of the Board).
It is noted that on June 30, 2022, the Bank's Board of Directors approved, in accordance with section 28(e) of Directive 301, a policy regarding the maximum tenure period of the Chairman of the Board. In accordance with the aforementioned policy of the Board of Directors, the maximum period which was determined for the tenure of the Chairman of the Bank's Board of Directors, under the policy, is 10 years. Additionally, on the same day, the Bank's Board of Directors approved, in accordance with section 34(e) of Directive 301, a policy regarding the maximum tenure period of the Chairman of a Board committee. The maximum term of the committee chairman will be 6 years, beginning on the date of the resolution was passed; however, an extension for an additional period of up to 3 years is possible, in the circumstances specified in the policy.

Committees of the Board of Directors and composition thereof:

As of the publication date of the report, and in accordance with the Board of Directors' resolution on September 24, 2022 and on January 11, 2024, the composition of the board committees was as follows:
Audit Committee (also serves as the financial statements review committee, Remuneration Committee and related party transactions approval committee) - Messrs. Shmuel Eshel (Chairman) (outside director), Dr. Ruth Arad (outside director), Dr. Moran Ofir Weinstein (outside director), Yoav Nardi, Aviv Shanzer, Eli Frank (outside director).
Risk Management Committee - Messrs. Zeev Nahari (Chairman), Gideon Shoval, Dr. Ruth Arad (outside director), Shmuel Eshel (outside director), Yoav Nardi.
Capital Planning and Strategy Committee - Messrs. Zeev Nahari (Chairman), Gideon Shoval, Shmuel Eshel (outside director), Aviv Shanzer, Dr. Moran Ofir Weinstein (outside director).
Resources, Information Technology and Technological Innovation Committee - Messrs. Yoav Nardi (Chairman), Lior Ben Ami, Dr. Ruth Arad (outside director), Eli Frank (outside director), Aviv Shanzer.

In 2024, 16 meetings of the Board of Directors plenum, and 46 meetings of the Board of Directors' committees were held.
For details regarding the payments which were paid to the Board members, see regulation 21 below in the periodic report.

Management and Officers

Members of the Bank's Management Board and their positions

Yair Kaplan	CEO
Moshe Omer	Executive VP, Strategy and Financial Management Division Manager
Yacov Peled, C.P.A.	Executive VP, Retail Division Manager.
Irena Portnik	Executive VP, Resources and Technological Innovation Division Manager
Sarit Weisstuch, Adv.	VP, Legal Counsel, Manager of the Legal Counsel Department
Alex Saltzman, C.P.A.	VP, Finance Division Manager and Comptroller
Liran Ovadya	VP, Business Division Manager
Boaz Leibowitz (1)	VP, Chief Risk Officer
Anat Raifler (2)	VP, Chief Risk Officer

Officers who are not members of the management board and their positions

Mirit Teshuva	VP, Chief Internal Auditor, holds the status of management member
Udi Giladi	Human Resources Manager
Tamir Lazarov, Adv.	Secretary of the Bank and its subsidiaries

(1) On January 10, 2025, after the balance sheet date, the Bank's Chief Risk Officer, Mr. Boaz Leibowitz, concluded his tenure.

(2) On January 12, 2025, after the balance sheet date, Ms. Anat Raifler began serving as the Bank's Chief Risk Officer.

Internal Auditor

The auditor holds a BA in Economics from The Hebrew University, and an MBA from The College of Management Academic Studies, and has 25 years of experience as an Internal Auditor in financial entities, including 18 years as the Chief Internal Auditor of IBI Investment House.

The Internal Auditor complies with the conditions set forth in section 3(A) of the Internal Audit Law, with the provisions of section 146(B) of the Companies Law, 5759-1999, and with the provisions of section 8 of the Internal Audit Law, 5752-1992. The Internal Auditor is not a family member of any other officer or interested party in the Bank, has no significant business ties to the Bank, and does not directly hold any of the Bank's securities. The Internal Auditor is also responsible for the public complaints handling unit, and does not serve in any other position other than the above positions. Additionally, the Internal Auditor does not serve in any other position outside of the Bank which creates or which may create a conflict of interests with his position as Internal Auditor.

The employees of the internal audit department fulfill the requirements of Proper Conduct of Banking Business Directive No. 307 - Internal Audit Function, and are appointed only with the approval of the Internal Auditor.

The Internal Auditor is subordinate to the Chairman of the Bank's Board of Directors.

The scope of employment of the Internal Auditor and her subordinate staff of employees amounted in 2024 to approximately 11 positions (including the performance of internal auditing by means of professional external entities, at a scope of 3 positions). The scope of positions in the public complaints unit amounted in 2023 to 2.5 positions.

The Internal Auditor was also appointed as the Internal Auditor of all of the Bank's subsidiaries, and the audit work therein is integrated with the audit plan of the Bank's group.

Audit plan

Internal auditing in the Bank operates in accordance with the annual work plan, which is based on the multi-year work plan of the audit function, which is comprised of a work plan for the current year, and a work plan for the coming two years. In 2023, a risk survey was conducted which serves as the basis for the internal auditing work plan for the years 2024-2026.

The multi-year work plan refers to all of the Bank's activities, including the Bank's organizational units and subsidiaries, work processes, marketed products and IT systems. Additionally, the Internal Audit Unit also controls the Bank's management processes regarding the exposure to various risks, including: credit risks, financial risks, operational risks (including embezzlement and fraud risks), compliance risks, etc. The Internal Audit Unit also monitors the correction of deficiencies which have been identified in the audit work and in reports of the Commissioner of Banks in the Bank of Israel. A summary annual report is submitted once per year to the Chairman of the Board, to the Bank's CEO, and to the members of the Audit Committee and the Board of Directors.

The annual and multi-year work plans are prepared in accordance with the Internal Audit Law, 5752-1992 and in accordance with Proper Conduct of Banking Business Directive 307 - internal audit function.

The multi-year work plan is derived, as stated above, from a structured methodology for the assessment of risks and controls, which was used to determine the frequency of audits on each individual subject, in accordance with the risk assessment.

Regarding subjects with a higher risk level, it was determined that the frequency of auditing will be once per year, and regarding subjects with a lower risk level, the frequency of audits is once every three years. In 2023, a multi-year work plan, which serves as the basis for the creation of the annual work plans, was prepared with the assistance of an external company. The multi-year plan was approved by the Audit Committee and Board of Directors in January 2024. As part of the above, the internal auditing resources were discussed and approved as required according to the new multi-year plan. Each year, the multi-year work plan is updated, including taking into account changes in the organizational structure, changes and developments in the business, operational and risk management activities, regulatory provisions, audit findings, and more.

The annual work plan is derived, as stated above, from the multi-year work plan.

As part of the process of implementing ICAAP in the Bank, and in accordance with the directives issued by the Commissioner of Banks, an independent entity is required to challenge and evaluate the process performed by the Bank. The Bank's Internal Audit Unit was determined as the independent entity which will be responsible for preparing the independent survey document. The independent review document reviews the risk management system which is applied by the Bank, the ratio between risk and capital level of the banking corporation, and the methodology which was developed to monitor compliance with the internal capital policy. The independent survey document includes details regarding the applied controls and evaluation processes, the entity who performed them, and main conclusions from the survey. The document is presented to the Audit Committee and Board of Directors.

The annual and multi-annual work plan for 2025 was discussed and approved by the Audit Committee on December 22, 2024, and later by the Board of Directors in its meeting on December 26, 2024.

The annual and multi-year work plans provide the Internal Auditor with the ability to exercise judgment and to deviate from the plans, provided that she updates the Chairman of the Board and the Audit Committee Chairman on an ongoing basis, and receives their approval for the above.

Significant transactions which are executed by the Bank, if any, are reported to the Internal Auditor and are evaluated by him, including the approval process for those transactions.

The Internal Auditor is entitled, within the framework of the approved budget, to make use of external consultants for the performance of audit works which require special knowledge and expertise and/or if the unit is understaffed.

The Internal Auditor works in accordance with the professional standards of the global Institute of Internal Auditors, in accordance with the directives and guidelines issued by the Commissioner of Banks, and in accordance with the Internal Audit Law, 5752-1992.

Once per year, the Internal Audit Unit performs an internal process of assessing the quality of the internal audit function, whose findings are presented to the Audit Committee.

The Internal Auditor is given free access to information, in accordance with the provisions of section 9 of the Internal Audit Law, 5752-1992, and in accordance with section 30 of Proper Conduct of Banking Business Directive No. 307 - internal audit function, including continuous and immediate access to the Bank's information systems, including to financial data which are saved in those systems, and data of subsidiaries.

Reference to corporations which constitute material holdings

The Internal Auditor also serves as the Internal Auditor of all of the Bank's subsidiaries. The subsidiaries are included in the annual and multi-year work plans, are audited at a frequency which was determined according to the assessment of current risks and controls, as specified in the previous section.

Audit reports and discussions regarding audit reports

In accordance with the work policy of the Board of Directors' Audit Committee and the work policy of the Internal Auditor, which is derived from the former, each audit report is submitted in writing to the audited entity, to the CEO, to the Chairman of the Board, and to the Audit Committee Chairman. A discussion with the audited entities is held regarding each audit report, and additionally, a summary discussion is held regarding the significant findings and recommendations with members of the management board, and, if necessary, with the Bank's CEO. The audit reports are also presented to the Audit Committee for a discussion, after receiving the appropriate reference to the report's findings from the audited entity and from the Bank's CEO. Material audit reports are discussed in the Audit Committee.

A summary of the internal audit activities in the first half of 2024 was discussed by Bank management, and later by the Audit Committee on August 6, 2024, and by the Board of Directors of September 26, 2024. The annual summary of activities in 2024 was discussed by Bank management, and later by the Audit Committee, on February 26, 2025, and by the Board of Directors on March 11, 2025.

In case particularly severe findings are identified, an immediate report is submitted to the CEO, the Chairman of the Audit Committee and the Chairman of the Board.

The summary reports regarding the activities of the Internal Audit Unit, and regarding the method and degree of implementation of the recommendations of the Internal Audit Unit, are presented to the Bank's Chairman of the Board and to the CEO.

Assessment of the Board of Directors

Once per year, the Audit Committee holds a meeting with the Internal Auditor only. This meeting was last held on January 9, 2025.

Based on the routine reports which are submitted by the Internal Auditor, and in accordance with the work policies regarding the internal audit function, the Audit Committee was satisfactorily convinced of the Internal Auditor's fulfillment of the professional standards according to which he prepared the audit reports regarding the Bank's various activities. Additionally, the Audit Committee conducted a survey of the Internal Audit Unit's work which was performed by an external entity, in accordance with Proper Conduct of Banking Business Directive No. 307, regarding internal auditing.

The Audit Committee and Board of Directors believe that the fees and payments given to the Internal Auditor have no impact on the auditor's professional judgment.

The Board of Directors and the Audit Committee believe that the scope, characteristics and continuity of the activities and work plan of the Internal Auditor are reasonable, and constitute an appropriate solution for fulfilling the Bank's internal audit goals.

Remuneration of the Internal Auditor

The internal auditor's employment cost during the reporting year amounted to a total of NIS 1,696 thousand.

Disclosure Regarding the Financial Statements Approval Process

The Bank's Board of Directors is responsible for the Bank's oversight, and for the approval of the financial statements.

The financial statements, report of the board of directors and management, corporate governance report, additional details and annexes (hereinafter: the "Periodic Reports") are prepared by the financial division, under the leadership of the Comptroller. The preparation of the periodic reports includes holding preliminary discussions with the disclosure committee, with the participation of the CEO, members of the Bank's management board, and other senior employees.

As part of this control, each quarter the relevant officers confirm the implementation of the controls to the SOX unit in the finance division, and declare to the CEO and the Comptroller that to the best of their knowledge, the reports on areas under their responsibility do not include any incorrect representation of any material fact; do not lack any representation of any material fact which is required in order for the representations which were included therein, in light of the circumstances in which those representations were included, not to be misleading with reference to the period covered in the reports; and that the reports adequately reflect, in all material respects, the issues included therein.

As needed, during the period of preparation of the reports, routine consultations are conducted with the auditors, and discussions are held in their presence and in the presence of the CEO, the comptroller and the relevant members of the management board, regarding material issues which are relevant for that quarter.

The Audit Committee, in its function as the Balance Sheet Committee, discussed the periodic reports in a meeting which included the presence of the Chairman of the Board as an observer, members of the management board, other officers, and the auditors. The Audit Committee, in its function as the Balance Sheet Committee, receives, inter alia, the draft periodic reports, a report regarding the risks in Pillar 3, supplementary materials including reports regarding material deficiencies and weaknesses in the internal control over the financial statements, if and insofar as any were identified. The Audit Committee also evaluates the critical estimates which were made in the financial statements, the reasonableness of the data, the accounting policy and the changes which were made thereto, if any, and the implementation of the principle of due disclosure in the financial statements and in the supplementary information.

As part of this discussion, the Audit Committee, in its function as the Balance Sheet Committee, also discussed the Bank's troubled debts, the value of the Bank's holdings in securities, the Bank's expenses with respect to

credit losses, and the Bank's exposure to risks, the manner in which they are expressed, and their impact on the financial statements.
At the end of this discussion, the committee issues its recommendation to the Board of Directors regarding the approval of the financial statements.

Auditors' fees (1)(2)(3)(4)(5)(6)(7)

	For the year ended December 31	
	2024	**2023**
	NIS thousands	
For auditing activities (5)		
Auditor	1,798	1,696
For services associated with auditing (6)		
Auditor	97	88
For tax services (7)		
Auditor	123	306
For other services		
Auditor	812	592
Total auditors' fees	**2,830**	**2,682**

(1) Report by the Board of Directors to the annual general shareholder meeting regarding the auditors' fees for audit activities, with respect to additional audit activities, in accordance with sections 165 and 167 of the Companies Law, 5759-1999.
(2) The auditors' fees include payments to partnerships and corporations under their control, as well as payments in accordance with the VAT Law.
(3) Including paid fees and accrued fees.
(4) The Bank's auditor, from 2003 until today, is Kost Forer Gabbay & Kasierer.
(5) Audit of annual financial statements and review of interim statements.
(6) Mostly includes: prospectuses.
(7) Current tax services and preparation of reports to tax authorities.

Salary of Officers

Presented below are details regarding the benefits and amounts which were paid, or for which provisions were recorded, for the Chairman of the Board of Directors and for the five highest salary recipients among the officers

For the year ended December 31, 2024 (NIS thousands)									
Details of remuneration recipient				Remuneration for services (*)				Other remuneration	Total
Name	Position	Scope of position	Stake in the Corporation's capital	Salary (1)	Supplementation of reserves with respect to associated expenses due to changes in salary	Bonus (2)	Benefit with respect to share-based payment	Interest (3)	
A. Zeev Nahari (4)	Chairman of the Board of Directors	Full	-	2,951	-	-	-	-	2,951
B. Yair Kaplan (5)	CEO	Full	-	2,610	-	800	-	-	3,410
C. Irena Portnik (6)	Executive VP, Resources and Technological Innovation Division Manager	Full	-	1,611	-	485	-	-	2,096
D. Yacov Peled (7)	Executive VP, Retail Division Manager	Full	-	1,616	-	405	-	-	2,021
E. Moshe Omer (8)	Executive VP, Strategy and Financial Management Division Manager	Full	-	1,506	-	450	-	-	1,956
F. Liran Ovadya (9)	VP, Business Division Manager	Full	-	1,374	37	400	-	-	1,811

For the year ended December 31, 2023 (NIS thousands)										
Details of remuneration recipient				Remuneration for services (*)					Other remuneration	Total
Name	Position	Scope of position	Stake in the Corporation's capital	Salary (1)	Supplementation of reserves with respect to associated expenses due to changes in salary	Bonus (2)	Benefit with respect to share-based payment	Interest (3)		
A. Zeev Nahari (4)	Chairman of the Board of Directors	Full	-	2,631	-	-	-	-		2,631
B. Yair Kaplan (5)	CEO	Full	-	2,173	-	720	-	-		2,893
C. Irena Portnik (6)	Executive VP, Resources and Technological Innovation Division Manager	Full	-	1,485	-	489	-	-		1,974
D. Yacov Peled (7)	Executive VP, Retail Division Manager	Full	-	1,520	-	406	-	-		1,926
E. Moshe Omer (8)	Executive VP, Strategy and Financial Management Division Manager	Full	-	1,403	-	440	-	-		1,843
F. Liran Ovadya (9)	VP, Business Division Manager	Full	-	1,316	4	350	-	-		1,670

(1) Includes provisions for severance pay, remuneration, study funds, National Insurance, and fringe benefits, including an adjustment bonus which was given in the amount of up to 3 monthly salaries, but not including supplementation of reserves with respect to related expenses due to changes in salary and payroll tax which are presented separately.

(2) Including a variable annual bonus for which provisions were made during the reporting year, and which has not yet been paid, and is included in the statement of income under the item for payroll and associated expenses, as well as a signing bonus which was paid during the reporting year. It is noted that the payment of the variable annual bonus subject to the general meeting's approval. In light of the Bank's fulfillment of the minimum conditions, including the Bank's "rate of return" in 2024, as defined in the officer remuneration policy for 2023-2025 (hereinafter: the "Remuneration Policy"), which was over 8.25%, and the fulfillment of the required capital adequacy ratio in accordance with the directives issued by the Commissioner of Banks for 2024, and of the outline which was determined by the Board of Directors for the purpose

(3) There are no loans with interest benefits.

(4) Mr. Zeev Nahari (*) - Serves as the Chairman of the Bank's Board of Directors since October 11, 2015. On October 10, 2019, the Bank's general meeting approved, in accordance with the Board of Directors' resolution, and after approval was received from the Audit Committee, his re-appointment for an additional 4 year term, in a full time position, beginning on October 11, 2019. On August 10, 2022, the general meeting approved the appointment of Mr. Nahari as a director in the Bank and as the Chairman of the Board, for an additional 3 year term, beginning on August 10, 2022. On August 21, 2023, the Bank's Board of Directors resolved to re-appoint Mr. Nahari as the Chairman of the Board, for an additional two year term, beginning on October 11, 2023. For details regarding his employment terms, see Note 33.

(5) Mr. Yair Kaplan (*) - The Bank's CEO, whose tenure in the Bank began on April 1, 2022 in a overlapping training period with the outgoing CEO, and who has served in the position since April 14, 2022.

(6) Ms. Irena Portnik(*) - Executive VP, Resources and Technological Innovation Division Manager since October 18, 2022. Ms. Portnik is employed in the Bank in accordance with a personal employment agreement, and her monthly salary is linked to the consumer price index.

(7) Mr. Yacov Peled(*) - Retail Division Manager. Employed in the Bank since January 20, 2022, in accordance with a personal employment agreement. The monthly salary of Mr. Peled is linked to the consumer price index.

(8) Mr. Moshe Omer (*) - Strategy and Financial Management Division Manager. Employed in the Bank since December 15, 2013, in accordance with a personal employment agreement. The monthly salary of Mr. Omer is linked to the consumer price index.

(9) Mr. Liran Ovadya (*) - Business Division Manager. Employed in the Bank since September 1, 2008, and began serving in the aforementioned position on September 29, 2019, in accordance with a personal employment agreement. The monthly salary of Mr. Ovadya is linked to the consumer price index.

(10) For details regarding the remuneration policy for the Bank's officers, see Note 22 to the Bank's financial statements for 2024.

(*) The officer's terms of tenure and employment are in accordance with the Bank's officer remuneration policy, in accordance with Directive 301A regarding the structure of remuneration for officers of a banking corporation, and therefore include fixed remuneration and variable remuneration (except for the Chairman, whose employment terms include only fixed remuneration), and in accordance with the remuneration for Officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expense for Tax Purposes Due to Extraordinary remuneration), 5776-2016 (hereinbefore and hereinafter: the "remuneration for Officers in Financial Corporations Law").

Provision of a letter of indemnity to officers in the Bank and in its subsidiaries

For details regarding the provision of a letter of indemnity to officers in the Bank and in its subsidiaries, see the chapter “controlling shareholder transactions” in this report below.

Provision of a letter of release to officers in the Bank and in its subsidiaries

For details regarding the provision of a letter of release to officers in the Bank and in its subsidiaries, see the chapter “controlling shareholder transactions” in this report below.

Remuneration policy for the Bank’s officers for the years 2023-2025

For details regarding the remuneration policy for the Bank’s officers for the years 2023-2025, see Note 22 to the Bank’s financial statements for 2024, the immediate meeting convention report which the Bank published on August 22, 2023 (reference number: 2023-01-096954), and the meeting results report dated September 27, 2023 (reference number: 2023-01-110304), whose provisions are included in this report by way of reference.

Remuneration policy for the Bank’s employees and key employee non-officers, for the years 2023-2025

For details regarding the remuneration policy for the Bank’s employees and key employees for the years 2023-2025, see Note 22 to the Bank’s financial statements for 2024 (approved by the Board of Directors on October 27, 2022).

Transactions with Controlling Shareholders

In February 2010, the Audit Committee reached, for the first time, a decision regarding the classification of banking transactions (extraordinary and non-extraordinary), and non-banking transactions (insignificant and non-insignificant). The original decision was made following discussions vis-à-vis the Israel Securities Authority and The Association of Banks in Israel, regarding the agreed-upon framework for reporting with respect to report regarding, divided into banking transactions (extraordinary and non-extraordinary) and non-banking transactions (insignificant and non-insignificant). In the understandings, it was determined that non-extraordinary banking transactions will be specified in the annual statements on a cumulative basis.

Additionally, the Securities Regulations (Periodic and Immediate Reports), 5730-1970, require the provision of disclosure, in the periodic report, regarding all transactions with controlling shareholders, excluding insignificant transactions, while distinguishing between extraordinary transactions and non-extraordinary transactions.

The Audit Committee approves, once per year, the criteria for distinction between extraordinary and non-extraordinary banking transactions, as well as criteria for the definition of insignificant and non-insignificant non-banking transactions. On March 13, 2025, after the balance sheet date, the Audit Committee re-approved the above criteria. The resolution is in effect until the publication date of the financial statements for 2025.

Presented below are details regarding the criteria which were determined, as stated above, in the aforementioned meeting of the Audit Committee, distributed into banking transactions and non-banking transactions, as follows:

Definitions:

For the purpose of the aforementioned decisions, including all of their sections, the following terms will have the meanings specified below:

"Supervised Capital" - as this term is defined in Proper Conduct of Banking Business Directive 202 of the Commissioner of Banks.

"Debt" - as this term is defined in Proper Conduct of Banking Business Directive 312 of the Commissioner of Banks.

"Transaction" - A contract or agreement, or a unilateral decision by a company regarding the granting of rights or other benefits.

"Extraordinary transaction" - A transaction which is not in the Company's ordinary course of business, a transaction which is not market conditions, or a transaction which could significantly affect the Company's profitability, assets or liabilities.

"Market conditions" - Conditions which are not preferable to the conditions of similar transactions of the same type as the transaction, which are performed by the Bank with individuals or corporations who are not the Bank's controlling shareholders, or transactions with individuals in which the controlling shareholder does not have a personal interest. Market conditions with respect to banking transactions are evaluated relative to the terms under which transactions of the same type, and in similar scopes, are performed according to the conventional practice regarding the evaluation of transactions with related parties, in accordance with Proper Conduct of Banking Business Directive 312, with customers of the Bank who are not related parties or entities regarding which the controlling shareholders have a personal interest in the transaction with them; Market conditions with respect to transactions which are not banking transactions will be evaluated with respect to transactions of the same type as the Bank engages with suppliers and/or with respect to offers of other suppliers, which were evaluated before a decision was reached to enter the engagement within the framework of a competitive process which the Bank will conduct, and if it is not possible to conduct a competitive process, in a different process which the Audit Committee will designate as satisfactory before entering into the engagement. In cases where the Bank does not have transactions of the same type, the market conditions will be evaluated with respect to transactions of the same type which are performed on the market, and provided that the transaction is in the ordinary course of business, and that there is a market for transactions of this kind in which similar transactions are performed.

"Controlling shareholder group" - the controlling shareholder, together with the private companies which are related to him, according to the definition of the term "related party" in Proper Conduct of Banking Business Directive 312, and together with his relatives and private companies related to them, including his family members who live with him, or whose livelihood is dependent on him; The definition of a "relative" in accordance with the provisions of the Banking (Licensing) Law, 5741-1981 (hereinafter: the "Banking (Licensing) Law") includes a sibling, parent, child, spouse's child and spouse of any of the above.

“Extraordinary” banking transactions:

Banking transactions which meet the following criteria will be considered extraordinary transactions:

A. With respect to “liability” transactions - a liability transaction is considered extraordinary if, following its execution, the total liabilities of the controlling shareholder group exceed 5% of the supervised capital, as reported in the financial statements which were last published before the date of the transaction, or if the increase in the liability of a single borrower from the controlling shareholder group, following the transaction, exceeds 2% of regulatory capital on the date of the performance of the transaction. If the Bank becomes aware of liability transactions in which the controlling shareholder has a personal interest, and to which Proper Conduct of Banking Business Directive 312 does not apply, since they are not performed with a “related party”, as this term is defined in Proper Conduct of Banking Business Directive 312, the Bank will present them for approval in accordance with the provisions of Directive 312. Regarding these transactions, the Bank will submit information in its annual statements, on a cumulative basis, according to the framework specified in the following tables (a separate table for these transactions, and for the aforementioned transactions to which Proper Conduct of Banking Business Directive 312 applies). In this context, it should be clarified that the effective criterion regarding an extraordinary liability transaction with the controlling shareholder, or in which the controlling shareholder has a personal interest, will apply regardless of whether Directive 312 applies to the aforementioned transaction or not. Additionally, each specific provision for doubtful debts or write-off of a certain amount with respect to a liability of the controlling shareholder or of a corporation related to him will be considered a significant transaction.

B. Regarding “deposit” transactions - the depositing of funds in a deposit, of any kind whatsoever, will be considered an extraordinary transaction if as a result, the total deposits of the controlling shareholder group exceed 0.5% of total public deposits, as reported in the last financial statements which will be published by will be published before the transaction date. Receipt of a deposit from a company which is a “related party” of the controlling shareholder (as this term is defined in Proper Conduct of Banking Business Directive 312) and from any entity which is not included among the companies which are under the control of the controlling shareholder, will be considered extraordinary, if as a result, the total deposits of that “related party” exceed 0.1% of total public deposits, as reported in the last financial statements which will be published by the Bank before the date of the transaction.

C. Regarding a transaction with securities, or a transaction in foreign currency (which is not a debt transaction, or a deposit transaction, as specified above) - a transaction with securities or in foreign currency will be considered extraordinary if the total annual commission charged for it is equal to, or exceeds, 4% of the Bank’s total operating income (less income from investment in stocks), according to the Bank’s last annual financial statements.

D. Any other banking transaction, of the types of transactions which the Bank generally performs with the public, provided that it does not involve the provision of credit by the Bank, where the amount of such transaction exceeds 0.1% of the regulatory capital on the performance date of the transaction.

E. A negligible temporarily deviation from the scopes specified in sections (a) to (d) above, and for a period which does not exceed 30 days, will not suffice to change the classification of the transaction as a “non-extraordinary transaction”, and disclosure will be given regarding those exceptions within the framework of the annual report. It is hereby clarified that any change to an extraordinary transaction constitutes, in itself, an extraordinary transaction, and an immediate report will be given regarding it.

Non-banking transactions

The following transactions will be considered non-extraordinary transactions, and are insignificant

A. Transactions for the acquisition of services from the controlling shareholder or in which the controlling shareholder has a personal interest, provided that they do not constitute an engagement with the controlling shareholder or a relative of his, regarding the terms of his tenure and employment, which are in the Company’s interest and are performed in the ordinary course of business and under market conditions, and whose scope does not exceed a total of NIS 250,000, provided that the total sum of transactions of this type for a single calendar year does not exceed NIS 1.25 million (*). The above total will not take into account individual transactions, the scope of each will be less than NIS 25,000, provided that the number of cases involving those individual transactions does not exceed two cases per calendar year.

B. Transactions involving the rental of areas from the controlling shareholder, or in which the controlling shareholder has a personal interest, which were approved in a single calendar year, in the ordinary course of business, in the Company’s best interest, and under market conditions, and whose total scope, for the entire period of the engagement, does not exceed NIS 1.25% million.

C. Bearing the controlling shareholder’s expenses, in the ordinary course of business and under market conditions, for the purpose of participating in representative events and in customer conferences of the Bank and its subsidiaries, upon their request, or participation in consultations by request of the Chairman of the Board - expenses up to a cumulative total of NIS 20,000 per year.

D. Any other transaction which in the Company’s best interest and which is performed in the ordinary course of business and under market conditions, whose scope amounts to a maximum total of NIS 250,000, provided that the total sum of transactions of this type for a single calendar year does not exceed 1.25% (*).

(*) This amount is less than 0.1% of regulatory capital.

Presented below are details regarding the balances of the controlling shareholder group and of other parties regarding which the controlling shareholder has a personal interest in their dealings with the Bank (NIS Thousands):

	Balance as of December 31, 2024			Highest balance in 2024		
Balance type	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**
Credit	12.9	-	-	40.3	-	-
Unused facility	87.1	-	-	59.7	-	-
Deposits	4,602.4	156.4	21,387.5	4,529.6	274.5	28,804.9

	Balance as of December 31, 2023			Highest balance in 2023		
Balance type	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**
Credit	97.1	-	-	97.1	-	-
Unused facility	2.9	-	-	2.9	-	-
Deposits	4,221.7	327.9	28,412.5	4,630.5	327.9	39,839.7

(1) Of which, a total of NIS 0.4 million and NIS 0.5 million were held in trust by a company from the controlling shareholder group, on behalf of unrelated third parties as of December 31, 2024 and December 31, 2023.

(2) Of which, a total of NIS 0.1 million and NIS 0.1 million were held in trust by a company from the controlling shareholder group, on behalf of unrelated third parties during 2024 and 2023, respectively.

Presented below are details regarding the income from fees with respect to transactions with securities and/or transactions in foreign currency (which are not debt transactions or deposit transactions) which were paid by the controlling shareholder group and by other parties regarding whom the controlling shareholder has a personal interest in their dealings with the Bank (in NIS thousands):

	For 2024			For 2023		
Balance type	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**	**Controlling shareholder group**	**Relatives of the controlling shareholder**	**Export Investment Co. Ltd.**
Fee revenue	3.2	7.4	0.4	24.6	72.2	0.30

For additional details regarding interested parties and related parties, see Note 33 to the financial statements.

Presented below are details regarding non-banking transactions with the controlling shareholder, or in which the controlling shareholder has a personal interest, for the year ended December 31, 2024 (in NIS thousands), and which do not constitute insignificant transactions:

Directors and officers insurance policy:

- On April 25, 2021, the Bank's shareholder meeting approved the coverage limits of the Bank's directors and officers (D&O) insurance policy (hereinafter: the "Framework Decision").
- On March 22, 2022, the Bank's Board of Directors approved, after approval was received from the Audit Committee (in its function as the Remuneration Committee), in its meeting on March 14, 2021, and in accordance with the framework decision, an extension of the engagement in the D&O insurance policy for directors and officers who hold office from time to time (including for the CEO) as follows: the policy was

purchased through the international insurance broker Willis, and by foreign insurers and syndicates of Lloyds in London (leading insurer Beazley syndicate). Liability limits and policy term: USD 30 million per event and USD 60 million for the period, with respect to the 12 month period from April 1, 2022 to March 31, 2023. The annual premium with respect to the extension of the period of the directors and officers insurance policy will not exceed a total of USD 200,000. The deductible amount per event in the directors and officers (D&O) insurance policy will not exceed a total of USD 700,000 for the Bank.

- On March 20, 2023, the Bank's Board of Directors approved the renewal of the liability insurance policy for the directors and officers of the Bank (including of the subsidiaries), who hold office from time to time, in a total insurance scope of USD 30 million per event and USD 60 million for the period, with respect to the 12 month period from April 1, 2023 to March 31, 2024. For additional details, see the immediate report which was published by the Bank on March 20, 2023 (reference number: 2023-01-029121), whose provisions are included in this report by way of reference. On March 21, 2024, the Bank's Board of Directors approved the renewal of the liability insurance policy for the directors and officers of the Bank (including of the subsidiaries), who hold office from time to time, in a total insurance scope of USD 30 million per event and USD 60 million for the period, with respect to the 12 month period from April 1, 2024 to March 31, 2025. For additional details, see the immediate report which was published by the Bank on March 21, 2024 (reference number: 2024-01-030207), whose provisions are included in this report by way of reference.
- Further to the aforementioned resolution of the Board of Directors, the Board of Directors approved, in the aforementioned meeting, that the Bank's engagement in an officers' insurance policy will also apply to the Bank's CEO and to officers who are relatives of the controlling shareholder, who serve in the Bank as of the date of this decision, and that the terms of the engagement with them are identical to the terms of engagement with the other officers in the Bank, and it is not expected to materially affect the Bank's profitability, assets or liabilities.

Transactions involving engagements between the Bank and its directors and officers (including in the subsidiaries), as they hold office from time to time, as applicable, with respect to providing them with directors and officers insurance, are in the Bank's best interest.

<u>Letters of indemnity</u>

For details regarding letters of indemnity which the Bank granted to officers in the Bank, including directors, see section 9.2 of the Bank's officer remuneration policy, which was attached to the meeting convention report which the Bank published on April 21, 2021 (reference number: 2021-01-067686), whose provisions are included in this report by way of reference.

On October 6, 2022, the Bank's general meeting of shareholders re-approved the provision of letters of indemnity to directors who are controlling shareholders and/or their relatives for a three year period beginning on October 9, 2022. For details, see the immediate report regarding the convention of a general meeting which was published by the Bank on August 29, 2022 (reference number: 2022-01-109954), whose provisions are included in this report by way of reference.

Release in accordance with section 259 of the Companies Law

On May 13, 2021, the shareholder meeting approved the addition of Article 84G1 to the Bank's articles of association, regarding release pursuant to the Companies Law; Update to the Bank's officer remuneration policy, inter alia, regarding the addition of a letter of release for all officers, including all of the Bank's directors; And the granting of a letter of release to all officers, including all of the Bank's directors, who hold office and/or who will hold office from time to time (including those who will be appointed in the future), including the currently serving CEO and/or any CEO who may hold office from time to time (including any CEO who will be appointed in the future), and including directors in the Bank who are and/or whose relatives are controlling shareholders of the Bank. For details, see the supplementary immediate meeting convention report which the Bank published on April 21, 2021 (reference number: 2021-01-067686), and the immediate meeting results report which the Bank published on May 18, 2021 (reference number: 2021-01-085776), whose provisions are included in this report by way of reference. For additional details, see Note 22 to the financial statements.

On May 9, 2024, the general meeting of the Bank's shareholders approved, after receiving approval from the Remuneration Committee on March 10, 2024, and approval from the Board of Directors on March 21, 2024, an extension of the foregoing letters of release for directors in the Bank who are and/or whose relatives are controlling shareholders of the Bank, for a period of three more years, beginning on May 13, 2024, under the same conditions as the release for the other officers, including for the other directors in the Bank. For additional details, see the meeting convention report which the Bank published on April 3, 2024 (reference number: 2024-01-032626), and the immediate meeting results report which the Bank published on May 9, 2024 (reference number: 2024-01-046372), whose provisions are included in this report by way of reference.

Annual remuneration

On April 28, 2022, the Bank's Board of Directors approved, in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses of External Director) (Transitional Provision), 5782-2022, and after approval was received from the Audit Committee, in its function as the Remuneration Committee, on April 26, 2022, the establishment of criteria for the payment of directors' remuneration with respect to participation in meetings of the board and board committees via teleconference, as participation in an ordinary meeting, during the period of the special health situation or emergency situation due to the coronavirus pandemic. In accordance with the foregoing decision, a specific evaluation was conducted with respect to each director separately in meetings held via teleconference, and decisions were made regarding whether to classify them as "eligible meetings", in accordance with the directors' declarations.

On October 10, 2023, the Bank's Board of Directors approved, in accordance with the Companies Regulations (Expedients Regarding Transactions with Interested Parties), 5760-2000 (hereinafter: the "Expedient Regulations"), an increase of the annual remuneration and remuneration for participation to the Bank's directors, such that the annual remuneration and remuneration for participation will be updated to the "maximum amount" according to the Bank's equity rating on the date of the decision - Rating D, as specified in the Second Addendum to the Companies Regulations (Rules Regarding Remuneration and Expenses of Outside Directors), 5760-2000 (hereinafter: the "Remuneration Regulations"), plus linkage differentials pursuant to the Remuneration Regulations, and plus VAT. For details, see the immediate report which was published by the Bank on October 10, 2023 (reference number: 2023-01-114684), whose provisions are included in this report by way of reference.

On September 26, 2024, the Bank's Board of Directors resolved, in accordance with Regulations 1A(2) and 1B(A)(3) of the Expedient Regulations, and after receiving approval from the Audit Committee, in its function as the Remuneration Committee, on September 26, 2024, to approve an update to the remuneration of all of the Bank's directors, including directors who are controlling shareholders and/or relatives of theirs, who serve as directors in the Bank (excluding the Chairman of the Board), who hold office and will hold office in the Bank, in accordance with the Companies Regulations (Rules Regarding Remuneration and

Expenses of Outside Director), 5760-2000. For additional details, see the immediate report which the Bank published on September 29, 2024, regarding a transaction with a controlling shareholder or director which does not require approval from the general meeting (reference number: 2024-01-606360), whose provisions are included in this report by way of reference.

Rental transactions

The Bank rents (through a wholly owned subsidiary) from a wholly owned subsidiary of a relative of the controlling shareholder warehouses with an area of 695 square meters, in Jerusalem, which are used as the Bank's archive. On March 8, 2018, the Audit Committee approved the renewal of the lease agreement for a period of five years, from July 1, 2018 to June 30, 2023, for a total consideration of approximately NIS 1,520 thousand, for the entire lease period (including maintenance fees, including electricity, water, security and parking), plus VAT (hereinafter: the "Lease Agreement").

On October 27, 2022, the Bank's Board of Directors approved, after approval was received from the Audit Committee, the subsidiary's engagement in the addendum to the lease agreement, according to which the Bank will lease (through a wholly owned subsidiary) an additional warehouse with an area of 11 square meters (gross), located near an area which is leased by the Bank, and which serves as the Bank's archive. The lease of the additional warehouse is from June 1, 2022 until the end of the lease period in accordance with the foregoing lease agreement (June 30, 2023), for a total consideration of approximately NIS 10,038 for the entire lease period, including VAT, and unlinked (including maintenance fees, which include electricity and water expenses).

On May 23, 2023, the Bank's Board of Directors approved, after receiving approval from the Audit Committee, the extension of the lease agreement, under which the Bank will lease (through a wholly owned subsidiary) an area which is used by the Bank's survey office and back office unit, for an additional period of 3 years, beginning on July 1, 2023. It involves an area of 695 square meters, where the Bank's survey office and back office unit is located. The Board of Directors approved rent in the amount of approximately NIS 39 per square meter, and in total - NIS 29,415 per month (excluding VAT). The total rent for the entire agreement period amounts to approximately NIS 1,058,940 (excluding VAT and linkage to the CPI).

Employment of a relative of the controlling shareholder

On January 7, 2024, the shareholder meeting approved an update to the employment terms of Ms. Arianne Greenholtz Shoval, a granddaughter of the Bank's controlling shareholders, who is a relative (as this term is defined in the Companies Law) of the Bank's controlling shareholders, who has been an employed by the Bank as a cybersecurity and information security analyst since January 1, 2024, and who does not serve as an officer in the Bank. For details, see the immediate report regarding the convention of a general meeting (which also constitutes a report pursuant to the Securities Regulations (Transaction Between a Company and Its Controlling Shareholder), 5761-2001), which the Bank published on November 30, 2023 (reference number: 2023-01-131229), and the immediate report regarding the results of the general meeting which the Bank published on January 7, 2024 (reference number: 2024-01-003324), whose provisions are included in this report by way of reference.

Framework transaction for the receipt of architectural services from a relative of the controlling shareholder

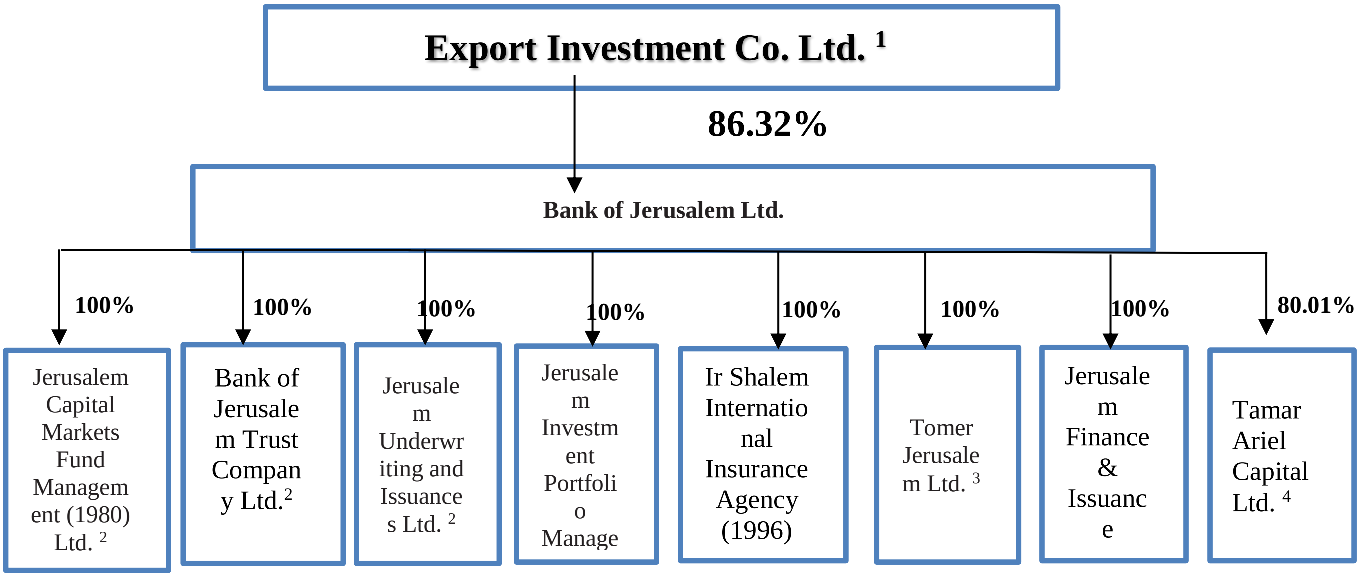
On July 14, 2022 and July 28, 2022, the Audit Committee and Board of Directors approved, respectively, the Bank's engagement in a services agreement for the receipt of planning and interior design services, between the Bank and I.T.P. Line Ltd., for a period of three years. In accordance with the agreement, I.T.P. Line will provide planning and interior design services for the various construction requirements of the Bank's facilities, including adjustments and improvements to the current headquarter and branch offices. The Company is owned by Mr. Ron Greenholtz and Ms. Yael Shoval, who is a relative of the Bank's controlling shareholders. Prior to the engagement, the Audit Committee approved that a professional opinion which was presented to the committee fulfilled the definition of "other process", in place of a competitive process, in accordance with the provisions of section 117 of the Companies Law, and the Bank's policies. In accordance with that opinion, it was resolved to approve the Bank's engagement with I.T.P. Line Ltd. The Audit Committee also approved that the engagement does not constitute an "extraordinary transaction", that the architectural services were purchased in the Bank's ordinary course of business, and that they are in the Bank's interest; The transaction was executed under market conditions, based on an opinion which was presented to them, and that its amount is not expected to significantly affect the Bank's profitability, assets or liabilities.

Part B - Additional Details Regarding the Banking Corporation’s Business Affairs and the Management Thereof

Diagram of the Bank’s Holding Structure

Presented below is a diagram of the Bank’s holding structure in subsidiaries and associate companies as of December 31, 2024.

For details regarding the areas of engagement of the subsidiaries and associate companies, see Note 14 to the financial statements.



(1) For details regarding the Bank’s controlling shareholders, see below.
(2) Inactive.
(3) Mr. Zalman Shoval has immaterial holdings in the Company, as specified in regulations 11-13 in the periodic report.
(4) On May 25, 2022, Tamar Ariel Capital Ltd. was formed, which is an auxiliary banking corporation to which the Bank’s consumer credit activity was transferred, and in parallel, member companies of Phoenix Groups purchased approximately 19.99% of the Company’s shares.
(5) For additional details, see Note 14 to the financial statements.

Controlling shareholders of the Bank

To the best of the Bank’s knowledge, and as it was informed, and Mrs. Kena Shoval is the controlling shareholder and holds 74.94% of the issued and paid-up share capital of Exports Investment Co. Ltd., which is a public company whose shares are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter: “Export”). Export holds approximately 86.32% of the Bank’s issued and paid-up share capital. Mrs. Shoval also holds approximately 0.34% of the Bank’s issued and paid-up share capital, through the companies K. Shoval Holdings Ltd.; ICC Israel Capital Corporation Ltd.; Financial Trust Corporation Ltd. and Foreign Trust Ltd., which are private companies owned and controlled by Mrs. Kena Shoval.

In accordance with a legal opinion which was presented to the Bank, Mr. Zalman Shoval (the husband of Mrs. Kena Shoval, and a director in the Bank) is considered a controlling shareholder in accordance with the provisions of the Securities Law, 5728-1968 (hereinafter: the “**Securities Law**”), and in accordance with the provisions of the Banking Law (Licensing).

Condensed Main Data, Classified by the Structure of the Banking Group

Reported amounts in NIS millions

	The Bank	Subsidiaries*	Total consolidated	The Bank	Subsidiaries*	Total consolidated
	As of December 31, 2024			As of December 31, 2023		
Main data from the statement of income						
Net profit attributed to the banking corporation's shareholders	154.6	56.5	154.6	134.6	39.4	134.6
Interest income, net	510.5	193.0	703.6	514.4	217.3	731.7
Expenses with respect to credit losses	20.8	58.9	79.7	31.5	101.8	133.3
Non-interest income	258.5	1.5	211.4	211.4	1.2	160.8
Of which: Fees	202.8	1.5	155.2	177.6	1.2	123.8
Operating and other expenses	592.5	30.6	590.9	546.7	35.1	546.2
Of which: Payroll and associated expenses	243.2	16.6	259.8	235.8	18.5	254.3
Main data from the balance sheet						
Total assets	23,314.0	4,912.1	22,389.3	22,607.9	5,608.7	21,825.5
Of which: Cash and deposits in banks	5,056.0	3,354.9	5,056.0	5,157.1	3,956.7	5,157.1
Securities	1,497.0	-	1,322.4	1,165.4	-	1,098.8
Credit to the public, net	14,304.3	1,416.1	15,440.1	13,807.9	1,521.2	15,070.2
Total liabilities	21,863.1	7,311.0	20,893.2	21,278.7	8,675.4	20,457.7
Of which: Deposits from banks	47.8	-	47.8	196.8	-	196.8
Public deposits	20,932.7	-	17,786.4	20,241.0	-	16,479.1
Bonds and CoCo bonds	250.7	2,471.3	2,722.0	246.7	3,216.6	3,463.3
Equity attributed to the banking corporation's shareholders	1,450.9	-	1,451.3	1,329.2	-	1,329.2
Main data regarding capital adequacy, leverage and liquidity						
Tier 1 capital ratio			10.7%			10.5%
Leverage ratio			6.4%			6.0%
Liquidity coverage ratio (average)			200%			199%

* Excluding offsetting of inter-company balances and excluding consolidation activities

Fixed Assets and Facilities

The depreciated cost of buildings and equipment as of December 31, 2024 amounted to NIS 265.1 million, as compared with NIS 232.5 million as of December 31, 2023.

All of the areas in which the Bank's business operations are managed are rented areas. As of December 31, 2024, the Bank had at its disposal areas in the total scope of approximately 11,870 square meters, similarly to December 31, 2023. As of the end of 2024, the area of the headquarters in Airport City amounted to a total area of approximately 5,900 square meters. The remaining area was used for the Bank's branches and various departments.

The rental agreement with respect to the Bank's headquarters in Airport City was signed on December 19, 2010. The rental agreement was for a period of 7 years (until 2018), with an option, which was exercised, to extend for an additional 7 years (until 2025), and an additional option to extend for an additional 7 years (until 2032). The remaining fixed assets mostly include software costs, equipment and furniture, which are used by the Bank for its operating activities. For additional details, see Note 15 to the financial statements.

The Bank's policy is to hold only the real estate properties which it actually requires for its activity, or which it is expected to require for its activity in the future. The Bank evaluates, on an ongoing basis, the characteristics and locations of the areas which it requires, based on its business plan and the plan regarding the national distribution of branches, and performs adjustments as required.

Intangible Assets

Trademarks and domain names - The Bank holds the intellectual property rights to the following trademarks, which are registered under the Bank's name in the Registrar of Trademarks: "Bank of Jerusalem". The Bank is also the registered owner of various domain names. Ownership of the trademarks gives the Bank the exclusive right to use the brand name, and prevents the competitors from using said name, and thereby adversely affecting the Bank's marketing activity. The effect of ownership is significant to the advertising of the Bank and its results, and to the perception of Bank of Jerusalem as a unique brand. A registered trademark is valid for a period of ten years, after which the trademark owner may renew it for additional periods.

Databases - The Bank and member companies in the group are the owners of registered databases, which contain data in connection with the Bank's business operations, employees and customers.

IT and Information Systems

The Bank's Resources Division works to develop advanced technological systems and to continuously improve the Bank's IT systems and infrastructures.

IT centers - The Bank's main IT center is located in the management building, at Airport City in Lod. The Bank's secondary backup site is located in the IBM building in Netanya.

Information systems - Support for the Bank's business operations is provided through 3 core systems:

Commercial system (BankWare) - used to manage the commercial activities, mortgages in foreign currency and the main ledger. In accordance with an agreement with Matrix Ltd. (the current owner of the system) The system will be transferred to the Bank's ownership towards 2027.

Mortgage system (Cav) - Used to manage the mortgage operation in NIS.

Central capital market system (Fmr) - used to manage activities on the capital market.

The Bank also has various additional systems and applications which are used for business, regulatory, operational, and managerial data purposes. In 2024, several significant information systems were implemented including a robotic process automation (RPA) system, a consumer credit model, infrastructure for digital underwriting, digital mailing and green mailing, a system for the management of new products, management of impaired debts, and more.

Integration and connectivity - The Bank operates according to a SOA architecture. The Bank has a software tool (ESB - Enterprise service bus) which allows integration between the channel systems and the core systems. The integration method used to integrate between the systems is performed by developing web services securely. The Bank adopted the Apigee system for connecting intra-organizational and extra-organizational applications and data using API's (API Management). The system can be used to securely provide information and services to different consumers.

Backup and disaster recovery - The Bank's business continuity plan is based on the Bank's objective in case of emergency, critical business processes and services which were defined in the BIA (Business Impact Analysis) process.

In 2024, the Bank implemented a DR Active-Active plan to improve the Bank's preparedness for a disaster event, and to reduce recovery times. An improvement to recovery capabilities was implemented through data domain infrastructure.

Cybersecurity and information security - Cybersecurity and information security challenges are a significant factor in these times. During the year, the cybersecurity and information security division operated in light of Swords of Iron War, and successfully responded to all attempts to challenge its defense systems. As part of its multi-year plan, Bank of Jerusalem has invested a great deal of resources in order to provide an advanced cybersecurity and information security shield for its customers and employees. This included the continuous challenging and improvement of business technological monitoring to identify and respond to fraud, which are occurring with increasing frequency throughout the entire financial system. An advanced solution was given to address risks in development processes of systems and applications which use open source code libraries.

The automatic PT (penetration testing) technology for the Bank's systems was improved. Use of additional advanced systems was increased, including the cybersecurity intelligence services, which monitor the entire internet (including the dark, deep and open webs) to detect any information associated with the Bank's assets which should not be public.

The management of information security risk includes many operations in the Bank's "supply chain", including the execution of information security and cybersecurity surveys at providers' sites.

IT infrastructure and modernization - The Bank's IT infrastructure supports the various systems, and provides solutions for regulatory and business requirements. In light of the developing regulations and the advanced technological changes, the Bank continuously evaluates its core systems. In 2023, a multi-year modernization plan was approved, which will significantly upgrade the Bank's technologies. Additionally, several major projects were carried out with respect to the IT infrastructure and server rooms, including upgrading the operating systems, the version of the CRM system, the databases, and more, all of the components were replaced and exchanged according to the plan, and were implemented in response to the business and technological requirements. Additionally, infrastructure for the system of safes and virtual desktop infrastructure (VDI) were built and entered into use.

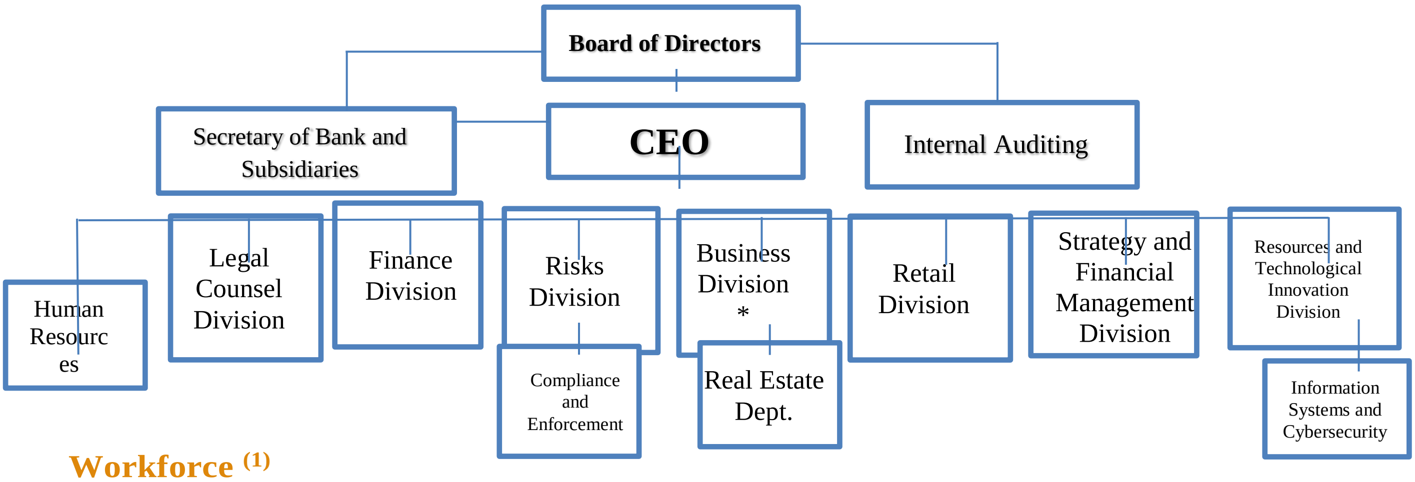
Cloud computing - In 2024, significant progress was made in the Bank's transition to cloud computing, and a secure connection infrastructure was created which will allow the Bank to consume cloud-based services in various ways (as a service or as a platform). The project will be continued in 2025.

Provider management - The Bank ensures to maintain appropriate engagements with all of its external IT providers, especially with respect to significant providers, in order to ensure the proper functionality, continuous operation and technological and functional upgrades of its systems. The Bank's relationships are set forth in detailed agreements vis-à-vis each and every supplier, which define the supplier's duties towards the Bank (including service level agreements), as well as the Bank's duties towards the supplier. The Bank is dependent on the software providers of the commercial system (this dependency is expected to conclude toward 2027, see the above section regarding information systems) and the mortgage system. The Banks receives full scale service regarding capital market issues from FMR Ltd., and is dependent on it in this regard. Source codes and documentation for these software programs are deposited in trust, in accordance with the directives of the Banking Supervision Department. The Bank relies on technological infrastructure products of IBM, EMC, Oracle, VMWare and Microsoft.

Scope of the investment - For details regarding the scope of the investment, see the Board of Directors' Report, Table 14 - expenses and investments with respect to information technology systems.

Human Capital

Presented below is a diagram of the Bank's organizational structure:



Workforce [1]

Presented below are details regarding the number of employees employed in the Bank and its subsidiaries:

	As of the end of		Annual average	
	2024	2023	2024	2023
Number of employees:	653	644	646	638
Of which, through outsourcing [2]	33	28	28	27
Number of positions:	-	-	-	-
Ordinary work hours	649	638	642	632
Overtime	9	15	14	17

* Until December 31, 2023, the Business Division was called the Real Estate and Banking Products Division.

(1) The report does not include the employees of the Bank's call center, who are outsourced through an external provider, cleaning and security employees, and employees who are employed through service providers as temporarily substitutes for bank employees, or on a project basis.

(2) The outsourcing section includes employees who are employed through software houses and other companies which provide services to the Bank, from which certain employees are hired for specific positions.

For details regarding the positions in the different operating segments, see the chapter regarding operating segments in this report.

Rotation and vacations

The Bank operates in accordance with the Proper Conduct of Banking Business Directive regarding rotation, and regards the rotation of senior sensitive position holders as an important component of the internal control processes in the organization. In case it is not possible to rotate senior position holders, the Bank implements compensating controls. During 2024, 71 employees were rotated, including 11 who hold sensitive positions. During 2023, 44 employees were rotated, of which 1 held a sensitive position. The Bank established a vacation usage target and a specific vacation days accrual limit for the Bank's employees, and performs specific followup of the target's fulfillment.

Remuneration policy

For details regarding the officer remuneration policy, the remuneration policy for employees and key employee non-officers, the entities which oversee remuneration in the Bank, planning and structure of the remuneration processes, description of the methods used to take into account current and future risks in the remuneration process, and the connection between performance during the performance measurement period and remuneration levels, see Note 22 to the financial statements. In 2024, further to the amendment to the Male and Female Workers Equal Pay Law, 5756-1996, the Bank prepared a report which evaluated the pay gaps between men and women in similar occupation groups. The information was published in a public report (available on the Bank's website). Statistical analysis conducted by the Bank found that gender has a weak and insignificant impact on salary, relative to other reasonable explanatory variables which have a significant impact on salary (management rank, position, education, seniority). It is noted that the Bank's limited number of employees makes it difficult to create homogeneous groups to evaluate pay gaps.

For details regarding the remuneration plan for the CEO and Chairman, see Note 33 to the financial statements.

Description of employment agreements

In March 2024, several collective arrangements were signed between bank management and the Bank's employees' committee, which formalized most of the employment terms for all of the Bank's employees, excluding officers and key employees. The collective arrangements were signed for a period of four years, until December 31, 2027.

Approximately 68% of the Bank's employees are employed through personal employment agreements which define the terms of their employment in the Bank, in addition to the arrangements set forth in the collective arrangements. Once per year, an update to their employment terms is evaluated, in accordance with the employee's differential contribution to the Bank, and in accordance with managers' recommendations. The personal employment agreements are signed separately with each employee, in accordance with the salary and the social benefits arrangement which were specifically agreed with them.

The employment terms of approximately 32% of the Bank's employees are set forth in an agreement which was signed with the employees' committee in the Bank, which defines their employment terms and their salary promotions (ranked employee agreement). In addition to the terms set forth in the collective arrangements, the agreement is updated once every two years, with the consent of the employees' committee, as set forth in a written addendum which is signed between management and the employees' committee. This update includes salary additions over the base salary and associated benefits, and takes into account the rate of increase of the consumer price index for the period relevant to the update. Additionally, the Bank holds, once per year, personal ranking discussions for the aforementioned employees, in accordance with each employee's differential contribution to the Bank, and according to the managers' recommendations.

Additionally, the Bank and its subsidiary acquire the services of manpower companies, software houses and other specialized companies (see details regarding employees through "outsourcing", in the table presented above). For additional details, see Note 22 to the financial statements.

Development of human resources

The Bank focuses on value-based investment in its employees, along with the development of employees and human capital.

The Bank develops structured internal study tracks which are focused on the Bank's core business, on compliance and risk management, on improving professional qualifications, and on expertise in various fields. The study tracks, intended for different levels of expertise, combine various study methodologies with drills and practical experiences for participants. The Bank sends its employees to continuing education activities, seminars and professional conferences which are relevant to their fields of activity, and encourages its employees to engage in academic study in fields which are relevant to their activity.

In 2023, courses were given on deepening professional knowledge in core banking business areas, with an emphasis on the credit segment (improving expertise and certification of mortgage advisors, analysis of financial statements, accompaniment of construction projects). Professional courses and training conferences were also conducted on the subjects of investments, collection, and implementation of the Bank's service approach. In 2024, training contents were also developed in accordance with the regulatory requirements for employee training and refreshment, on subjects including money laundering, compliance and conduct, the ethical code, and information security, prevention of fraud, safety and security, and business continuity. The Bank encourages personal development and learning processes, and in 2023 it delivered training to improve skills such as project management, lesson learning, technological skills (general and specialized for employees of the IT division). The Bank conducts management training courses as needed and in accordance with the available promotion courses. In 2024, manager training was provided to unit managers at HQ, to managers at the Bank's hotlines, and to managers beginning their managerial paths in the branches. During the year training meetings for managers were held, which included professional content and skills improvement. Additionally, managers in various ranks of management in headquarters and in the branches received personalized training sessions in order to improve management and employee leadership skills. Today the Bank accepts mostly academic employees, and provides study grants to employees who are interested in increasing their education. As of the end of 2024, the Bank employees 61% academic employees, of which 14% hold a Master's degree. The rate of non-academic employees with a post-secondary education, out of the Bank's total employees, amounts to 9%, while the rate of employees studying for a Bachelor's degree amounts to 1%. The Bank encourages mutual responsibility among its employees, and has established a joint fund between the Bank and its employees, to support employees who are in financial distress situations.

Human resources management during the Swords of Iron War

Throughout the year, the Bank provided a comprehensive support environment and personal assistance to employees and families who live near combat areas, were forced to leave their homes, called up for reserve military service, or for whom special needs arose due to the war.

Inter alia, the Bank has provided employees with various tools, lectures and workshops to help their emotional process during this difficult period, and has expanded its psychological support service for employees. The internal communication system was expanded in various platforms, and the managers participated in training sessions which focused on resilience, leadership and management in emergency situations, and maintained close contact with the teams.

The Bank increased the donation budget and focused on supporting residents of the Gaza envelope, security forces personnel and families of the kidnapped, and encourages its employees to volunteer and contribute to the community through a variety of programs, while recognizing its benefits in terms of relieving stress and creating a sense of mission and satisfaction. As part of the above, the Bank recognizes eight volunteer hours per month as work hours.

Hybrid work

A hybrid work model is implemented at the Bank's headquarters, which includes both office work and remote work, and allows the Bank to adjust to the changing work market, and to maintain its business continuity capabilities. In 2023, the Bank's Board of Directors approved a hybrid work policy, in which an operational model was established for the management of remote work risks, and the adequacy of the overall work arrangement for the Bank's employees.

Officers and authorized signatories

As of December 31, 2024, 11 officers are serving in the Bank (who are not directors), through personal contracts. The Bank has 223 authorized signatories: 10 in the branches, and 213 at headquarters. For additional details regarding the retirement of officers during the reporting period, see the chapter regarding officers above.

Significant Agreements

Presented below is a summary description of the main terms of agreements which may be considered material, hand which are not in the ordinary course of business, to which the Bank is party, or where, to the best of its knowledge, it is entitled under such agreements, including agreements which were in effect during the period described in this annual report, or which affected the Bank's activities during that period.

1. Agreements with the Government of Israel regarding the provision of the loans - The Bank has a framework agreement with the Government of Israel regarding the provision of loans for which the Government is responsible (including arrangement, execution and collection) to entitled individuals through the Ministry of Construction & Housing. According to the agreements, the Bank is entitled to receive fees at various rates, as set forth in the aforementioned agreements, as well as participation in collection expenses. The last framework agreement was signed in July 2004, is in effect for two years, and is automatically renewed each time for an additional period of one year, save in the event that either of the parties has announced the termination of the agreement 4 months before the end of its period.

   Additionally, the Bank signed, in May 2008, an agreement with the Government of Israel regarding loans which will be provided to entitled individuals through the Ministry of Construction & Housing, beginning on the signing date of the agreement. The loans which will be provided to entitled individuals under the agreement are mostly out of the Bank's funds, and under the Bank's responsibility, and to a lesser degree, out of the State's funds, and under the State's responsibility. The Bank is entitled to receive subsidization from the government with respect to loans which it has given out of the Bank's funds, as well as fees at various rates with respect to the loans which it has provided out of State funds. The agreement is in effect for one year, and is automatically renewed each time for a period of one additional year, unless either of the parties has given notice regarding the termination of the agreement 3 months before the end of the agreement period.
2. Agreement with Bank Leumi le-Israel Ltd. - The Bank is party to an agreement with Bank Leumi le-Israel Ltd. ("Bank Leumi") dated December 10, 2017, which replaced the current agreement dated November 15, 1998, according to which the Bank receives from Bank Leumi clearing services for relays presented in the Bank and relays drawn on the Bank through the Bank Leumi clearing house, in consideration of fees as specified in the agreement.
3. Agreement with credit card company - The Bank has an agreement with Israel Credit Cards Ltd. ("C.A.L.") dated August 8, 2002, which reflects the relationship within the framework of the collaboration between the Bank and C.A.L., including as regards the division of responsibilities between the credit card company and the Bank, as well as the commercial terms between the parties.
4. Indemnification of officers - The Bank grants to the officers of the Bank and of its subsidiaries letters of indemnity with respect to financial debt which may be imposed on any of them, and with respect to reasonable litigation expenses which are associated with the list of events which was attached as an annex to the letter of indemnity (hereinafter: the "Letter of Indemnity"). For details regarding this undertaking, see the chapter of this report regarding officer salaries.

   On October 6, 2022, the general shareholder meeting of the Bank approved the provision of a letters of indemnity to directors who are controlling shareholders and/or their relatives and/or anyone regarding whom the controlling shareholders may have a personal interest in the provision of letters of indemnity, for an additional three year period, beginning on October 9, 2022 (the date when 3 years passed since the date when the letters of indemnity were approved for Mr. Zalman Shoval and Mr. Gideon Shoval), under the same conditions as the letters of indemnity which were approved on October 9, 2013, to all other officers, including to the other directors and to the aforementioned directors. For additional details, see the chapter regarding the salaries of officers in this report, and the Bank's immediate reports dated August 29, 2022 and October 6, 2022 (reference numbers 2022-01-109954 and 2022-01-124801, respectively), which are included in this report by way of reference. For details regarding the provision of a letter of release to officers in the Bank and in its subsidiaries, see the chapter "controlling shareholder transactions" in this report below.

5. <u>Release for officers</u>
   For details regarding the provision of a letter of release to officers in the Bank and in its subsidiaries, see the chapter "controlling shareholder transactions" in this report below. On May 9, 2024, the general meeting approved the
   extension of letters of release for directors of the Bank who are and/or whose relatives are controlling shareholders of the Bank, for an additional three year period, beginning on May 13, 2024. For additional details, see
   the meeting convention report which the Bank published on April 3, 2024 (reference number: 2024-01-032626), and the immediate meeting results report which the Bank published on May 9, 2024
   (reference number: 2024-01-046372), whose provisions are included in this report by way of reference.
6. Formation of an auxiliary corporation, Tamar Ariel Capital Ltd. to coordinate the consumer credit activity - In accordance with the Bank's strategic plan, which is centered on controlled growth while focusing, inter alia, on developing the Bank's retail activity, the Bank contacted the Bank of Israel and received a license for the formation of an auxiliary banking corporation to coordinate the Bank's consumer credit activity. The Bank provides the subsidiary with all of the management and operational services which are required for its activity, and engaged with it in an agreement under which the Bank will provide financing to the subsidiary for the sake of purchasing future consumer credit, as part of the transferred activity. On November 16, 2021, Phoenix Group signed an agreement regarding an investment of member companies of Phoenix Group in the subsidiary's capital, against an allocation of approximately 19.99% of the subsidiary's share capital. As of the publication date of the report, the subsidiary manages approximately NIS 1.4 billion of consumer credit which was given to the Bank's customers.
7. Syndication agreement between the Bank and member companies of an institutional entity group (hereinafter: the "Syndication Agreement") - On June 10, 2024, a syndication agreement was signed whereby the Bank will provide 10%, and the member companies of the institutional entity's group will provide 90% of each of loans which will be provided to customers in accordance with the agreement. The syndication agreement was signed for a period of 3 years, and the scope of housing loans which will be provided thereunder is estimated at a total of up to approximately NIS 1.8 billion. In accordance with the management agreement which was signed between the parties, the Bank will manage, on behalf of the member companies of the institutional entity's group, the part of the portfolio of loans which they provided, in exchange for management fees, in the same manner and according to the same terms as those by which the Bank manages and operates housing loans for itself, including the part of the portfolio of loans was provided by the Bank, and it will also receive, from the member companies of the institutional entity's group, initiation fees with respect to the loans which will be provided within the framework of the collaboration. The Bank believes that the syndication agreement will allow the Bank to increase its scopes of activity in the mortgage market, while reducing the exposure to in mortgage sales.
8. For details regarding agreements which define the Bank's engagement with material IT providers, see the chapter on "intangible assets" above.

Licensing, Legislation and Oversight Directives Applicable to the Activities of the Bank's Group

The Bank is a commercial bank, whose securities are traded on the Tel Aviv Stock Exchange Ltd., and which is a member company of the Tel Aviv Stock Exchange Ltd., a member of the Stock Exchange Clearing House and the Maof Clearing House, and is therefore subject to all of the relevant laws.

The Bank has a banking license pursuant to section 10 of the Banking Law (Licensing), 5741-1981. In accordance with the Bank's license, it is subject to the following restrictions: the Bank will not control and will not be an interested party in corporations of any kind whatsoever, in Israel or abroad, excluding auxiliary corporations, without the Commissioner's approval, for a certain corporation or for a certain type of corporation. The above will not apply to corporations which the Bank lawfully held prior to the provision of the license, and where the holding is in accordance with the determined conditions. Additionally, in accordance with the Bank's license and directives issued by the Commissioner of Banks, the appointment of the Chairman of the Board, CEO, and any officer require advance written approval from the Commissioner of Banks.It is hereby clarified that the requirements of the license regarding the control of auxiliary corporations are requirements which are currently included in the banking legislation, and which refer to all banking corporations.

According to the directive issued by the Bank of Israel to the Bank, the Bank is entitled to perform option and forward transactions between currencies or interest rates only for hedging purposes. Transactions which are not for hedging purposes will require advance approval from the Bank of Israel. The Bank's activities are subject to laws, regulations and directives, some of which are unique to the banking system, while others, which, even if they are not unique, as stated above, do affect significant segments of its operations. The Banking Ordinance, various banking laws and Proper Conduct of Banking Business Directives which are published by the Commissioner of Banks from time to time constitute the primary and legal basis for the Bank's activities. These define, inter alia, the limits of the Bank's permitted activities, the relationship between the Bank and its customers, the use of the Bank's assets, the method for reporting regarding its aforementioned activities to the Commissioner of Banks and to the public, and the activities which are permitted for the Bank's subsidiaries, and the terms of their control and ownership.

Along with the above, the Bank is subject to extensive legislation which regulates its activities in the capital market, both for its customers and for itself (for example, in the field of investment consulting and customer portfolio management, securities laws and restrictions on activities in the insurance segment). The fees charged by banks, including the Bank of Jerusalem, are overseen by the Bank of Israel. Additionally, the Bank of Israel has determined tariff schedules, in which are specified the services for which banks will be entitled to collect fees, as well as the method used to calculate such fees.

Additional laws, on unique subjects, impose on the banks, including on the Bank, specific obligations and rules. The above includes, for example, legislation regarding the prohibition against money laundering and terrorism financing; The Credit Data Law, legislation regarding housing loans, laws regarding guarantees, etc. In addition to the above, there is also legislation which, due to its connection to the Bank's activities, has a significant impact on the Bank's conduct. On this matter, it should be noted that enforcement laws, liquidation and receivership laws, and various tax laws are relevant. The Bank's activities are subject to supervision and control by the Banking Supervision Department, and by additional supervisory entities in specific operating segments, such as the Israel Securities Authority, the Authority of Capital Markets, Insurance and Savings and the Competition Commissioner. The Bank and its subsidiaries operate in compliance with the duties which apply to them by virtue of provisions of the law.As part of the legislation, some of the laws which apply to the banks activities include the option to impose on it financial sanctions with respect to breaches of provisions of the law and of the provisions of secondary legislation (including circulars and directives), which have been issued, or which may be issued, by virtue thereof.

Licenses for the activities of subsidiaries

Ir Shalem, a wholly owned and controlled subsidiary of the Bank, has an insurance agent corporation license in accordance with the Control of Financial Services Law (Insurance), 5741-1981. In accordance with the directives issued by the Commissioner of Insurance and the Commissioner of Banks, Ir Shalem is entitled to engage only in the marketing of life insurance policies and structural insurance policies, as part of housing loans which are given by the Bank (this restriction does not apply with respect to insurance which was prepared before January 1, 2006).

American Legislation and Regulation

In 2011, The Foreign Account Tax Compliance Act (FATCA) was enacted in the United States, according to which financial institutions from around the world are required to identify all of their American customers, and to submit reports regarding the data of these customers to the IRS. In January 2013, the final version of regulations on the subject was published, which entered into effect on July 1, 2014.

The Bank is adopting the provisions of the law and the directives issued by the Commissioner of Banks, including registering the Bank on the IRS website. On July 1, 2014, an agreement was signed between the State of Israel and the U.S. Department of the Treasury regarding the implementation of the provisions of FATCA, which regulates the transfer of information regarding accounts which are held in Israel by citizens or residents of the United States to tax authorities in the United States, through the Israel Tax Authority (hereinafter: the “FATCA Agreement”).

On July 16, 2016, Amendment No. 227 to the Income Tax Ordinance was enacted, and on August 4, 2016, the Income Tax (Implementation of FATCA Agreement) Regulations were published, which imposed on banking corporations obligations by virtue of the FATCA Agreement, including, inter alia, the obligation to transfer information to the Israel Tax Authority, in order to allow it to transfer information to the American tax authorities.

In accordance with the Bank’s policy, the Bank refrains from providing any advice or assistance on the subject of taxation, including any advice related to the manner in which the account is identified as American, or in connection with American taxation, including any advice whatsoever regarding FATCA.Additionally, in light of the existing legislation in the United States, financial institutions which do not hold an appropriate American license are restricted against providing the entire array of services involving securities to customers who are residents of the United States. Therefore, Bank of Jerusalem is required to provide services involving securities to its customers who are residents of the United States, only in accordance with the directives set forth in American legislation on the matter.

Standards For Automatic Exchange of Financial Account Information – OECD

The OECD published Standards For Automatic Exchange of Financial Account Information (hereinafter: the "Standard"). This standard was created in the spirit of the American FATCA, and is intended to increase transparency and oversight on the tax reports of residents of OECD countries. The aforementioned standard is comprised of the CRS model, which imposes reporting and identification obligations on financial institutions with respect to accounts which are maintained by them, and of the CAA model, which constitutes the basis for the legal agreements which will be signed between the countries for this purpose. On July 21, 2014, the OECD published a guide for the implementation of the standard.

On November 24, 2015, Israel joined the multilateral treat regarding mutual administrative assistance on tax matters. On May 13, 2016, the General Director of the Tax Authority signed on Israel's addition to the agreement of competent authorities for the implementation of the multilateral treaty regarding automatic exchange of financial information, and for the implementation of the multilateral treaty regarding inter-country reporting.

For the purpose of implementing the standard, on November 26, 2015, the Law in Amendment of the Income Tax Ordinance (No. 207) was enacted, which authorized the Ministry of Finance to sign the agreements with the other countries, to require the financial entities to transfer the information to the Tax Authority, and for itself to transfer the information to the countries which have entered into mutual information sharing agreements with the State of Israel.

In early Income January 2019, the Income Tax Regulations (Implementation of Uniform Standard Regarding Reporting and Due Diligence With Respect to Information Regarding Financial Accounts), 5779-2019, were enacted (hereinafter: the "CRS Regulations"). According to these regulations, the banking corporation is required to transfer to the Israel Tax Authority information regarding accounts of foreign residents, in reportable countries, in order to allow it to transfer such information to countries with whom the State of Israel has engaged in mutual information sharing agreements.

The aforementioned regulations, agreement and standard formalize, inter alia, the types of information which the countries will transfer, the information transfer date, and the financial entities which will be subject to the obligation to transfer information to the tax authorities. The effective date of the agreement and the standard are in January 2017, and the first report by the State of Israel was issued in 2019.

Amendment No. 2016-13 to the FASB codification regarding financial instruments - credit loss, provisions for current expected credit loss (CECL)

This change was made in the United States as part of the process of learning lessons from the global financial crisis. It is intended to improve the quality of reporting regarding the banking corporation's financial position, by advancing the recording of provisions for credit losses, in a manner which strengthens the anti-cyclical aspect of actions involving provisions, thereby supporting faster response by the banks to deterioration in the credit quality of borrowers, and strengthening the link between the way in which credit risks are managed, and the way in which those risks are expressed in the financial statements.

According to the CECL model, a provision for credit loss should be recognized, in a manner whereby the amortized cost of the financial instrument reflects the amount which the Bank expects to collect. The provision will be based on the current expected credit loss throughout the entire lifetime of the asset, and on credit quality by the vintage of the loans. Such data may include, for example, the characteristics of each loan, its creation date, and details regarding the dates and amounts in case of changes in classification, restructuring, accounting write-offs, and collection of amounts which were written off. In addition to the estimated credit loss, it is also necessary to include forecasts regarding future economic events. With respect to future periods for which forecasts cannot be prepared.

The amendments in the update apply in the United States with respect to annual periods beginning after December 15, 2019.

On November 30, 2020, the Banking Supervision Department published a circular which included, in the public reporting regulations, the generally accepted accounting principles in the United States regarding credit losses, including the rules of presentation, measurement and disclosure which were determined in Subject 326 of the codification, regarding "financial instruments - current expected credit loss". For additional details, see Note 1 to the financial statements.

Legislative Updates and Directives Issued by the Bank of Israel

Provisions of the law and regulations which apply to the Bank, and which were received until the publication date of the Bank's annual report for 2023, were described in the Bank's financial report for 2023. Regulatory directives regarding accounting are described in Note 1 and in the relevant notes. Presented below is a summary description of relevant changes in legislation and in oversight during the reporting period, which significantly affect, or may significantly affect, the Bank's activities.

1. **Directives and instructions of various regulators in light of the war situation which was declared in Israel**

   In light of the Swords of Iron War, which began on October 7, 2023, and its consequences on the Israeli economy, and in a situation where thousands of Israels have been injured and killed, hundreds have been kidnapped and are missing, tens of thousands of civilians have been forced to leave their homes, and hundreds of thousands of civilians have been called up for reserve military service, many regulators published guidelines, directives and concessions for various entities, in order to assist citizens and systems in Israel in responding to the challenges of this situation.

   During the 4th quarter of 2024, in light of the continuation of the war, updates to the following regulatory directives were published:

   A. **Provisions of the program to assist the Bank's customers in responding to the emergency security situation**, which was published by the Banking Supervision Department on October 15, 2023, were initially extended until April 1, 2024, and later extended four additional times – until July 1, 2024, until October 1, 2024, until the end of 2024, and until March 31, 2025.
   The Bank is applying the program and the extended program in accordance with the Bank of Israel's instructions.

   B. **Proper Conduct of Banking Business Directive 251 - Adjustments to Proper Conduct of Banking Business Directives in Response to the War**, the first version of which was published on October 22, 2023, and extensions thereto were published on October 31, 2023, November 21, 2023, December 28, 2023, February 4, 2024, March 31, 2024, June 30, 2024, October 31, 2024, and December 31, 2024. The last update did not include additional expedients, but instead extended some of the expedients which had been announced previously.

   C. In addition to the Bank of Israel's instructions, various regulators have published different instructions and concessions, which pertain also to the Bank, but which do not have significant consequences for it. As with other regulatory directives, some of these directives were also extended. The Bank recognizes and complies with these regulations as well, and updates their expiration dates as required.

Additionally, on February 26, 2025, the Bank of Israel published a voluntary proposed outline, which mainly involves the allocation of funds in the amount of NIS 1.5 billion from the entire banking system in each of the years 2025 - 2026, whereby the allocation rate of each bank will be derived from its market share as of the publication date of the outline. The funds will be designated to finance various expedients for the customers of each bank, in accordance with different baskets which are as specified in the outline proposal, and the manner of distribution between baskets will be done in the discretion of each bank. The Bank of Israel believes that the adoption the outline will make unnecessary, inter alia, taxation processes which are specific to the banking system, which are not intended for banks with limited scopes of activity (i.e., banks with an asset value less than 5% of the asset value of all banks in Israel, and which are not controlled by another bank).

2. **Proper Conduct of Banking Business Directive No. 422, "Opening and Management of Checking Accounts"**

On March 29, 2023, the Banking Supervision Department published an update to Proper Conduct of Banking Business Directive 422, regarding "Opening and Management of Bank Accounts", which included clarification regarding a banking corporation's obligation to open a bank account for a customer, and particularly, details were given regarding cases in which a banking corporation's claim will not be accepted alleging "reasonable refusal" to open a bank account with a positive balance, and to manage the account through basic payment services, and also to allow the management of a bank account with a negative balance, so long as the activity is within the approved credit facility. The directive established, inter alia, an obligation to avoid discrimination against population groups due to their characteristics (e.g., bankrupt individuals, guardians, foreign workers, etc.). The directive also establishes that a bank may not refuse to provide a debit card to a customer, and to allow them to use online banking channels.

The directive enters into effect beginning on June 26, 2024.

The Bank is adopting the directive. The adoption of the directive is not expected to affect on the Bank's financial statements.

3. Proper Conduct of Banking Business Directive No. 501, "Customer Service and Support System"

On March 26, 2023, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 501, "Customer Service and Support System", which establishes principles for the provision of service and support to customers of the banking system through the various service channels. The purpose of the directive, as presented, is to promote an organizational culture which emphasizes the quality and availability of the service and support which are given to customers, and to adopt the method of "customer in the center". Accordingly, the directive included the establishment of obligations which apply to the banking corporation in the field of corporate governance, including the Board of Directors' obligations to formulate a customer service and support strategy, supervision of the strategy's implementation, and integration thereof into the internal audit work plan, and approval of the customer service and support policy which will be formulated by management. Obligations were also established for management to implement the Board of Directors' strategy, to establish a procedure and to develop annual and multi-year work plans to promote the principles for the provision of service and support, to allocate resources for the purpose of creating mechanisms of supervision and control, and to establish remuneration mechanisms for employees who are engaged in the provision of service, including outsourcing employees. The banking corporation is required to determine a service level agreement which will express the Bank's policy regarding service and support for its customers, while emphasizing significant services offering high value for customers. The charter is required to include an organizational service declaration, in which the Bank expresses its service approach and the policy which it aims to promote vis-à-vis its customers, to define the terms of service (SLA), which will be published, and which will specify the services which are offered to customers, the service and support channels through which customers will be able to receive services from the Bank, conditions for the receipt of the various services through the various service channels, and the service levels to which the Bank commits in each service channel.

The banking corporation is obligated to publish the charter on the channels where it usually publishes information for its customers, including on its website. The banking corporation is also required to publish, on a quarterly basis, the average waiting times and actual response times with respect to each of the services and service channels specified in the service charter.

Most of the obligations according to the directive are in effect as from June 26, 2024. The Bank has begun adopting the directive, which will require significant preparation and includes preparation costs, and is adopting the parts of the directive which have already entered into effect. No significant impact on the Bank's financial statements is expected.

4. **Proper Conduct of Banking Business Directive No. 451, "Policies Regarding the Provision of Housing Loans"**
   On July 19, 2023, an amendment was published to Proper Conduct of Banking Business Directive No. 451, "Policies Regarding the Provision of Housing Loans". The update to the directive is expected to increase transparency towards borrowers, and to facilitate for them the performance of actions with respect to loans they have taken out. The amendment included the establishment of concessions for borrowers with respect to the method used to perform actions online, the manner or of notifying regarding the intention to perform prepayment (such that it will take place through the Bank where the customer is requesting to refinance the loan, and not independently), etc. Provisions were also determined regarding the repayment of the loan through a loan from an institutional lender which is not a banking corporation, and the banking corporation's obligation to act in the same way as the banking corporation acts towards another banking corporation. The update to the directive will enter into effect on April 19, 2025. The Bank is preparing for the implementation of the directive. The adoption of the directive is not expected to have an impact on the Bank's financial statements.

5. **Proper Conduct of Banking Business Directive No. 345, "Principles for the Effective Management of Climate-Related Financial Risks"**

On June 12, 2023, Proper Conduct of Banking Business Directive No. 345, "Principles for the Effective Management of Climate-Related Financial Risks", was published, which establishes "meta-principles" for the effective management of financial risks related to the climate and to other environmental risks. These principles address aspects of corporate governance, the internal control framework, the adequacy of capital and liquidity, the process of managing, monitoring and reporting risks, comprehensive management of credit / market / liquidity / operational / other risks, and requires an analysis of possible scenarios.
The directive enters into effect on June 12, 2026. The Bank is studying the directive, and is preparing for its adoption. At this stage, the Bank believes that the adoption of the directive is not expected to have a significant impact on the financial statements.

6. **Proper Conduct of Banking Business Directive No. 434, "Joint Accounts - Conditions for 'Staying Alive' and Handling of Existing Debts After Death"**

On June 11, 2023, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 434, "Joint Accounts - Conditions for "Staying Alive" and Handling of Existing Debts After Death", in a manner which informs customers who hold joint accounts of the existence of a clause regarding "staying alive", and its implications, in order to allow them to deliberately choose whether or not to apply it to their joint account. The amendment to the directive included the establishment of instructions regarding the Bank's obligation to offer to customers requesting to open a joint account, to sign on the existence of a clause in the joint account opening agreement, while explaining the significance of the term "staying alive", and clarifying that the clause pertains to the relationship between the Bank and the customers only. The banking corporation is also required to inform customers of the existence of the clause, and to document the choices of customers as a condition for the engagement in the account opening agreement, including reference to various signatory rights which were defined by the partners, to inform the customers of the choice available in this clause in case of any change throughout the lifetime of the account, and the possibility to change their choice. The amendment is in effect since September 11, 2024.
The Bank has begun adopting the directive. The adoption of the directive is not expected to have an impact on the Bank's financial statements.

7. **Proper Conduct of Banking Business Directive No. 461, “A Banking Corporation’s Activities as a Broker-Dealer”**

On July 19, 2023, the Commissioner of Banks published Proper Conduct of Banking Business Directive No. 461, “A Banking Corporation’s Activities as a Broker-Dealer”, which established standard norms of behavior regarding the receipt of instructions and the performance of transactions involving securities and financial instruments for the banking corporation’s customers, both as agents and through trading to their own account. Under the directive, a banking corporation which performs activities as a broker-dealer for its customers, is required to establish a policy, procedures and methods of action to protect its customers and ensure optimal performance of transactions on their behalf, while maintaining professionalism and integrity. The provision formalizes principles of risk management (including operational risks) which are due to the activity of banking corporations as broker-dealers.

Under the directive, the banking corporation is required to establish an organizational structure, policies and procedures regarding the execution of transactions, and the monitoring thereof, and preventing conflicts of interest; To adopt an ethical code of conduct to ensure that activities are performed with professionalism, integrity and fairness, in the best interests of the customers, including providing information regarding the transaction; To verify the correspondence between customers’ activities with securities and financial instruments, and their level of knowledge or experience, including giving warnings to customers if they try to execute transactions which the banking corporation believes does not correspond to their level of knowledge or experience; To establish policies for the fair and rapid execution of customer orders; To take all reasonable measures in order to achieve the best results for customers, while taking into account, inter alia, the characteristics of the transaction: size, price, cost, speed of execution, reasonableness of execution, and possible trading channels; To implement adequate information systems in order to ensure a high level of protection against the materialization of operational risks and cybersecurity risks; To maintain documentation of any action associated with a customer transaction; And to develop monitoring and control tools in order to identify suspicious or extraordinary activities.

The Bank is preparing for the implementation of the directive, which enters into effect on August 1, 2025. The directive is not expected to affect the Bank’s financial statements.

8. **Proper Conduct of Banking Business Directive No. 333, “Management of Interest Rate Risks”**

On December 20, 2023, an amendment was published to Proper Conduct of Banking Business Directive 333, “Management of interest rate risks”.

The amended Proper Conduct of Banking Business Directive establishes a new approach to the management of interest rate risk, and the preparations which will require a significant investment of resources by the Bank, including significant IT resources, in order to adjust the method of managing data in the Bank to the new mechanism for managing interest rate risk, and to build the tools and systems which are required for this purpose. This directive will enter into effect in July 2025.

The Bank is preparing for the implementation of the directive by the specified deadline.

9. **The Economic Program Law (Legislative Amendments to Implement the Economic Policy for Budget Years 2023 and 2024), 5783-2023 (“the Economic Arrangements Law”)**

A. **Amendment to the Regulation of Engagement in Payment and Payment Initiation Services Law**

The Regulation of Engagement in Payment and Payment Initiation Services Law (hereinafter: the “Law”) regulates the “payment initiation” activity, in parallel with the arrangement prescribed in Proper Conduct of Banking Business Directive 368, and establishes a new oversight and licensing regime which will apply to extra-banking payment service providers. The services which these service providers will be entitled to provide constitute competition to the services which are given by Bank of Jerusalem, particularly the receipt of deposits and the management of prepaid cards.

The provisions of the law which are relevant to banking corporations deals with the obligation to grant access to third parties (payment initiators) to payment accounts which are managed at the Bank, and the obligation to receive approval for the purpose of providing initiation services, insofar as the Bank is interested in granting such initiation services. In general, the amendment is in effect since June 6, 2024, although some of its provisions will enter into effect on a later date. Bank of Jerusalem received an exemption from the obligation to provide the related services in the immediate payment system of Masav.

B. Amendment to Section 5A of the Banking Law (Customer Service), 5741-1981

Section 5A of the Banking Law (Customer Service), 5741-1981, regarding the delivery of monthly notices regarding fee and interest amounts, was amended such that banking corporations were required to send to customers a monthly schema of the fees and interest which the banking corporation collected from the customer.

Some of the amendment's provisions entered into effect in January 2024 (and on February 19, 2024, their application date was postponed to March 2024), while others entered into effect in June 2024. The Bank is implementing the provisions of the amendment. The Bank believes that the amendment could have an impact in terms of increasing the financial awareness of customers regarding their activities in their bank accounts, although a significant impact on the financial statements is not expected.

10. Proper Conduct of Banking Business Directive No. 447, "Publication of Interest Rates on Deposits and on Credit Balances in Account"

On May 20, 2024, the Commissioner of Banks published Proper Conduct of Banking Business Directive No. 447, "Publication of Interest Rates on Deposits and on Credit Balances in Account", which establishes rules and a standard structure for the presentation of information on that subject. This is intended to encourage competition over deposits in the banking system, while increasing transparency and simplifying the publication of interest rates on deposits and on credit balances in accounts, in a manner which will help customers compare between the different value offers of the various banking corporations in this areas, and improve the effectiveness and usefulness of the presented information. In accordance with the directive, a banking corporation is required to present, in a concentrated publication, the interest rates in standard types of deposits, and is also required to present interest rates in additional types of deposits which it offers, if any. The banking corporation is also required to make available to its customers a search mechanism to allow them to receive focused information to meet their needs regarding the available types of deposits.

The Bank is preparing for the implementation of the directive, which enters into effect on April 1, 2025. According to the Bank's assessment, the directive could affect the public's behavior concerning the selection of deposits, but no significant impact on the Bank's financial statements is expected.

11. Amendment to the Joint Investment Trust Law (Money Market Fund and Fixed Date Fund), 5784-2024

On July 3, 2024, an amendment was published to the Joint Investment Trust Law (Money Market Fund and Fixed Date Fund), 5784-2024, which entered into effect on October 3, 2024.

The purpose of the legislative amendment is to allow money market funds to compete, comfortably and accessibly, with bank deposits, in order to encourage and assist the public in investing. Presented below are the main terms of the amendment to the law:

A. A definition of money market funds was added to the Joint Investment Trust Law (the "Funds Law"), in which the asset type features a low level of credit risk.
B. To the list of activities which do not require an investment advisor license, pursuant to the Investment Advice Law, a section was added which includes "investment advice or investment marketing for money market funds". Accordingly, in light of the legislative amendment, bankers who do not hold an investment adviser license may also refer customers to purchase money market funds.
C. Section 82 of the Funds Law was amended to allow distributors (in this case, the Bank) to receive

commissions from fund managers, including for customer referrals to purchase money market funds. To complete the picture, it is noted that the Commissioner of Banks notified the banks that he intends to publish supplementary directives for banks, which will require the banks to present, to customers whose wish to deposit their funds in bank deposits, also the options to invest in money market funds, as an alternative to bank deposits. As of the publication date of the report, this directive has not yet been published.

12. Proper Banking Management Directive 206 - Capital measurement and adequacy - operational risk

On June 19, 2024, the Banking Supervision Department published a circular which updated Proper Conduct of Banking Business Directive 206, regarding the calculation of the capital requirement with respect to operational risk.

The main updates regarding the calculation of the capital allocation with respect to operational risk which was redefined, and which is based on the components of the business indicators multiplied by marginal multipliers as determined by the Banking Supervision Department, and multiplied by an "internal loss multiplier". The amendments also address the calculation of weighted risk assets with respect to operational risk, historical loss data, and collection of historical loss data for banking corporations in group 1 (business indicator lower than NIS 5 billion).

<u>In accordance with the circular, the amendments enter into effect beginning on January 1, 2026, although:</u>

- Until December 31, 2028, the loss multiplier will be set as 1. The Commissioner of Banks will publish, no later than 2028, the outline for inclusion of the internal loss multiplier.
- As regards the requirement to collect loss data, the banking corporation is required to collect loss data with respect to the years 2024 and 2025, as closely as possible to the method required in the directive. It should also be assumed that there are no exclusions to the collection of loss data. Additionally, regarding losses associated with mergers and acquisitions, it is not necessary to include businesses and entities which were merged before January 1, 2026.

13. Amendment No. 13 to the Protection of Privacy Law, 5741-1981

On August 14, 2024, an Amendment No. 13 to the Protection of Privacy Law was published, which will enter into effect on August 13, 2025. The amendment establishes new and advanced arrangements, and provides effective tools for enforcement, in a manner which will meet the challenges of the digital age, increase the protection of the basic right of freedom of the Israeli public, and strengthen the response to the ever-increasing cybersecurity threats. The amendment also reinforces the authority's enforcement capabilities with respect to breaches of the law and with respect to non-compliance with the legal requirements in the field of information security, and reduces regulatory burdens by limiting the obligation on the registration of digital databases.

The Bank preparing for the adoption of the amendment, which is not expected to significantly affect the Bank's financial statements.

14. Proper Conduct of Banking Business Directive No. 369, "Management of Model Risks"

On August 21, 2024, a new Proper Conduct of Banking Business Directive was published, regarding the management of model risks.

In light of the understanding that the use of models is continuously increasing, along with the advantages of using them, there are also risks such as reaching decisions based on an incorrect model, or incorrect use of the model. The principles set forth throughout the directive are intended for the correct management of risks inherent in the use of models in a wide variety of activities, including credit underwriting; Assessment of exposures, instruments and positions; Measurement of risks; Management and protection of customer assets; Establishment of capital adequacy and reserves, and more.

The directive pertains to all models, including those which are based on artificial intelligence, which has its own unique characteristics and additional specific reference in this directive as well.

The directive enters into effect one year after its publication date, i.e., beginning on August 21, 2025, except for the use of certain models, if their exist or are material to the Bank, whose application was excluded from the general statement.

The Bank preparing for the adoption of the amendment, which is not expected to significantly affect the Bank's financial statements.

15. Proper Conduct of Banking Business Directive 351, "Reporting of Embezzlement by Employees and Officers"

On September 18, 2024, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive 351, regarding reports regarding embezzlement by employees and officers. The main points of the amendment include emphasizing the significant importance place by the legislator on the matter, and the need to establish a personal obligation of the banking corporation's CEO regarding the fulfillment of the reporting requirement. Along with the above, a definition of material embezzlement was added, which will be defined by the banking corporation based on quantitative and qualitative components, and a reporting requirement regarding any material embezzlement, as well as updates to the thresholds for reporting immaterial embezzlement.

The amendments enter into effect on December 18, 2024.

The Bank preparing is adopting the amendment, which is not expected to significantly affect the Bank's financial statements.

16. Proper Conduct of Banking Business Directive No. 315, "Sectoral Debt Limits"

On October 29, 2024, the Commissioner published an amendment to Proper Conduct of Banking Business Directive 315, which extended by two years the application of the expedient which was given in the limit on exposure to the construction and real estate sector, until December 31, 2027. Until the foregoing date, the total liabilities in the sector may not exceed 26% of the public's total liabilities to the Bank.

17. On October 15, 2024, the audit unit at the Banking Supervision Department sent letters to the CEO's of the banking corporations, in which it alerted them that during the last year there has been an additional increase in the risk level of exposures to the construction and real estate segment. Accordingly, the banks were required to conduct a comprehensive analysis of the impact of the developments specified in the letter on the risks to exposures in the construction and real estate segment and in the housing portfolio, and to adjust the disclosures in the public reports for Q3 2024 and thereafter in order to adequately reflect these risks.

The banks were also required to submit for evaluation, to the audit division at the Banking Supervision Department, the foregoing analysis and recommendations, and to hold a discussion on the matter in the Bank's Board of Directors.

18. Proper Conduct of Banking Business Directive No. 364, "Management of Information Technology, Information Security and Cybersecurity Risks"

On November 19, 2024, Proper Conduct of Banking Business Directive No. 364, "Management of Information Technology, Information Security and Cybersecurity Risks", was published.

Information technology is the central infrastructure for the business operations of banks, and its importance will only increase.

Accordingly, adequate management of information technology is critical to the Bank's performance and success, and the Bank is therefore required to manage information technology and cybersecurity risks as an integral part of its business activities, beyond the purely technological considerations. The main purpose of the directive is to ensure adequate and effective management of information technology, while minimizing the risk of events involving the materialization of a technological risk and violation of confidentiality (both in terms of information security, and in terms of protecting the privacy of the Bank's customers and employees), or to the completeness or availability of information assets.

This provision will replace the following three directives which constitute the current basis for the framework for management of information technology risks: Proper Conduct of Banking Business Directive No. 357, regarding "information technology management", Proper Conduct of Banking Business Directive No. 361, regarding "cybersecurity management", and Proper Conduct of Banking Business Directive No. 363, regarding "management of cybersecurity risks in supply chains".

The new directive is expected to enter into effect within 18 months after its date of publication. The directive is not expected to affect the Bank's reports.

19. Proper Conduct of Banking Business Directive 313, "Supervisory Framework for the Measurement and Control of Large Exposures (LEX10-LEX40)

On February 4, 2025, after the balance sheet date, the Bank of Israel published a new version of Proper Conduct of Banking Business Directive 313, "Large Exposures", as it is now known (hereinafter: the "New Directive"), which replaces Proper Conduct of Banking Business Directive 313, "Limits on Debts of Borrowers or Groups of Borrowers" as part of the adjustment of Proper Conduct of Banking Business Directives according to the recommendations of the Basel committee, including the adjustment of the directive's text according to the original version published by the committee.

The new directive reflects the transition to a methodology which is based on the principles of Basel III, and updated recommendations of the Basel committee, supplements the directives regarding capital measurement and adequacy, and adds a uniform standard for the management of large exposures in the banking system, with a focus on Tier 1 capital as the main indicator of the permitted exposure ratio.

The directive establishes clear limits on the scope of exposure to each counterparty and related groups, including obligations regarding the measurement, reporting and regular monitoring of the exposures.

The provisions of the new directive enter into effect on January 1, 2026. The directive is not expected to affect the Bank's reports.

Description of the Bank's Business Operations by Supervised Operating Segments - Additional Details

The Bank provides a variety of banking services, in five main operating segments. The Bank's operating segments have been classified in accordance with the directives issued by the Commissioner of Banks, according to the types of customers which are included in each of the segments, and do not necessarily correspond to the Bank's organizational structure. The approach of management to the segmentation of the Bank's activities is not significantly different than the approach to the segmentation of supervised segments.

For details regarding the results of operations of the various operating segments, and an analysis of the business activities therein, see the chapter regarding operating segments in the Report of the Board of Directors and Management, and Note 28 to the financial statements.

Presented below is the average number of direct positions attributed to the operating segments:

Segments	2024	2023
Households	369	386
Private banking	11	7
Small and micro businesses	48	32
Medium and large businesses*	11	12
Institutional entities	6	4
Financial management	9	7
Total direct positions	**454**	**448**

* This segment includes activities with large businesses of an immaterial scope.

Households segment

In the household segment, the Bank offers a variety of financial services and products for private individuals (excluding those attributed to the private banking segment). The main products which are currently available to the Bank's customers within the framework of this operating segment include: loans for the acquisition of residential apartments, general purpose loans to secure residential apartments, consumer loans, credit cards and debit cards, checking accounts, deposits and savings, and capital market activities involving securities.

Most of the Bank's customers who belong to this operating segment receive banking services from the Bank by means of the Bank's branches, through digital means, and by means of the Bank's customer service center, including Interactive Voice Response services.

This segment is divided into two subsegments: housing loans and other.

Presented below is a description of the main products and services offered within the framework of the housing loan subsegment:

Provision of housing loans and all purpose loans against the pledging of residential homes for long periods, with various linkage bases and in accordance with various interest tracks which are determined in accordance with the loan type, customer preferences, the borrower's repayment ability and in accordance with the Bank of Israel's restrictions on housing loans.

The provision of associated services involving life insurance for borrowers and property insurance along with a mortgage, which are provided in accordance with the directives issued by the Commissioner of Insurance and the Commissioner of Banks, through Ir Shalem Insurance Agency (1996) Ltd., a subsidiary wholly owned and controlled by the Bank (hereinafter: "Ir Shalem").

Presented below is a description of the main products and services offered within the framework of the activity in the subsegment "other":

Solo consumer loans for defined periods, credit cards and prepaid cards, checking account, deposit and savings services, provision of securities services - buying, selling and operating transactions with securities and derivatives in Israel and abroad, investment consulting - provision of securities consulting services

through licensed consultants.
One of the fundamental goals of the Bank's strategic plan is the development and expansion of the household segment, through the sale of supplementary financial products to the customers of all banks, regardless of the Bank in which the customer's maintains their main checking account.
Presented below are the primary components of the Bank's strategic plan in this operating segment:
- Provision of mortgages which meet the personal needs and preferences of each customer, while focusing on channels with risk-appropriate profitability.
- The provision of consumer credit, in various sale channels, with an emphasis on the call center and the digital channel, and with no need to come to the Bank's branches. The Bank is also continuing to improve its credit underwriting system as a decision-supporting tool.
- Raising of deposits from households, through the Bank's branches and/or through the call center and digital channel, inter alia, in a closed system.
- Offering prepaid cards for various uses, through collaborations with distributors.
Activities in the household segment are characterized by significant distribution among customers. The credit given to each of them is in a relatively low scope, and therefore, the Bank has no significant dependence on any individual customer or on a limited number of customers, the loss of which could significantly affect the operating segment. This segment also has significant weight in raising the Bank's sources through the various channels. The competitor in this segment include all of the banks which operate in the market, as well as extra-banking financial entities and credit card companies.
For details regarding the significant agreements and collaboration agreements to which the Bank is party, which are relevant to the household segment, see above in the chapter regarding material agreements, sections 1-6.
For additional details regarding the war's effects, see chapter 1.6 of the Report of the Board of Directors and Management, "Various issues and significant events during the reporting period and after the balance sheet date".

Private banking segment

The banking activity in the private banking segment provides services and products which are given to private individuals who have a portfolio of financial assets exceeding NIS 3 million.
This segment is divided into two subsegments: housing loans or residential home mortgages and other, similarly to the household segment. The products and services are also similar to those in the household segment, adjusting for the characteristics of customers.
The Bank views this operating segment as an important component of its business operations, and accordingly, acts with the aim (among others) of preserving the status and reputation which the Bank has created among Jewish communities abroad.
The Bank invests resources in unique professional training for the Bankers who work vis-à-vis the customers in the segment. The Bank also has an advantage which is reflected on the level of the service and availability of these bankers, who are highly familiar with the particular characteristics of this segment's customers, and accordingly, have the ability to create a personal connection with them, and to adjust the value offers for them.
The significant agreements and collaboration agreements to which the Bank is party, which are relevant to the private banking segment, are as specified in the section regarding the household segment above.

Business segment

As part of the activities in this segment, the Bank provides banking services to business customers. These services are given to the Bank's customers mostly through the Business Division, and through the Retail Division. The customers of this segment are construction companies, contractors, corporations and associations.
Most of the activity in the segment is performed in the real estate sector through the accompaniment of

residential construction projects, as specified below.

The business segment is divided into two subsegments, as follows:

- Small and micro businesses segment - businesses with a turnover of less than NIS 50 million.
- Medium and large business segment - Businesses with a turnover equal to or greater than NIS 50 million.

The Bank's credit portfolio is distributed, and the Bank is not dependent on any individual customer or on a limited group of customers. The credit balance of the Bank's customers does not overlap with the regulatory restriction of any single borrower. The distribution and hedging of the portfolio is also made possible through the Bank's strategic collaboration with insurance companies, regarding the provision of monetary credit (operator model), and the issuance of policies in accordance with the Sales (Apartments) Law, as stated below in this chapter, and also through the receipt of the state-backed guarantee and credit insurance for a part of the SMB credit portfolio.

These subsegments provide banking services to business customers in various sectors:

Construction and real estate - Through the Business Division, the Bank finances residential construction projects in the accompaniment method.

Activities in the construction and real estate segment include the acquisition of land and the construction of residential projects, projects in the urban renewal segment, and the provision of various types of bank guarantees, in accordance with the transaction requirements. Financing for the construction of residential projects is for the most part given through the closed accompaniment method, according to the specific needs of each project, and in accordance with its characteristics. In the closed accompaniment method, the project is separated from the customer's other activities. A designated account is opened for the project, which is used for the purpose of that project only, to which are deposited the funds which are received from the buyers of residential units, as well as equity and the Bank's credit. These funds are used to perform the project and are released in accordance with the rate of progress on construction, in accordance with reports issued by an expert supervisor. The Bank has collaboration agreements with several insurance companies regarding the joint financing of projects. As part of the financing of the construction project, the Bank provides monetary credit facilities to finance construction, performance guarantees, monetary guarantees, and Sale Law guarantees, to buyers of units in the project, which for the most part are issued by the insurance company which partners in financing the project. The land and receipts are pledged in favor of the Bank.

The collaboration with the aforementioned insurance companies allows the Bank to optimally use capital and to achieve profitable returns, while distributing credit risks and fulfilling the required regulatory restrictions. The difference between the various types of collaboration with insurance companies is reflected in the type of credit or collateral which they provide: provision of collateral in accordance with the Sale Law; Provision of collateral to land owners in combination transactions, and provision of financial credit in accordance with the operator model.

The operator model in the real estate and construction segment is implemented in accordance with the following principles:

The project is also evaluated and approved by the institutions of the financial partner; The collateral in the project is provided pari-passu, where the distribution ratio in case of realization of the collateral was predetermined between the Bank and the financial partner; The ratio of credit provision amounts is maintained throughout the lifetime of the project. The release of surpluses which are received with respect to the project to the entrepreneur is performed in the Bank's discretion, in accordance with the surplus release formula which is approved by the Bank, and included in the collaboration agreement.

Management of the project according to this model is performed by the Bank in its independent judgment, and in accordance with conventional banking standards; Monitoring reports regarding the project are submitted by the supervisor to the Bank and to the additional entity, whereby the Bank reports to the additional entity regarding extraordinary events in the project. As part of the strategic plan (as described in the report of the Board of Directors and Management), the Bank works to implement a defined segmental policy in the segment involving the provision of credit to construction companies and residential real estate, with an emphasis on growing the volume of the managed portfolio, while aiming to share the risk with the insurance companies who are partners in financing the projects, without increasing the current risk level. For this purpose, the Bank is working to maintain and expand the collaborations between the Bank and insurance companies and other institutional entities, in order to provide credit for the accompaniment of projects (the operator model) and issuing collateral in accordance with the Sale Law (Apartments) and other guarantees. This strategy allows the Bank to increase the scope of projects which it is handling, in accordance with the Bank's policy, use of accumulated expertise, engagement in large transactions as well as small transactions, mostly in the urban renewal segment, and distribution of the risk, while accordingly increasing the return on equity resulting from this activity, and maintaining an adequate level of risk. The engagements with insurance companies include arranging the collaboration between the Bank and the insurance companies on the following subjects: responsibility for the ongoing management of the project and submission of reports, receipt and release of collateral and initiating measures for the realization of pledges and credit relationships between the entities.

The competition between the banks over the acquisition of high-quality customers in the real estate segment is reflected in the rates of equity invested in the project, the transaction structure, fee rates, interests on credit and the level of customer service. In recent years, extra-banking finance companies were established in the construction accompaniment segment, and some of the insurance companies created an independent unit to accompany construction, thereby increasing competition in the industry. The Bank's main methods of dealing with the emerging competition are based on the relationships which it has built over the years and the Bank's existing customer base, which constitute a source of leverage for the Bank's continued activity in this field.

SMB credit - The Bank, through the Business Division and the Retail Division, gives credit to small and medium businesses in various fields of activity. The activity includes the provision of loans for commercial properties, state-backed loans and loans against other collateral, as well as providing credit to extra-banking finance companies.

As part of its various activities, the Bank evaluates the Company's credit needs, and the loan repayment ability. The Bank also manages and monitors the credit portfolio by segmenting the sectoral risk, and in accordance with sectoral distribution limits and exposure limits which are approved in the Bank's credit policy.

As part of the Bank's activities in the provision of state-backed loans, the work process includes conducting a preliminary evaluation of the coordinating entity, as defined in the Accountant General's regulations, and his recommendation to approve the credit request which was submitted by the customer, as well as his recommendation regarding the credit amount for approval. The Bank evaluates each credit request independently, and presents it for discussion and approval to the various credit committees, in accordance with the Bank's approved credit authorities. Through this work process, credit requests are evaluated in-depth by serval economists and credit approvers, thereby reducing the credit risk in this activity.

As part of the Bank's activities in the provision of credit to extra-banking finance companies, the Bank has chosen to focus its activity on companies engaged in fields of activity which form the Bank's core business, and thereby to leverage the Bank's expertise in the monitoring and evaluation of these customers' activities.

Other business activities - As part of its strategic plan, the Bank decided to expand its activity in the field of Banking as a Service (BaaS). In this operating segment, the Bank opens and operates business accounts of companies in operational fields of activity which do not consume credit. As part of these activities, the Bank provides service, mostly to payment companies which are engaged in the execution of international transfers, and to business companies in the real estate sector, which take out extra-banking finance in the closed project accompaniment format. As part of the above, the Bank performs the clearing of the receipts and payments in the closed project, while accepting and identifying the receipts of apartment buyers in the project, and makes the information accessible to the finance companies and/or to the companies which issue the Sales Law Policies in the project.

In accordance with its strategic plan, the Bank intends to expand the BaaS activity for mortgage operations for extra-banking lenders.

Institutional segment

The institutional entities segment in the deposits segment serves a wide variety of customers as part of the activities to recruit and retain sources. These customers include insurance companies, stock exchange member companies, financial institutions and mutual funds. Most of the Bank's institutional customers have a strong link to the capital market, and are managed directly by the institutional desk in the financial management department.

Most of the activities of these entities with the Bank involve investment in deposits. The deposits are managed in all periods in Israeli currency and in foreign currency. The deposit amounts are generally significant, over NIS 5 million. The activity primarily involves deposits for periods shorter than one year; however, there are also longer term deposits in accordance with the Bank's financing requirements.

Most of the competition in the institutional entities segment is vs. the various banks in Israel. The main alternative of the institutional entities to bank deposits is investment in the capital market. The institutional entity's mix of investments also depends on its investment policy.

Financial management segment

The activities in this segment include the Bank's financial management and the credit portfolio sales activity. The main fields of activity in this segment include: The management of the Bank's available financial capital, the management of assets and liabilities, the management of the Bank's nostro portfolio, including base exposures, interest and liquidity, activity vis-à-vis banks in Israel and abroad, activities involving purchase, sale and service for credit portfolios and management of trading rooms.

The activity in this segment is concentrated in the Strategy and Financial Management Division. The main financial exposures in the Bank are managed are created in the banking portfolio as an inseparable part of the Bank's business operations. The Bank manages, on an ongoing basis, the positions in the various linkage segments through the various financial tools which are available to it, in accordance with the risk management policy which was determined by the Bank's Board of Directors, in consideration of economic developments and of the Bank's business environment. The Bank maintains a unit responsible for the measurement and estimation of the development of exposures on a continuous basis, and the various exposures are reported to the Bank's Board of Directors as part of the ordinary course of business.

Additionally, the Bank initiates actions involving investment in and hedging of nostro portfolios, which are used for the following activity types:

Activity intended to hedge against deposits which are deposited in the Bank for short, medium and long periods, as well as investments against the Bank's equity.

Activity involving investments in bonds, primarily with the aim of achieving surplus returns on the Bank's liquid balances.

Trading activity which is characterized by short-term investments, primarily in governmental securities, both in the primary market and in the secondary market.

As part of liquidity management, and in consideration of the restrictions were which determined by the Board of Directors, liquidity surpluses are deposited in the Bank of Israel and in banks in Israel and around the world. For this purpose, and as part of the Bank's activities in foreign currency, the Bank has credit facilities Board of Directors in Israel, which it uses, from time to time, in accordance with its current needs. These facilities are monitored on an ongoing basis as part of the Bank's management of counterparty risk. For details regarding the liquidity model, counterparty risk and restrictions of management and the Board of Directors, see chapter 3 in the Report of the Board of Directors and Management, "Risk review".

The investment portfolios and financial products are evaluated on an ongoing basis, in consideration of the macro-economic forecasts regarding exchange rates, short and long term interest rates, inflation, growth and yield curves, and in accordance with the Bank's risk appetite at a given moment.

The Bank’s business plan includes evaluation and planning of the various financial exposures in terms of liquidity, market and interest, which changes dynamically in the ordinary course of business, in accordance with the economic developments.
The financial management segment also included the activity line of credit portfolio sales. The Bank routinely sells to various institutional entities mortgage portfolios within the framework of its business activities. For additional details regarding the activity involving the sale and service of credit portfolios, see the Report of the Board of Directors and Management, chapter 3, “Risk review”.

The Bank’s Credit Rating

On May 2, 2024, the rating company S&P ratified the Bank’s rating of ilAA-, despite the increased geopolitical risks. The rating outlook remained negative.

For details, see the immediate report which was published by the Bank on May 5, 2024 (reference number: 2024-01-042916), whose provisions are included in this report by way of reference.

On June 27, 2024, the rating company Midroog left the Bank’s internal financial strength assessment at a1.il. The rating of the Bank’s long term deposits and senior debt remained Aa2.il, stable outlook. The contingent convertible bonds (CoCo Series 17) remained at A2.il hyb, stable outlook.

For additional details, see the immediate report which was published by the Bank on June 27, 2024 (reference number: 2024-01-065860), whose provisions are included in this report by way of reference.

Presented below is a table summarizing the ratings as of December 31, 2024:

	S&P Maalot	**Midroog**
The Bank’s rating as of the reporting date - senior debt rating (long term deposits and bonds)	ilAA- /Negative	Aa2.il Stable
Contingent convertible bonds (CoCo Series 17) which were issued by the Bank	IlA-	A2.il (hyb) Stable

Annexes to the Annual Reports - Table of Contents

Annex 1 - Rates of Interest Income and Expenses - of the Bank and Its Consolidated Companies [(1)] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates - Assets

Reported amounts

	For the year ended December 31, 2024			For the year ended December 31, 2023			For the year ended December 31, 2022		
	Average balance (2)	Interest income	Income rates in percent	Average balance (2)	Interest income	Income rates in percent	Average balance (2)	Interest income	Income rates in percent
Interest bearing assets									
Credit to the public (3)(6)	15,346.9	1,253.4	8.17	14,948.1	1,196.0	8.00	13,464.1	863.7	6.41
Deposits in banks	235.6	2.9	1.23	226.1	2.5	1.11	223.7	-	-
Deposits in central banks	4,496.2	196.3	4.37	3,250.2	136.3	4.19	2,666.0	30.3	1.14
Held to maturity and available for sale bonds (4)	928.6	29.2	3.14	1,054.4	22.4	2.12	940.8	12.2	1.30
Held for trading bonds (4)	180.8	5.6	3.10	343.1	13.7	3.99	47.9	0.5	1.04
Other assets	-	-	-	-	-	-	-	-	-
Total interest bearing assets	**21,188.1**	**1,487.4**	**7.02**	**19,821.9**	**1,370.9**	**6.92**	**17,342.5**	**906.7**	**5.23**
Receivables with respect to non-interest bearing credit cards	26.4	-	-	26.4	-	-	27.7	-	-
Other non-interest bearing assets (5)	1,064.0	-	-	647.2	-	-	408.0	-	-
Total assets	**22,278.5**	**1,487.4**	**6.68**	**20,495.5**	**1,370.9**	**6.69**	**17,778.2**	**906.7**	**5.10**

Notes at the end of the annex.

Annex 1 - Rates of interest income and expenses - of the Bank and its consolidated companies [(1)] and analysis of changes in interest income and expenses (Cont.)

Part B - Average balances and interest rates - liabilities and capital

Reported amounts

	For the year ended December 31, 2024			For the year ended December 31, 2023			For the year ended December 31, 2022		
	Average balance (2)	Interest expenses	Expense rates in percent	Average balance (2)	Interest expenses	Expense rates in percent	Average balance (2)	Interest expenses	Expense rates in percent
Interest bearing liabilities									
On demand	715.3	17.8	2.49	653.1	4.4	0.67	823.7	2.5	0.30
For fixed periods	14,975.2	627.8	4.19	13,073.3	509.4	3.90	10,321.4	157.9	1.53
Total public deposits	15,690.5	645.6	4.11	13,726.4	513.7	3.74	11,145.1	160.4	1.44
Deposits from banks	129.8	2.7	2.08	333.2	1.7	0.51	317.2	2.9	0.91
Government deposits	-	-	-	-	-	-	-	-	-
Bonds	3,111.7	135.5	4.35	3,138.1	123.8	3.94	2,409.9	148.2	6.15
Total interest bearing liabilities	18,932.0	783.8	4.14	17,197.7	639.2	3.72	13,872.2	311.5	2.25
Non-interest bearing public deposits	1,646.6	-	-	1,680.8	-	-	2,304.0	-	-
Other non-interest bearing liabilities (7)	268.1	-	-	301.3	-	-	397.4	-	-
Total liabilities	20,846.7	783.8	3.76	19,179.8	639.2	3.33	16,573.6	311.5	1.88
Total capital resources	1,431.8	-	-	1,315.7	-	-	1,204.6	-	-
Total liabilities and capital resources	22,278.5	-	-	20,495.5	-	-	17,778.2	-	-
Interest margin	-	-	2.88	-	-	3.20	-	-	2.98
Net returns (8) on interest bearing assets	21,188.1	703.6	3.32	19,821.9	731.7	3.69	17,342.5	595.2	3.43

Notes at the end of the annex.

Annex 1 - Rates of interest income and expenses - of the Bank and its consolidated companies [1] and analysis of changes in interest income and expenses (Cont.)

Part C - Average balances and interest rates - additional information regarding interest bearing assets and liabilities which are attributed to the activity in Israel

Reported amounts

	For the year ended December 31, 2024			For the year ended December 31, 2023			For the year ended December 31, 2022		
	Average balance [2]	Interest income / (expenses)	Income / expense rates	Average balance [2]	Interest income / (expenses)	Income / expense rates	Average balance [2]	Interest income /(expenses)	Income / expense rates
			Percent			Percent			Percent
Unlinked Israeli currency									
Total interest bearing assets	14,841.6	1,001.7	6.75	14,355.8	976.6	6.80	12,867.2	546.3	4.25
Total interest bearing liabilities	13,372.4	(533.6)	(3.99)	12,583.9	(449.0)	(3.57)	10,440.6	(132.3)	(1.27)
Interest margin			**2.76**			**3.23**			**2.98**
CPI-linked Israeli currency									
Total interest bearing assets	5,622.8	459.0	8.16	4,662.7	364.0	7.81	3,558.1	340.2	9.56
Total interest bearing liabilities	4,821.5	(221.9)	(4.60)	3,803.8	(163.1)	(4.29)	2,832.0	(173.7)	(6.13)
Interest margin			**3.56**			**3.52**			**3.43**
Foreign currency (including Israeli currency linked to foreign currency)									
Total interest bearing assets	723.7	26.7	3.69	803.4	30.3	3.77	917.2	20.2	2.20
Total interest bearing liabilities	738.1	(28.3)	(3.83)	810.0	(27.1)	(3.35)	599.6	(5.5)	(0.92)
Interest margin			**(0.14)**			**0.42**			**1.28**
Total activities in Israel									
Total interest bearing assets	21,188.1	1,487.4	7.02	19,821.9	1,370.9	6.92	17,342.5	906.7	5.23
Total interest bearing liabilities	18,932.0	(783.8)	(4.14)	17,197.7	(639.2)	(3.72)	13,872.2	(311.5)	(2.25)
Interest margin			**2.88**			**3.20**			**2.98**

(1) The figures are presented after taking into account the effects of hedging derivative instruments.

(2) Based on balances as of the start of the month (in the unlinked Israeli currency segment - based on daily balances).

(3) Before deducting the average balance-sheet balance of provisions for credit losses. Including impaired debts which do not accrue interest income.

(4) The average balance of bonds held for trading and of bonds available for sale includes the deduction of the average balance of unrealized profits/losses from adjustments to fair value of bonds held for trading and profits/losses with respect to bonds available for sale, which are included in equity under cumulative other comprehensive income, in the item for “adjustments with respect to the presentation of available for sale securities at fair value”, for the years 2024, 2023 and 2022, in the amount of NIS 7.4, 13.0, and (56.5) million, respectively.

(5) Including derivative instruments and other non-interest bearing assets, less the provision for credit losses.

(6) Fees in the amount of NIS 0.8 million, NIS 1.7 million and NIS 12.5 million were included under interest income in the years 2024, 2023 and 2022, respectively.

(7) Including derivative instruments.

(8) Net returns - interest income, net, divided by total interest bearing assets.

(9) The change attributed to the change in quantity was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the old quantity by the change in price.

Annex 1 - Rates of interest income and expenses - of the Bank and its consolidated companies [(1)] and analysis of changes in interest income and expenses (Cont.)

Part D - Analysis of changes in interest income and interest expenses

Reported amounts

	For the year ended December 31, 2024, as compared with the year ended December 31, 2023			For the year ended December 31, 2023, as compared with the year ended December 31, 2022		
	Increase (decrease) due to change		Net change	Increase (decrease) due to change		Net change
	Amount	Price		Amount	Price	
	NIS millions			NIS millions		
Interest bearing assets						
Credit to the public in Israel	31.9	25.5	57.4	95.1	237.2	332.3
Other interest bearing assets in Israel	43.2	15.9	59.1	11.2	120.7	131.9
Total interest income	**75.1**	**41.4**	**116.5**	**106.3**	**357.9**	**464.2**
Interest bearing liabilities						
Public deposits in Israel	73.5	58.3	131.8	37.2	316.3	353.5
Other interest bearing liabilities	(2.1)	14.9	12.8	44.9	(70.7)	(25.8)
Total interest expenses	**71.4**	**73.2**	**144.6**	**82.1**	**245.6**	**327.7**
Net total	**3.7**	**(31.8)**	**(28.1)**	**24.2**	**112.3**	**136.5**

Annex 2 - Quarterly Statement of Income - Multi-Quarterly Information

Reported amounts in NIS millions

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	324.4	416.1	416.4	330.5	333.6	365.2	359.9	312.2
Interest expenses (income)	159.8	232.1	233.6	158.3	155.0	177.0	171.2	136.0
Interest income, net	**164.6**	**184.0**	**182.8**	**172.2**	**178.6**	**188.2**	**188.7**	**176.2**
Expenses with respect to credit losses	16.9	26.7	25.1	11.0	35.1	47.1	33.5	17.6
Interest income, net, after expenses with respect to credit losses	**147.7**	**157.3**	**157.7**	**161.2**	**143.5**	**141.1**	**155.2**	**158.6**
Non-interest income								
Non-interest financing income (expenses) [(1)]	5.8	18.9	12.5	11.6	14.2	14.1	0.4	8.3
Fees	51.3	37.7	33.9	32.3	30.5	31.4	30.9	31.0
Other income	-	-	7.4	-	-	-	-	-
Total non-interest income	**57.1**	**56.6**	**53.8**	**43.9**	**44.7**	**45.5**	**31.3**	**39.3**
Operating and other expenses								
Payroll and associated expenses	71.3	63.8	63.2	61.5	69.8	58.2	63.4	62.9
Maintenance and depreciation of buildings and equipment	35.3	36.1	34.3	33.9	32.7	31.9	31.5	30.7
Other expenses	58.9	44.2	50.7	37.7	46.9	38.7	43.7	35.8
Total operating and other expenses	**165.5**	**144.1**	**148.2**	**133.1**	**149.4**	**128.8**	**138.6**	**129.4**
Profit before taxes	**39.3**	**69.8**	**63.3**	**72.0**	**38.8**	**57.8**	**47.9**	**68.5**
Provision for taxes	14.5	23.6	21.0	24.5	14.1	19.9	18.0	24.3
Net profit								
Before attribution to non-controlling interests	24.8	46.2	42.3	47.5	24.7	37.9	29.9	44.2
Attributed to non-controlling interests	2.2	0.7	0.4	2.9	0.3	(0.1)	0.3	1.6
Attributed to the Bank's shareholders	22.6	45.5	41.9	44.6	24.4	38.0	29.6	42.6

(1) The gaps between the quarters were due to revenues from the sale of mortgage portfolios.

Annex 2 - Balance Sheet at Quarter End - Multi-Quarterly Information

Reported amounts in NIS millions

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Assets								
Cash and deposits in banks	5,056.0	5,102.9	5,543.0	4,850.8	5,157.1	3,402.2	2,885.1	3,962.0
Securities	1,322.4	1,245.6	1,006.5	1,210.7	1,098.8	1,927.9	1,580.1	1,325.0
Credit to the public, net	15,440.1	15,488.6	15,118.5	15,093.4	15,070.2	15,221.0	15,042.8	14,382.0
Buildings and equipment	265.1	243.3	236.0	231.8	232.5	216.3	207.8	204.3
Assets with respect to derivative instruments	3.1	4.5	4.5	2.1	1.3	2.5	6.4	8.0
Other assets	302.6	270.2	281.7	282.8	265.6	231.9	246.6	270.2
Total assets	**22,389.3**	**22,355.1**	**22,190.2**	**21,671.6**	**21,825.5**	**21,001.8**	**19,968.8**	**20,151.5**
Liabilities and equity								
Public deposits	17,786.4	17,630.4	17,536.0	16,556.0	16,479.1	15,922.7	15,158.8	14,777.8
Deposits from banks	47.8	57.0	75.2	228.2	196.8	314.3	354.3	380.3
Bonds and CoCo bonds	2,722.0	2,878.5	2,829.1	3,145.0	3,463.3	3,166.7	2,830.0	3,358.9
Liability with respect to derivative instruments	2.8	6.4	3.9	3.3	7.3	13.2	15.9	11.0
Other liabilities	334.2	318.4	308.0	337.8	311.2	254.5	294.8	340.3
Total liabilities	**20,893.2**	**20,890.7**	**20,752.2**	**20,270.3**	**20,457.7**	**19,671.4**	**18,653.8**	**18,868.3**
Capital attributed to the Bank’s shareholders	1,451.3	1,421.8	1,396.1	1,359.8	1,329.2	1,292.1	1,276.7	1,245.2
Non-controlling interests	44.8	42.6	41.9	41.5	38.6	38.3	38.3	38.0
Total equity	1,496.1	1,464.4	1,438.0	1,401.3	1,367.8	1,330.4	1,315.0	1,283.2
Total liabilities and equity	**22,389.3**	**22,355.1**	**22,190.2**	**21,671.6**	**21,825.5**	**21,001.8**	**19,968.8**	**20,151.5**

Annex 3 - Statements of Income - multi-year Data

Reported amounts in NIS millions

	December 31				
	2024	**2023**	**2022**	**2021**	**2020**
Interest income	1,487.4	1,370.9	906.7	628.7	521.5
Interest expenses	783.8	639.2	311.5	174.5	100.8
Interest income, net	**703.6**	**731.7**	**595.2**	**454.2**	**420.7**
Expenses with respect to credit losses	79.7	133.3	78.8	(58.9)	102.4
Interest income, net, after expenses with respect to credit losses	**623.9**	**598.4**	**516.4**	**513.1**	**318.3**
Non-interest income					
Non-interest financing income	48.8	37.0	77.2	44.6	73.9
Fees	155.2	123.8	116.9	102.6	95.3
Other income	7.4	-	30.6	13.3	-
Total non-interest income	**211.4**	**160.8**	**224.7**	**160.5**	**169.2**
Operating and other expenses					
Payroll and associated expenses	259.8	254.3	221.9	207.3	184.5
Maintenance and depreciation of buildings and equipment	139.6	126.8	112.6	105.5	104.2
Other expenses	191.5	165.1	155.5	138.8	118.9
Total operating and other expenses	**590.9**	**546.2**	**490.0**	**451.6**	**407.6**
Profit before taxes	**244.4**	**213.0**	**251.1**	**222.0**	**79.9**
Provision for taxes	83.6	76.3	87.2	78.1	29.7
Net profit					
Other comprehensive income (loss) (after tax impact)	160.8	136.7	163.9	143.9	50.2
Total comprehensive income	6.2	2.1	0.5	-	-
Attributed to the Bank's shareholders	154.6	134.6	163.4	143.9	50.2
Other comprehensive income (loss) (after tax impact)	**6.0**	**9.7**	**(28.8)**	**(2.1)**	**0.1**
Total comprehensive income	**160.6**	**144.3**	**134.6**	**141.8**	**50.3**

Annex 4 - Consolidated Balance Sheets - Multi-Year Data

Reported amounts in NIS millions

	December 31				
	2024	**2023**	**2022**	**2021**	**2020**
Assets					
Cash and deposits in banks	5,056.0	5,157.1	3,360.1	3,546.0	3,137.9
Securities	1,322.4	1,098.8	1,043.1	772.7	462.4
Credit to the public, net	15,440.1	15,070.2	14,057.5	12,084.1	10,881.3
Buildings and equipment	265.1	232.5	189.6	181.7	163.2
Assets with respect to derivative instruments	3.1	1.3	6.1	4.5	1.4
Other assets	302.6	265.6	250.8	248.0	254.0
Total assets	**22,389.3**	**21,825.5**	**18,907.2**	**16,837.0**	**14,900.2**
Liabilities and equity					
Public deposits	17,786.4	16,479.1	14,266.8	12,454.3	11,705.2
Deposits from banks	47.8	196.8	342.9	306.6	162.2
Bonds and CoCo bonds	2,722.0	3,463.3	2,677.6	2,609.7	1,720.5
Liability with respect to derivative instruments	2.8	7.3	9.5	3.5	1.5
Other liabilities	334.2	311.2	354.4	336.2	310.8
Total liabilities	**20,893.2**	**20,457.7**	**17,651.2**	**15,710.3**	**13,900.2**
Capital attributed to the Bank's shareholders	1,451.3	1,329.2	1,221.2	1,126.7	1,000.0
Non-controlling interests	44.8	38.6	34.8	-	-
Total equity	1,496.1	1,367.8	1,256.0	1,126.7	1,000.0
Total liabilities and equity	**22,389.3**	**21,825.5**	**18,907.2**	**16,837.0**	**14,900.2**

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Details regarding the corporation:

Company name: Bank of Jerusalem Ltd.
Company No. at the Registrar of Companies: 520025636
Address: 2 HaNegev St., Airport City.
Telephone: 076-8096010; Fax: 076-8096019; Email: tamirl@bankjerusalem.co.il

Periodic Report for 2024

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the Bank's periodic report for 2024 is hereby submitted.
Date of the financial statements - December 31, 2024, 30 Kislev 5785.
Reporting date: March 18, 2025, 18 Adar 5785.

Regulation 9 - Financial Statements

Attached to this periodic report, as an inseparable part thereof, are the Bank's financial reports, and the opinion of the Bank's auditor, dated March 18, 2025.

Regulation 10C - Use of consideration from issuance of securities

No securities were issued in accordance with a prospectus during the reporting period.

Regulation 11, 12, 13 - Investments in subsidiaries investments and related companies as of December 31, 2024, changes in investments in investee companies during the reporting period, revenue of subsidiaries and related companies, and the Bank's revenue therefrom

Name of company	Tamar Ariel Capital Ltd.	Tomer Jerusalem Ltd.	Ir Shalem Insurance Agency (1996) Ltd.;	Jerusalem Investment Portfolio Management Ltd. (1)	Bank of Jerusalem Trust Company Ltd.	Jerusalem Capital Markets Capital Markets Fund Management (1980) Ltd. (2)	Jerusalem Underwriting and Issuances Ltd. (3)	Jerusalem Finance & Issuance (2005) Ltd.;
Number of shares	10,001	970,000	10,000	5,726,000	100	1,070,000	2,350,000	100
Share class and par value	Ordinary share with no par value	Ordinary share, NIS 0.001	Ordinary share, NIS 1	Ordinary share, NIS 1	Ordinary share, NIS 1	Ordinary share, NIS 0.001	Ordinary share, NIS 1	Ordinary share, NIS 1
Total par value in NIS	-	970	10,000	5,726,000	100	1,070	2,350,000	100
Book value (NIS thousands)	224,152	209,172	229,540	37,746	544	1,627	7,057	40,340
Investment in liability notes	-	-	-	-	-	-	-	-
Changes in investment in liability notes during the reporting year (NIS thousands)	-	-	-	-	-	-	-	-
Balance of loans (NIS thousands)	-	-	-	-	-	-	-	-
Changes in loans during the reporting year (NIS thousands)	-	-	-	-	-	-	-	-

The shares of subsidiaries are not listed on the stock exchange. The Bank holds, in the subsidiaries, 100% of equity, voting rights and the authority to appoint directors, excluding 27 shares with a par value of NIS 0.001 each, of Tomer Jerusalem Ltd., which are held by Zalman Shoval (a director of the Bank and a controlling shareholder), except for Tamar Ariel Capital Ltd., in which the Bank holds approximately 80% of its equity and voting rights, and 100% of the authority to appoint directors. During 2024, no changes were made to investment in stocks. See also Regulation 21A.

Notes:

(1) The Company sold its portfolio management activity, and discontinued its portfolio management activity.

(2) The Company discontinued its activity in the management of joint investment trust funds.

(3) The Company discontinued its activity in issuance underwriting and consulting.

For additional details, see Note 14 to the financial statements.

Regulation 13 - Revenues of subsidiaries and related companies, and the Bank's revenue therefrom in 2024:

Name of company	Tamar Ariel Capital Ltd.	Tomer Jerusalem Ltd.	Ir Shalem Insurance Agency (1996) Ltd.;	Jerusalem Investment Portfolio Management Ltd. (1)	Bank of Jerusalem Trust Company Ltd.	Jerusalem Capital Markets Fund Management (1980) Ltd. (2)	Jerusalem Underwriting and Issuances Ltd. (3)	Jerusalem Finance & Issuance (2005) Ltd.;
Profit (loss) from operating activities before taxes on income	48,053	8,350	7,878	1,477	20	50	232	10,977
Provision (benefit) for taxes	17,147	2,867	1,707	586	2	8	27	3,703
Operating profit after tax	30,906	5,483	6,171	891	18	42	205	7,274
Profit from extraordinary activities	-	-	-	-	-	-	-	-
Net profit (loss)	30,906	5,483	6,171	891	18	42	205	7,274
Additional data:								
Management fees received by the Bank for 2024	49,061	-	134	3	3	2	7	52
Interest which the Bank received / is entitled to receive with respect to 2024	-	-	-	-	-	-	-	-

(1) The Company sold its portfolio management activity, and discontinued its portfolio management activity.
(2) The Company discontinued its activity in the management of joint investment trust funds.
(3) The Company discontinued its activity in issuance underwriting and consulting.

For additional details, see Note 14 to the financial statements.

Regulation 14 - List of loans

Composition of balance of loans - See Note 29D to the financial statements.
List of loans under the Bank's responsibility - See Note 29D to the financial statements.

Regulation 20 - Trading on the stock exchange - Securities listed for trading, dates and reasons for suspension of trading

During the reporting period, no securities of the Bank were listed for trading; During the reporting period, there was no suspension of trading of the Bank's securities on the stock exchange.

Regulation 21 - Remuneration to interested parties and officers

A. For details regarding the remuneration of interested parties and officers in 2024, see Part A of the corporate governance report, and the remuneration chapter in the detailed report on risks at the Bank's website.

B. Payments which were paid to all of the Bank's Board members (excluding the Chairman of the Bank's Board of Directors), and which did not deviate from the conventional practice, amounted, in 2024, to a total of around NIS 2.6 million. For details regarding the salary of the Chairman of the Board, see Part A of the Board of Directors' Report, and Note 33 to the financial statements.

Regulation 21A - Control of the Corporation

Mrs. Kena Shoval is the controlling shareholder of the Bank, and holds 74.94% of the issued and paid-up share capital of Exports Investment Co. Ltd., which is a public company whose shares are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter: "Export"). Export holds approximately 86.32% of the Bank's issued and paid-up share capital. Mrs. Shoval also holds approximately 0.34% of the Bank's issued and paid-up share capital, through the companies K. Shoval Holdings Ltd.; ICC Israel Capital Corporation Ltd.; Financial Trust Corporation Ltd. and Foreign Trust Ltd., which are private companies owned and controlled by Mrs. Kena Shoval.

In accordance with a legal opinion which was presented to the Bank, Mr. Zalman Shoval (the husband of Mrs. Kena Shoval, and a director in the Bank) is considered a controlling shareholder in accordance with the provisions of the Securities Law, and in accordance with the provisions of the Banking Law (Licensing). See also Note 33 to the financial statements.

Regulation 22 - Transactions with Controlling Shareholders

For details regarding payments and transactions with interested parties and related parties in 2024, see Note 33 to the financial statements.

For details regarding transactions with the controlling shareholders, see Part A of the report - Corporate Governance, Additional Details and Annexes to the Annual Report.

Regulation 24 - Holdings of interested parties and officers

See Annex A, attached.

Regulation 24A - Registered capital, issued capital and convertible securities

Registered capital: The Bank's registered capital is NIS 100,250,000 par value.

Issued capital: The Bank's issued capital is NIS 70,517,741 par value.

Shares: All of the Bank's shares are ordinary shares with a par value of NIS 1 each.

Regulation 24B - Register of shareholders

See the attached Annex B below.

Regulation 25A - Registered address

The registered address, email address, telephone and fax details are as specified above, in the first page of this periodic report.

Regulation 26 - List of directors as of the reporting date

See the attached Annex C below.

Regulation 26A - List of officers as of the reporting date

See the attached Annex D below.

Regulation 26B - Independent authorized signatories

The Bank has no independent authorized signatories.

Regulation 27 - The Bank's Auditor

Kost Forer Gabbay & Kasierer.

Address: 144 Menachem Begin Rd., Tel Aviv.

Regulation 28 - Amendments to the memorandum and articles of association

During the reporting period, no changes were made to the Bank's articles of association.

Regulation 29 - Recommendations of the Board of Directors and resolutions of the general meeting

(A) Recommendations of the Board of Directors to the general meeting, and resolutions which do not require approval from the general meeting, regarding the issues specified in the regulations:

- On March 21, 2024, the Bank's Board of Directors resolved to distribute a cash dividend with respect to the profits in the second half of 2023 in the amount of NIS 12.48 million (gross), based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of December 31, 2023. For additional details, see the immediate report regarding a cash dividend distribution for securities (reference number: 2024-01-030168), whose provisions are included in this report by way of reference.
- On June 24, 2024, the Board of Directors approved a program to buy back bonds which had been issued by the subsidiary Jerusalem Finance & Issuance (2005) Ltd. For details, see the immediate reports which were published by the Bank on June 24, 2024 (reference number: 2024-01-063847) and on June 30, 2024 (reference number: 2024-01-066778), whose provisions are included in this report by way of reference. On August 20, 2024, the Bank's Board of Directors resolved to distribute a cash dividend with respect to the profits of the first half of 2024 in the amount of NIS 25.95 million (gross), based on the Bank's balance of retained earnings, in accordance with the Bank's financial statements as of June 30, 2024. For details, see the immediate report which was published by the Bank on August 20, 2024 (reference number: 2024-01-091090), whose provisions are included in this report by way of reference.
- On September 26, 2024, the Bank's Board of Directors approved, in accordance with Regulations 1A(2) and 1B(A)(3) of the Companies Regulations (Expedients Regarding Transactions with Interested Parties), 5760-2000, after receiving approval from the Audit Committee, in its function as the Remuneration Committee, on September 26, 2024, to approve an update to the remuneration of all of the Bank's directors, including directors who are controlling shareholders and/or relatives of theirs, who serve as directors in the Bank (excluding the Chairman of the Board), who hold office, or who will hold office from time to time, in the Bank, in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses of Outside Director), 5760-2000. For additional details, see the immediate report regarding a transaction with a controlling shareholder or director which does not require approval from the general meeting, which was published by the Bank on September 29, 2024 (reference number: 2024-01-606360), which is included in this report by way of reference.

(B) Resolutions of the general meeting which were passed against the recommendation of managers, on matters specified in subregulation (A)

\- None -

(C) Resolutions of special general meeting:

(1) On January 7, 2024, the shareholder meeting approved an update to the employment terms of Ms. Arianne Greenholtz Shoval, a granddaughter of the Bank's controlling shareholders, who is a relative (as this term is defined in the Companies Law) of the Bank's controlling shareholders, who is employed in the Bank and who does not serve as an officer therein, as a cybersecurity and information security analyst, beginning on January 1, 2024; and the appointment of Dr. Moran Ofir Weinstein as an outside director, pursuant to the Companies Law and in accordance with Directive 301, for a three year term. For details, see the immediate report regarding the convention of a general meeting (which also constitutes a report pursuant to the Securities Regulations (Transaction Between a Company and Its Controlling Shareholder), 5761-2001), which the Bank published on November 30, 2023 (reference number: 2023-01-131229), and the immediate report regarding the results of the general

meeting which the Bank published on January 7, 2024, after the balance sheet date (reference number: 2024-01-003324), whose provisions are included in this report by way of reference.

(2) On May 9, 2024, the Bank's general meeting approved, inter alia: (1) a final dividend distribution for 2023; (2) Annual bonuses to the Bank's officers with respect to 2023; (3) Extension of letters of release for directors who are and/or whose relatives are controlling shareholders of the Bank, for an additional three year period, beginning on May 13, 2024. For details, see the immediate meeting convention report which the Bank published on April 3, 2024 (reference number: 2024-01-032626), and the immediate meeting results report which the Bank published on May 9, 2024 (reference number: 2024-01-046372), whose provisions are included in this report by way of reference.

(3) On November 5, 2024, the Bank's general meeting approved: (1) the appointment of Mr. Shmuel Eshel as an outside director in accordance with the Companies Law, 5759-1999 (hereinafter: the "Companies Law") and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for an additional three year term; (2) The appointment of Mr. Eliezer Frank as an outside director in accordance with the Companies Law and in accordance with Directive 301 of the Proper Conduct of Banking Business Directives, for a three year term. (3) Amendment to the Bank's officer remuneration policy for the years 2023-2025 in accordance with sections 267A and 267B of the Companies Law, and in accordance with Proper Conduct of Banking Business Directive 301A, regarding the remuneration policies of banking corporations: (4) An update to the terms of tenure and employment of the Chairman of the Board, Mr. Zeev Nahari; and (5) an update to the terms of tenure and employment of the Bank's CEO, Mr. Yair Kaplan. For details, see the immediate meeting convention report dated October 1, 2024 (reference number: 2024-01-607620), and the immediate meeting results report dated November 6, 2024 (reference number:2024-01-614183), whose provisions are included in this report by way of reference.

Regulation 29A - Details regarding the Company's resolutions

The following are the Bank's decisions regarding the issues specified in this regulation:

(1) Letter of indemnity:

For details regarding letters of indemnity which the Bank granted to officers in the Bank, including directors, see section 9.2 of the Bank's officer remuneration policy, which was attached to the meeting convention report which the Bank published on April 21, 2021 (reference number: 2021-01-067686), whose provisions are included in this report by way of reference.

- On October 6, 2022, the Bank's general meeting of shareholders re-approved the provision of letters of indemnity to directors who are controlling shareholders and/or their relatives for a three year period beginning on October 9, 2022. For details, see the immediate report regarding the convention of a general meeting which was published by the Bank on August 29, 2022 (reference number: 2022-01-109954), whose provisions are included in this report by way of reference.

(2) Provision of release:

- On May 13, 2021, the shareholder meeting approved the addition of Article 84G1 to the Bank's articles of association, regarding release; Update to the Bank's officer remuneration policy, inter alia, regarding the addition of a letter of release for all officers, including all of the Bank's directors; And the granting of a letter of release to all officers, including all of the Bank's directors, who hold office and/or who will hold office from time to time (including those who will be appointed in the future), including the currently serving CEO and/or any CEO who may hold office from time to time (including any CEO who will be appointed in the future), and including directors in the Bank who are and/or whose relatives are controlling shareholders of the Bank. For details, see the supplementary immediate meeting convention report which the Bank published on April 21, 2021 (reference number: 2021-01-067686), and the immediate meeting results report which the Bank published on May 18, 2021 (reference number: 2021-01-085776), whose provisions are included in this report by way of reference.

Additionally, on May 9, 2024, the Bank's general meeting approved (after receiving approval from the Remuneration Committee on March 7, 2024, and approval from the Board of Directors on March 23, 2024), an extension of the foregoing letters of release for directors who are and/or whose relatives are controlling shareholders of the Bank, for a period of three more years, beginning on May 13, 2024; For details, see the immediate meeting convention report which the Bank published on April 3, 2024 (reference number: 2024-01-032626), and the meeting results report which the Bank published on May 9, 2024 (reference number: 2024-01-046372), whose provisions are included in this report by way of reference.

(3) Insurance:

- On March 21, 2024, the Bank's Board of Directors approved (after receiving approval from the Audit Committee (in its function as the Remuneration Committee, in its meeting on March 10, 2024), the renewal of the insurance policy for directors and officers of the Bank (including of the subsidiaries). For additional details, see the immediate report regarding a transaction with a controlling shareholder or director which does not require approval from the general meeting, which was published by the Bank on March 21, 2024 (reference number: 2024-01-030207), whose provisions are included in this report by way of reference.

	Alexander Saltzman, VP,
	Finance Division Manager and
Yair Kaplan, CEO	Comptroller

Date: March 18, 2025

Annex A to the Periodic Report for 2024

Shares and other securities held by interested parties and officers

To the best of the Bank's knowledge, and in accordance with the reports which it received of details regarding securities which are held by interested parties and officers in the Bank and in investee companies whose operations are material to the Bank, see the immediate report regarding holdings of interested parties and officers which was published by the Bank on January 4, 2024 (reference number: 2024-01-002460), whose provisions are included in this report by way of reference.

Name	ID number	Type of security	Number of security on the stock exchange	Number of shares	Holding rate %
Export Investment Co. Ltd.[6]	520025156	Ordinary share with NIS 1 par value	726018	60,870,769	86.32
K. Shoval, through K. Shoval Holdings Ltd., and I.S.S. Capital Israel Co. Ltd.	8187841	Ordinary share with NIS 1 par value	726018	81,218	0.1151
Zalman Shoval	31077605	Ordinary share with NIS 1 par value	726018	1	-
Trust Finance Co. Ltd [7]	510192875	Ordinary share with NIS 1 par value	726018	153,480	0.2176
Foreign Trust Ltd.	510141989	Ordinary share with NIS 1 par value	726018	1	-

6 Public company. For a description of the control of this company, see Regulation 21A above.
7 Company under the control of Mrs. Kena Shoval.

Annex B to the Periodic Report for 2024

Register of the Bank's shareholders

Presented below is the register of holders of the Bank's ordinary shares (with a par value of NIS 1 each):

	Name	ID number	Address	Total ordinary shares (with a par value of NIS 1 each)
1.	Export Investment Co. Ltd.	52-002515-6	9 Achad Ha'am St., Shalom Tower, Tel Aviv	32,486,430
2.	Mizrahi Tefahot Registration Company Ltd.	51-035660-3	7 Jabotinsky St., Ramat Gan.	38,031,295
3.	Trust Finance Co. Ltd	51-019287-5	9 Achad Ha'am St., Shalom Tower, Tel Aviv	1
4.	Foreign Trust Ltd.	51-014198-9	9 Achad Ha'am St., Shalom Tower, Tel Aviv	1
5.	Zalman Shoval	31077605	78 Sharet St., Tel Aviv	1
6.	Haim Baizer OBM	3629599	2 Tzofar St., Ramat Efal, 52960	1
7.	Ovad Ben-Ozer OBM	049370919	1 Gloskin St., Tel Aviv	1
8.	Yehuda Bar-Lev	064837123	3A Tolkobski St., Tel Aviv	10
9.	Moshe Kramer	059761759	5 Damesek Eliezer St., Bnei Brak	1
	Total ordinary shares (with a par value of NIS 1 each)			70,517,741

Annex C to the Periodic Report for 2024
Names and positions of Board members

	Name and details of director	Name and details of director	Name and details of director
Name:	**Zeev Nahari - Chairman of the Board of Directors**	**Zalman Shoval**	**Yehuda Orbach ***
ID number:	10063733	031077605	051264752
Date of birth:	16.05.1944	28.04.1930	27.11.1952
Address for service of process:	3 Aharon Becker St., Tel Aviv	78 Moshe Sharet St., Tel Aviv.	8 Dori St., Herzliya.
Citizenship:	Israeli.	Israeli.	Israeli.
Membership on committees of the Board of Directors (as of the reporting date):	Risk Management Committee Chairman, Capital Planning and Strategy Committee Chairman.	Not a member of board committees.	Chairman of the Audit Committee and Chairman of the Resources, Information Technology and Technological Innovation Committee; Member of the Capital Planning and Strategy Committee.
Outside director or independent director, as defined in the Law, and has accounting and financial expertise or professional qualification or expert outside director:	Not an outside director or independent director.	Not an outside director or independent director.	Outside director Has accounting and financial expertise.
Employee of the Corporation, or of its subsidiary, related company or interested party:	Yes; Chairman of the Bank's Board of Directors.	No.	No.
Education:	Certified Public Accountant, University of Haifa.	B.A. In International Relations from UC Berkeley, California; M.A. In Internal Relations, Economics and Political Science from University of Geneva, Switzerland.	Certified Public Accountant; B.A. In Accounting and Economics, The Hebrew University of Jerusalem.
Start date of tenure as a director in the Corporation:	11.10.2015	23.3.1964	September 13, 2015 (appointed for second term beginning on September 13, 2018, and for a third term beginning on September 13, 2021) and concluded on September 13, 2024.
Main occupation in the last five years:	Current - Chairman of the Bank's Board of Directors.	Chairman of the Board of Export Investment Co. Ltd.; Joint Chairman of the Faire Fund.	Chairman and member of various committees and entities, consultant, reviewer and expert examiner; Lecturer at universities and colleges in the field of information systems and information technology auditing;

* Mr. Orbach's tenure concluded on September 13, 2024.

	Name and details of director	Name and details of director	Name and details of director
Name:	**Zeev Nahari – Chairman**	**Zalman Shoval**	**Yehuda Orbach**
Director in the following corporations:	Does not serve as a director in other corporations.	Chairman of the following boards of directors: Export Investment Co. Ltd.; Joint Chairman of the Faire Fund; C. F. C. Comprehensive Financing Co. Ltd., ICC - Israel Capital Co. Ltd. Co-Chairman of the Board of Shoval Grofman Real Estate Ltd., and of Shoval Grofman Real Estate Holdings Ltd. 2007; Member of the following boards of directors: Terra Firma Ltd., Kena Shoval Holdings Ltd., Reichman University. Member of the board of trustees of Dayan Center at Tel Aviv University; Member of the board of trustees of Ariel University, The School of Government, Policy and Strategy at Reichman University, and member of the University's General Assembly.	Does not serve as a director in other corporations.
To the best of the Corporation's knowledge, family member of another interested party of the Corporation:	No.	Spouse of Mrs. Kena Shoval, the holder of the Bank's control permit (see details in Regulation 21A above); Father of Mr. Gideon Shoval, a director in the Bank.	No.
Has accounting and financial expertise for the purpose of complying with the minimum number determined by the Board of Directors:	Yes.	Yes.	Yes.

	Name and details of director	Name and details of director	Name and details of director
Name:	**Dr. Ruth Arad**	**Lior Ben Ami**	**Dr. Moran Ofir Weinstein**
ID number:	030332563	022629083	036455293
Date of birth:	15.09.1949	31.08.1966	12.8.1979
Address for service of process:	5 HaRechesh St., Tel Aviv.	15 HaReut St., Tel Mond.	37 HaMachteret St., Ramat HaSharon.
Citizenship:	Israeli	Israeli	Israeli
Membership on committees of the Board of Directors (as of the reporting date):	Member of the Audit Committee, Risk Management Committee, and Resources, Information Technology and Technological Innovation Committee.	Member of the Resources, Information Technology and Technological Innovation Committee.	Member of the Audit Committee and the Capital Planning and Strategy Committee.
Outside director or independent director, as defined in the Companies Law, and has accounting and financial expertise or professional qualification or expert outside director:	Outside director. Has accounting and financial expertise.	Not an outside director or independent director. Has accounting and financial expertise.	Outside director with professional qualifications.
Employee of the Corporation, or of its subsidiary, related company or interested party:	No.	No.	No.
Education:	B.A. In Mathematics and Economics, Tel Aviv University; M.S. In Statistics, Princeton University, New Jersey; Ph.D. In Finance and Statistics, Princeton University, New Jersey.	B.A. In Economics and Political Science, The Hebrew University; M.A. In Business Economics, Bar Ilan University.	LLB from The Hebrew University of Jerusalem, MBA with a specialization in Finance, The Hebrew University of Jerusalem. PhD in Finance, The Hebrew University of Jerusalem.
Start date of tenure as a director in the Corporation:	April 10, 2016 (appointed for second term beginning on September April 10, 2019, and for a third term beginning on April 10, 2022).	10.04.2016	7.1.2024
Main occupation in the last five years:	CEO and owner of Fentchell Ltd. (from March 2015)	CEO of Spike IT Information Technology Ltd. (March 2013 - present);	Senior lecturer at Reichman University.
Director in the following corporations:	Does not serve as a director in other corporations.	Spike IT Information Technology Ltd., Bat Galim Management and Holdings Ltd., and Guy Yarden Ltd.	Does not serve as a director in other corporations.
To the best of the Corporation's knowledge, family member of another interested party of the Corporation -	No.	No.	No.
Has accounting and financial expertise for the purpose of complying with the minimum number determined by the Board of Directors	Yes.	Yes.	No.

	Name and details of director	Name and details of director
Name:	**Shmuel Eshel**	**Yoav Nardi**
ID number:	052352424	000634618
Date of birth:	10.4.1954	03.11.1944
Address for service of process:	3 Haviv Avshalom St., Tel Aviv	8 Malachi St., Ramat Gan.
Citizenship:	Israeli.	Israeli.
Membership on committees of the Board of Directors (as of the reporting date):	Audit Committee Chairman, Member of the Capital Planning and Strategy Committee and the Risk Management Committee.	Member of the Audit Committee and of the Risk Management Committee, Chairman of the Resources, Information Technology and Technological Innovation Committee.
Outside director or independent director, as defined in the Companies Law, and has accounting and financial expertise or professional qualification or expert outside director:	Outside director. Has accounting and financial expertise.	Not an outside director or independent director with accounting and financial expertise.
Employee of the Corporation, or of its subsidiary, related company or interested party:	No.	No.
Education:	B.A. in Political Science and Labor Studies, Tel Aviv University.	B.A. in Economics, The Hebrew University of Jerusalem; M.B.A. The Hebrew University of Jerusalem.
Start date of tenure as a director in the Corporation:	February 19, 2022	October 10, 2019
Main occupation in the last five years:	Investment Committee Chairman at Cogito Capital Fund (since 2016), Chairman of the internal credit committee at Menorah Mivtachim Ltd. (during the years 2020-2022), external consultant regarding debt settlements at Menorah Mivtachim since 2009).	Director in Bank Leumi Le-Israel Ltd. (July 2010 - July 2019); Investment Committee Chairman of the National Library and of Yad Sarah (volunteer position) (2010 - present); Audit Committee Member (volunteer position) of the Association of Central European Immigrants (2019 - June 2022), member (volunteer position) of the Board of Trustees and of the Investment Committee of The Hebrew University.
Director in the following corporations:	Does not serve as a director in other corporations.	Director of Nardi Consulting and Risk Management Ltd.
To the best of the Corporation's knowledge, family member of another interested party of the Corporation -	No.	No.
Has accounting and financial expertise for the purpose of complying with the minimum number determined by the Board of Directors	Yes.	Yes.

	Name and details of director	Name and details of director
Name:	**Gideon Shoval**	**Aviv Shanzer**
ID number:	058239864	033831405
Date of birth:	31.08.1963	1.5.1977
Address for service of process:	10 HaRimon St., Tel Aviv.	952 Har Argaman St., Maccabim.
Citizenship:	Israeli.	Israeli.
Membership on committees of the Board of Directors (as of the reporting date):	Member of the Capital Planning and Strategy Committee and the Risk Management Committee.	Member of the Audit Committee, Capital Planning and Strategy Committee, and Resources, Information Technology and Technological Innovation Committee.
Outside director or independent director, as defined in the Companies Law, and has accounting and financial expertise or professional qualification or expert outside director:	Not an outside director or independent director.	Not an outside director or independent director.
Employee of the Corporation, or of its subsidiary, related company or interested party:	CEO of Export Investment Co. Ltd. the Bank's parent company.	No.
Education:	Education: L.L.B., Buckingham University; L.L.M., Columbia University; M.B.A. in Business Administration, IMD Business School.	B.A. In Mathematics and Economics, University of Haifa; M.A. In Economics, Tel Aviv University; Studies towards PhD in Business Administration, Tel Aviv University
Start date of tenure as a director in the Corporation:	October 26, 2000	February 18, 2019
Main occupation in the last five years:	CEO and Director of Export Investment Co. Ltd.	CEO, owner and director of Shanzer Risk Management Ltd. (since 2011); strategic and economic business consulting to companies; Chief Risk Officer of S. Shlomo insurance Company Ltd. (February 2018 - February 2019); Non-Financial Risks Manager at the Study Fund for State employees (since 2016); Chief Risk Officer at WeSure Insurance Company Ltd. (since 2023).
Director in the following corporations:	Export Investment Co. Ltd.	Shanzer Risk Management Ltd.
To the best of the Corporation's knowledge, family member of another interested party of the Corporation -	Son of Mrs. Kena Shoval, the holder of the Bank's control permit, and Mr. Zalman Shoval, a director in the Bank, who, in accordance with a legal opinion which was furnished to the Bank, is considered as a controlling shareholder of the Bank (see details in Regulation 21A above).	No.
Has accounting and financial expertise for the purpose of complying with the minimum number determined by the Board of Directors	Yes.	Yes.

	Name and details of director
Name:	**Eli Frank**
ID number:	053337739
Date of birth:	06.07.1955
Address for service of process:	18 Te'ena St., Maccabi-Reut
Citizenship:	Israeli.
Membership on committees of the Board of Directors (as of the reporting date):	Resources, Information Technology and Technological Innovation Committee, Audit Committee.
Outside director or independent director, as defined in the Companies Law, and has accounting and financial expertise or professional qualification or expert outside director:	Outside director with professional qualifications
Employee of the Corporation, or of its subsidiary, related company or interested party:	No.
Education:	Education: BA in Mathematics and Computer Science from Bar Ilan University, MBA from Tel Aviv University
Start date of tenure as a director in the Corporation:	November 5, 2024
Main occupation in the last five years:	Chairman of The Israeli Chamber of Information Technology, Owner and CEO of Frank IT Consulting and Management Ltd.
Director in the following corporations:	Chairman of The Israeli Chamber of Information Technology.
To the best of the Corporation's knowledge, family member of another interested party of the Corporation -	No
Has accounting and financial expertise for the purpose of complying with the minimum number determined by the Board of Directors	No

Annex D to the Periodic Report for 2024
The Bank's officers include Messrs.:

	Name and details of officer:	Name and details of officer:
Name:	**Yair Kaplan**	**Yacov Peled**
ID number:	028656007	28078046
Date of birth:	11.08.1971	23.10.1970
Tenure start date:	14.4.2022	20.01.2022
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation:	CEO Chairman of the Board of the subsidiaries: Ir Shalem International Insurance Agency (1996) Ltd.; Tomer Jerusalem Ltd.; Tamar Ariel Capital Ltd.	Executive VP, member of the management board, Retail Division Manager Director in the subsidiaries Ir Shalem International Insurance Agency (1996) Ltd., Tamar Ariel Capital Ltd.
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No.	No.
Education:	B.A. in Economics and Business Administration, The Hebrew University of Jerusalem; MBA-Finance, The Hebrew University of Jerusalem	BA in Accounting and Economics, The Hebrew University of Jerusalem. MBA (major in financing, banking and accounting), The Hebrew University of Jerusalem.
Business experience in the last five years:	Senior VP, Credit and Real Estate Investments Department Manager at Hachshara Insurance Company Ltd.; Member of the high credit committee at Harel Insurance Company Ltd.; Outside director in Harel Pension and Provident Funds Ltd.	VP, Credit Division Manager at CAL (2019-2021) Commercial Banking Division Manager at Bank Discount (2016-2019).

	Name and details of officer:	Name and details of officer:	Name and details of officer:
Name:	**Irena Portnik**	**Sarit Weisstuch**	**Alexander Saltzman**
ID number:	306085721	023069115	310062120
Date of birth:	18.08.1961	14.10.1967	18.04.1973
Tenure start date:	18.10.2022	01.07.2005	16.01.2014
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation -	Executive VP, member of management, Resources and Innovation Division Manager, CEO of the subsidiary Tomer Jerusalem Ltd.	VP, member of the management board, Legal Counsel and Manager of the Legal Counsel Department.	VP, member of the management board, Finance Division Manager and Comptroller. Director in the subsidiaries: Jerusalem Investment Portfolio Management Ltd.; Jerusalem Capital Markets Fund Management (1980) Ltd.; Tomer Jerusalem Ltd.; Bank of Jerusalem Trust Company Ltd.; Jerusalem Finance & Issuance (2005) Ltd.; Jerusalem Underwriting and Issuing Ltd., Tamar Ariel Capital Ltd.
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No.	No.	No.
Education:	B.Sc. in Industrial and Machine Engineering from a university in Belarus. MBA, Ramat Gan College.	LLB, Bar Ilan University L.L.M., Tel Aviv University	B.A. in Economics and Accounting, The Hebrew University of Jerusalem; Holds C.P.A. license; M.B.A., The Hebrew University of Jerusalem.
Business experience in the last five years:	Member of management, Executive VP,	VP, member of the management board,	VP, member of the management board,

	Technology and Operations Division Manager, VP Operations, Planning and Development at Israel Credit Cards Ltd. (Visa CAL).	Legal Counsel and Legal Counsel Division Manager.	Finance Division Manager and Comptroller.

	Name and details of officer:	Name and details of officer:
Name:	**Boaz Leibowitz ***	**Moshe Omer**
ID number:	58074998	027312719
Date of birth:	23.10.63	03.05.1974
Tenure start date:	1.1.2021	15.12.2013
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation:	VP, member of the management board, Risk Division Manager and Chief Risk Officer (CRO). Chief Risk Officer of the Bank's subsidiaries.	Executive VP, member of the management board, Strategy and Financial Management Division Manager Chairman of the subsidiaries: Jerusalem Finance & Issuance (2005) Ltd.; Jerusalem Investment Portfolio Management Ltd.; Jerusalem Capital Markets Fund Management (1980) Ltd.; Jerusalem Underwriting and Issuances Ltd. and Bank of Jerusalem Trust Company Ltd. Director in the subsidiaries Ir Shalem International Insurance Agency (1996) Ltd. and Tomer Jerusalem Ltd.;
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No	No.
Education:	Bachelor's degree in mathematics and computer science, The Hebrew University of Jerusalem. MBA with a specialization in Finance, The Hebrew University of Jerusalem.	B.A. in Economics, Tel Aviv University; M.Sc. In Finance and Accounting, Tel Aviv University.
Business experience in the last five years:	Deputy manager of the risk control division at Mizrahi Tefahot Bank (until 2016); Chief Risk Officer at Bank Yahav (2016-2020)	Executive VP, member of the management board, Financial Division Manager.

* The tenure of Mr. Boaz Leibowitz concluded on January 9, 2025.

	Name and details of officer:	Name and details of officer:
Name:	**Liran Ovadya**	**Mirit Teshuva**
ID number:	034437707	24269474
Date of birth:	10.12.1978	16.8.1969
Tenure start date:	01.11.2017	1.4.2023
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation:	VP, member of the management board, Financial Division Manager, Director in the subsidiary Tamar Ariel Capital Ltd.	VP with the status of management member, Chief Internal Auditor, Internal Auditor of the subsidiaries
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No.	No
Education:	B.A. In Management, The Open University.	B.A. In Economics, The Hebrew University of Jerusalem. MBA with a specialization in Finance and Marketing.
Business experience in the last five years:	Manager of the Business Division (formerly the Real Estate and Banking Products Division), 2019 - Present.	VP and Chief Internal Auditor of IBI Investment House.

	Name and details of officer:
Name:	**Anat Raifler**
ID number:	033652850
Date of birth:	02.03.1977
Tenure start date:	12.01.2025
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation:	Chief Risk Officer.
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No.
Education:	BA in Accounting and Economics from Tel Aviv University, MBA with specialization in Finance from Tel Aviv University
Business experience in the last five years:	Manager of the Market Risks, Models and Cross-Organizational Risks Management Division at Bank Leumi

	Name and details of officer:	Name and details of officer:
Name:	**Tamir Lazarov**	**Udi Giladi**
ID number:	035900547	038277984
Date of birth:	3.8.1979	24.4.1976
Tenure start date:	8.10.2023	January 1, 2010 (first joined the Bank in October 2002)
Position performed in a corporation which is a subsidiary, related company or interested party of the Corporation:	Secretary of the Bank and its subsidiaries.	Human Resources Department Manager
Interested party in the Corporation, or family member of another officer or interested party of the Corporation:	No	No
Education:	LLB, Tel Aviv University; MBA with a specialization in Finance, Bar Ilan University	B.A. In Business Administration and in Sociology and Anthropology, The Hebrew University of Jerusalem. MBA with a specialization in Finance and Marketing from The Hebrew University of Jerusalem.
Business experience in the last five years:	Partner at Goldfarb Gross Seligman & Co. Law Firm	Human Resources Manager at Bank of Jerusalem

Financial Data and Financial Information from the Consolidated Financial Statements Attributed to the Bank

Presented below are financial data and separate financial information attributed to the Bank from the consolidated financial statements as of December 31, 2024, which are published as part of the periodic reports (hereinafter: the "Consolidated Reports"), in accordance with directives and guidelines issued by the Commissioner of Banks (hereinafter: the "Directives") – as stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP), and also in accordance with the principles specified in Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.
The significant accounting policies which were implemented for the purpose of presenting these financial data were specified in Note 1 to the consolidated reports.
The note number in this document corresponds to the note number in the consolidated financial statements which were approved for publication on March 18, 2025.

Yair Kaplan	**Alexander Saltzman**
CEO	VP, Finance Division Manager and Comptroller

Approval date of the financial statements:
March 18, 2025

Kost Forer Gabbay & Kasierer
144A Menachem Begin Rd.,
Tel Aviv 6492102

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Re: <u>Auditors' Special Report</u>

<u>Regarding Separate Financial Information in Accordance With Directives and Guidelines Issued by the Commissioner of Banks, and the Principles of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970</u>

We audited the separate financial information which is presented in accordance with the directives and guidelines of the Commissioner of Banks (hereinafter: the "Directives"). As stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP), and also in accordance with the principles specified in Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of Bank of Jerusalem Ltd. (hereinafter: the "Bank") as of December 31, 2024 and 2023, and for each of the three years the last of which ended December 31, 2024, and which is included in the Bank's periodic report. The Bank's Board of Directors and management are responsible for the separate financial information. Our responsibility is to express an opinion regarding the separate financial information, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the separate financial information is free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and details which are included in the separate financial information. An audit also includes conducting an evaluation of the accounting principles which were applied in the preparation of the separate financial information and of the significant estimates which were made by the Bank's Board of Directors and management, as well as an evaluation of the overall adequacy of presentation of the separate financial information in its entirety. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the separate financial information has been prepared, in all material respects, in accordance with the directives and guidelines of the Commissioner of Banks. As stated in Note 1 to the financial statements, the directives are mostly based on generally accepted accounting principles in the United States (US GAAP), and also in accordance with the principles specified in Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv,
March 18, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

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The Bank's balance sheet

Reported amounts in NIS millions

	Note	As of December 31	
		2024	**2023**
Assets			
Cash and deposits in banks		5,056.0	5,157.1
Securities		1,497.0	1,165.4
Credit to the public		14,403.4	13,901.7
Provision for credit losses	13	(99.1)	(93.8)
Credit to the public, net		14,304.3	13,807.9
Investments in investee companies		2,026.1	2,106.8
Buildings and equipment		241.5	207.3
Assets with respect to derivative instruments		3.1	1.3
Other assets		186.0	162.1
Total assets		**23,314.0**	**22,607.9**
Liabilities and equity			
Public deposits		20,932.7	20,241.0
Deposits from banks		47.8	196.8
Bonds and CoCo bonds		250.7	246.7
Liabilities with respect to derivative instruments		2.7	6.6
Other liabilities (1)		628.8	587.6
Total liabilities		**21,862.7**	**21,278.7**
Equity		1,451.3	1,329.2
Total liabilities and equity		**23,314.0**	**22,607.9**

1. Of which, the provision for credit losses with respect to off-balance sheet credit instruments, in the Bank and in consolidated terms, as of December 31, 2024 and December 31, 2023, in the amount of NIS 3.8 million and NIS 2.9 million, respectively.

The Bank's Statement of Income

Reported amounts in NIS millions

		For the year ended December 31		
	Note	**2024**	**2023**	**2022**
Interest income		1,320.2	1,177.7	815.4
Interest expenses		(809.7)	663.3	326.5
Interest income, net	2	**510.5**	**514.4**	**488.9**
Expenses with respect to credit losses	13	20.8	31.5	37.3
Interest income, net, after expenses with respect to credit losses		**489.7**	**482.9**	**451.6**
Non-interest income				
Non-interest financing income		48.3	33.8	77.2
Fees	4	202.8	177.6	143.1
Other income		7.4	-	6.1
Total non-interest income		**258.5**	**211.4**	**226.4**
Operating and other expenses				
Payroll and associated expenses		243.2	235.8	202.9
Maintenance and depreciation of buildings and equipment		129.6	114.6	95.9
Other expenses		219.7	196.3	197.4
Total operating and other expenses		**592.5**	**546.7**	**496.2**
Profit before taxes		**155.7**	**147.6**	**181.8**
Provision for taxes on income		57.6	52.4	64.5
Profit after taxes		**98.1**	**95.2**	**117.3**
The Bank's share in the profits of investee companies after tax impact		56.5	39.4	46.1
Net profit		**154.6**	**134.6**	**163.4**
Earnings per share (in NIS)				
Basic and diluted net earnings per share (NIS)		2.19	1.91	2.32

Statement of Comprehensive Income

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Net income	154.6	134.6	163.4
Other comprehensive income (loss):			
Adjustments with respect to the presentation of available for sale securities at fair value, net	7.4	13.0	(56.5)
Adjustments of liabilities with respect to employee benefits	1.5	1.8	12.8
Other comprehensive income (loss) before tax	**8.9**	**14.8**	**(43.7)**
Attributed tax impact	(2.9)	(5.1)	14.9
Other comprehensive income (loss) after taxes	**6.0**	**9.7**	**(28.8)**
Total comprehensive income	**160.6**	**144.3**	**134.6**

Statement of Cash Flows - Bank

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Cash flows from operating activities			
Net profit for the year	154.6	134.6	163.4
Adjustments:			
The banking corporation's share in undistributed profits of investee companies	(56.5)	(26.1)	(46.1)
Depreciation of buildings and equipment	78.4	65.2	49.7
Expenses with respect to credit losses	20.8	31.5	37.3
Profit from the sale of credit portfolios	(37.4)	(43.0)	(65.9)
Loss from the sale of available for sale bonds and stocks not held for trading	-	0.5	1.6
Realized and unrealized profit (loss) from adjustments to the fair value of held for trading securities *	(4.8)	(7.3)	2.7
Realized and unrealized loss (profit) from adjustments to the fair value of stocks not held for trading *	(1.1)	1.8	-
Deferred taxes, net	(1.3)	0.1	47.9
Retirement pay - increase in the excess of reserves over funds (increase in the excess of funds over reserves)	0.2	0.2	0.1
Impact of changes in exchange rate on cash balances	0.8	(5.4)	(19.5)
Net change in current assets:			
Assets with respect to derivative instruments	(1.8)	4.8	(1.6)
Held for trading securities	(76.1)	66.0	(30.9)
Other assets	(25.5)	34.4	(10.4)
Net change in current liabilities:			
Liabilities with respect to derivative instruments	(3.9)	1.0	2.1
Other liabilities	43.4	(52.0)	319.3
Impact of changes in exchange rate on cash balances	(24.0)	(5.4)	(19.5)
Net cash from operating activities	**65.8**	**168.6**	**405.3**

* Reclassified

Condensed Statement of Cash Flows - Bank (Cont.)

Reported amounts in NIS millions

	For the year ended December 31		
	2024	**2023**	**2022**
Cash flows from investing activities			
Net change in credit to the public	(1,108.7)	(2,038.7)	(3,397.3)
Purchase of available for sale bonds and stocks not held for trading	(1,139.7)	(1,049.2)	(1,018.8)
Purchase of held to maturity bonds	(100.3)	-	-
Proceeds from the sale of available for sale bonds and stocks not held for trading	660.0	911.3	469.7
Proceeds from redemption of available for sale bonds and stocks not held for trading	361.8	69.4	229.1
Proceeds from sale of credit portfolios	956.3	1,191.8	1,282.8
Purchase of credit portfolios	(190.2)	-	(267.0)
Purchase of buildings and equipment	(105.7)	(102.9)	(67.7)
Net cash from investing activities	(666.5)	**(1,018.3)**	**(2,769.2)**
Cash flows from financing activities			
Net change in public deposits	691.7	2,863.5	2,221.2
Net change in deposits from banks	(149.0)	(146.1)	36.3
Redemption of bonds and CoCo bonds	(3.8)	(5.5)	(55.9)
Dividend paid to shareholders	(38.5)	(70.6)	(43.1)
Net cash from financing activities	**500.4**	**2,641.3**	**2,158.5**
Impact of changes in exchange rate on cash balances	(0.8)	5.4	19.5
Increase (decrease) in cash and deposits in banks	(100.3)	1,791.6	(205.4)
Balance of cash and deposits in banks at start of period	5,157.1	3,360.1	3,546.0
Balance of cash and deposits in banks at end of period	**5,056.0**	**5,157.1**	**3,360.1**
Interest and taxes paid and/or received:			
Interest received	1,604.2	988.0	729.3
Interest paid	733.1	356.8	192.7
Dividends received	4.9	3.5	4.7
Taxes on income paid	93.7	52.8	51.8
Taxes on income received	16.6	12.0	1.1
Annex C - Non-cash investing activities during the reporting period			
Right-of-use assets which were recognized with respect to new operating leases	6.5	21.4	30.8
Acquisition of fixed assets on credit	6.9	11.1	0.5

Note 1 - Significant Accounting Policies

A. General

Bank of Jerusalem Ltd. (hereinafter: the "Bank") is a commercial corporation in Israel. The Bank is mostly engaged in the provision of housing credit and other retail credit, in financing residential construction and in raising of deposits for limited periods, activities in the capital market, management of checking accounts and provision of private banking services to foreign residents.

The Bank is a subsidiary of Export Investment Co. Ltd. (hereinafter: "Export"), and its shares are listed for trading on the Tel Aviv Stock Exchange.

The Bank's consolidated financial statements are prepared in accordance with directives and guidelines issued by the Commissioner of Banks.

These directives mostly adopt generally accepted accounting principles in the United States (US GAAP).

The Bank received approval from the Banking Supervision Department to publish the annual financial statements on a consolidated basis. Note 36 to the Bank's consolidated financial statements includes the Bank's condensed standalone statements, including the balance sheet, statement of income, statement of cash flows, condensed statement of interest income and expenses, condensed debts of credit to the public, the provision for credit losses and changes in the balance of the provision.

The financial statements were approved for publication by the Bank's Board of Directors on March 18, 2025.

B. Basis for preparation of financial data and financial information from the consolidated financial statements which are attributed to the Bank

The financial data and separate financial information attributed to the Bank from the consolidated financial statements as of December 31, 2024, which are published as part of the periodic reports (hereinafter: the "Consolidated Reports"), have been prepared in accordance with directives and guidelines issued by the Commissioner of Banks – principles which mostly adopt generally accepted accounting principles in the United States (US GAAP), and also in accordance with the principles specified in Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The significant accounting policies which were implemented for the purpose of presenting these financial data were specified in Note 1 to the consolidated reports.

Note 2 - Interest Income and Expenses

	For the year ended December 31		
	2024	**2023**	**2022**
A. Interest income			
From credit to the public	1,019.2	941.5	752.2
From loans to subsidiary	65.4	61.3	20.2
From deposits in the Bank of Israel and from cash	196.3	136.3	30.3
From deposits in banks	2.9	2.5	-
From bonds	36.4	36.1	12.7
Total interest income	**1,302.2**	**1,177.7**	**815.4**
B. Interest expenses			
On public deposits	805.0	659.6	322.0
On deposits from banks	2.7	1.7	2.9
On government deposits	-	-	-
On liability notes and CoCo bonds	2.0	2.0	1.6
On other liabilities	-	-	-
Total interest expenses	**809.7**	**663.3**	**326.5**
Total interest income, net	**595.2**	**514.4**	**488.9**
C. Details of interest income on an accrual basis from bonds			
Held to maturity	0.7	-	-
Available for sale	28.5	22.4	12.2
Held for trading	5.6	13.7	0.5
Total included under interest income	**34.8**	**36.1**	**12.7**

Note 4 - Fees

Reported amounts in NIS millions

	For the year ended December 31		
	2024	2023	2022
Activities with securities	12.4	12.0	18.1
Project accompaniment fees	22.8	24.2	21.5
Net income from credit portfolio services	63.8	68.0	40.1
Handling of credit	9.5	8.2	8.3
Conversion differences	14.7	13.3	11.9
Fees from life insurance	0.5	0.7	1.0
Fees from financing activities	3.3	3.4	3.7
Financial product distribution fees	2.6	2.5	3.1
ATM withdrawal fees	14.8	14.8	15.0
Fees from prepaid cards	41.5	26.1	17.0
Syndication fees	11.0	-	-
Other current fees	5.9	4.4	3.4
Total operating fees	**202.8**	**177.6**	**143.1**

Note 13 - Debts, Credit to the Public and Balance of the Bank's Provision for Credit Losses

Reported amounts in NIS millions

1. Debts[1], available for sale bonds, credit to the public and balance of the provision for credit losses

	As of December 31, 2024					
	Commercial	Housing	Other private	Total public	Banks, governments and bonds	Total
Recorded debit balance						
Debts evaluated on an individual basis	3,706.0	3.3	-	3,709.3	1,512.90	5,222.20
Debts evaluated on a collective basis	864.0	9,688.3	141.8	10,694.1	-	10,694.10
Total debts (*)	**4,570.0**	**9,691.6**	**141.8**	**14,403.4**	**1,512.90**	**15,916.30**
(*) Of which:						
Non-accruing debts	44.1	149.5	0.3	193.9	-	193.9
Debts in arrears of 90 days or more	5.9	-	2.8	8.7	-	8.7
Other troubled debts	38.6	-	0.5	39.1	-	39.1
Total troubled debts	**88.6**	**149.5**	**3.6**	**241.7**	**-**	**241.7**
Balance of the provision for credit losses with respect to debts						
With respect to debts which were evaluated on an individual basis	22.20	-	-	22.20	-	22.20
Debts evaluated on a collective basis	13.30	52.90	10.70	76.90	-	76.90
Total(**)	**35.50**	**52.90**	**10.70**	**99.10**	**-**	**99.10**
(**) Of which: In respect of non-accruing debts	6.20	3.00	0.20	9.40	-	9.40
(**) Of which: In respect of other troubled debts	5.50	-	-0.70	4.80	-	4.80
	As of December 31, 2023					
Recorded debit balance						
Debts evaluated on an individual basis	3,185.3	10.3	-	3,195.6	1,251.0	4,446.6
Debts evaluated on a collective basis	726.8	9,823.8	155.5	10,706.1	-	10,706.1
Total debts (*)	**3,912.1**	**9,834.1**	**155.5**	**13,901.7**	**1,251.0**	**15,152.7**
(*) Of which:						
Non-accruing debts	20.9	132.8	0.3	154.0	-	154.0
Debts in arrears of 90 days or more	2.9	-	2.4	5.3	-	5.3
Other troubled debts	6.0	-	0.5	6.5	-	6.5
Total troubled debts	**29.8**	**132.8**	**3.2**	**165.8**	**-**	**165.8**
Balance of the provision for credit losses with respect to debts						
With respect to debts which were evaluated on an individual basis	13.3	2.4	-	15.7	-	15.7
Debts evaluated on a collective basis	13.9	53.3	10.9	78.1	-	78.1
Total(**)	**27.2**	**55.7**	**10.9**	**93.8**	**-**	**93.8**
(**) Of which: In respect of non-accruing debts	3.9	7.6	0.2	11.7	-	11.7
(**) Of which: In respect of other troubled debts	4.3	-	1.1	5.4	-	5.4

(1) Credit to the public, credit to the government, deposits in banks and other debts, excluding bonds and securities which were borrowed or purchased within the framework of resale agreements.

(2) Balances lower than NIS 0.1 million are not presented.

Note 13 - Credit Risk, Credit to the Public and Provision for Credit Losses (Cont.)

Reported amounts in NIS millions

The Bank has adopted the generally accepted accounting principles in the United States regarding expected credit losses (CECL) since January 1, 2022, on a prospective basis.

2. Changes in the provision for credit losses

	Commercial	Housing	Other private	Total public	Banks and governments	Total
Balance of the provision for credit losses as of December 31, 2021	**11.7**	**55.8**	**49.1**	**116.6**	**-**	**116.6**
Adjustment of opening balance due to impact of initial adoption [(1)]	(5.0)	(16.0)	12.7	(8.3)	-	(8.3)
Transfer of credit activity to subsidiary	-	-	(65.2)	(65.2)	-	(65.2)
Expenses with respect to credit losses	12.8	9.2	15.3	37.3	-	37.3
Accounting write-offs	(1.4)	-	(13.4)	(14.8)	-	(14.8)
Collection of debts which were written off in previous years	1.5	-	8.8	10.3	-	10.3
Net accounting write-offs	0.1	-	(4.6)	(4.5)	-	(4.5)
Balance of the provision for credit losses as of December 31, 2022	**19.6**	**49.0**	**7.3**	**75.9**	**-**	**75.9**
Expenses with respect to credit losses	14.8	9.3	7.4	31.5	-	31.5
Accounting write-offs	(6.9)	(0.7)	(5.2)	(12.8)	-	(12.8)
Collection of debts which were written off in previous years	0.1	-	2.0	2.1	-	2.1
Net accounting write-offs	(6.8)	(0.7)	(3.2)	(10.7)	-	(10.7)
Balance of the provision for credit losses as of December 31, 2023	**27.6**	**57.6**	**11.5**	**96.7**	**-**	**96.7**
Expenses with respect to credit losses	17.2	(2.4)	6.0	20.8	-	20.8
Accounting write-offs	(7.9)	(0.5)	(7.4)	(15.8)	-	(15.8)
Collection of debts which were written off in previous years	-	-	1.3	1.3	-	1.3
Net accounting write-offs	(7.9)	(0.5)	(6.2)	(14.6)	-	(14.6)
Balance of the provision for credit losses as of December 31, 2024	**36.9**	**54.7**	**11.3**	**102.9**	**-**	**102.9**
(*) Of which: with respect to off-balance sheet credit instruments						
As of December 31, 2022	0.3	0.9	0.5	1.7	-	1.7
As of December 31, 2023	0.4	1.9	0.6	2.9	-	2.9
As of December 31, 2024	1.4	1.8	0.6	3.8	-	3.8

Glossary of Terms

Option	A contractual agreement between a buyer and a seller, to purchase or sell a certain security, or the right to receive or convert securities, foreign currency or commodities, at a specific price, and within a predetermined time period. The option conferred in the contract constitutes a right, not an obligation.
Bond	An interest-bearing certificate, issued by a government or by a company, which includes an undertaking by the issuer to pay to the certificate holder the principal which was issued, plus interest payments / coupon on fixed payment dates. It is a financial instrument which the government and companies can use to borrow money from the public.
Inflation	An ongoing process of increasing prices, inflation is measured as the rate of change in the consumer price index.
Organization for Economic Co-operation and Development (OECD)	An organization headquartered in Paris, comprised of countries with developed economies. The basic conditions for acceptance into the organization are acceptance of democratic and free market principles. The organization's objective is to lead processes of economic development and international business collaboration. Israel has been a member of the organization since May 2010.
Credit	A right to use goods and services, or receive property rights with respect thereto, with a commitment to pay at a later date. The difference in time between the moment when the right is received and the payment date with respect thereto forms the basis for the collection of interest
Basel	The risk management directives for banks, which were determined by the Basel Committee, which is engaged in the supervision and setting of standards for the supervision of banks around the world.
Collateral	Assets which have been pledged in favor of the lender to secure the repayment of the loan, in accordance with its conditions. Financial instruments usually used as collateral include shares, bonds, deposits and postdated checks. In a mortgage loan, the acquired property serves as collateral for the repayment of the loan.
Inter-bank	Activity between commercial banks - a payment order sent by one bank to charge the clearing account of that bank, and to credit the clearing account of the other bank, is called an "interbank monetary transfer"
Audit of financial statements	An audit of financial statements conducted by an external auditor, which allows it to form an opinion regarding the reliability of the financial statements
Internal audit	Independent activity performed within the organization, which intended to monitor its conduct and ensure the adequacy thereof
Interested party	An individual or company holding 5% or more of the shares of a company listed on a stock exchange
Hedge	A financial transaction which is intended to protect the investor against changes in the investment's value.
Board of Directors' Report	A report issued by public companies which includes management's review of the Company's situation, and details regarding information which is significant for the purpose of reaching decisions regarding investment in the Company's shares.
Statement of changes in equity	A report presenting changes in the Company's share capital, reserves and undistributed balances of retained earnings during an accounting period.

Option	A contractual agreement between a buyer and a seller, to purchase or sell a certain security, or the right to receive or convert securities, foreign currency or commodities, at a specific price, and within a predetermined time period. The option conferred in the contract constitutes a right, not an obligation.
Statement of cash flows	A report presenting the Company's cash balances at the beginning and end of an accounting period, and summarizing the movement of cash in the Company during that period.
Statement of income	A report presenting the Company's operating results (income, expenses and profit) during a certain period of time, usually a quarter or year.
Dividend	A part of the Company's earnings which is distributed to its shareholders according to each shareholder's proportional part in the Company's stock. Companies are not obligated to distribute dividends, even if they record profits.
Credit rating	A rating given to private individuals, companies or countries, which determines their ability to repay loans. The calculation of the rating is based on the evaluated entity's financial history, the status of assets and equity, and scope of liabilities. The credit rating is used by investors to assess risks associated with the borrower's repayment ability.
Director	A person serving on the Company's Board of Directors
Board of directors	A team of people elected by the Company's shareholders. Its responsibilities include effectively appointing the Company's executives, overseeing them and determining their employment terms, assisting in the formulation of the Company's strategy, and choosing its external auditor
Capital	The difference between the value of the Company's assets and the value of its liabilities
Share capital	Monetary value in the balance sheet of shares issued by a company
Tier 2 capital	Liabilities (bonds) which have been issued for periods exceeding five years, and whose maturity date is at least two years in the future
Equity	The total of the Company's independent resources, including paid-up share capital, premiums, accumulated profits, capital reserves and retained earnings
Supervisory capital	As this term is defined in Proper Conduct of Banking Business Directive 202 of the Commissioner of Banks.
Financing expenses	The cost directly associated with the Company's financing - interest expenses, linkage differentials and foreign currency differences on the Company's debts to banks and its other financing entities
Operating expenses	All expenses which are required for the corporation's operating activities - payroll, marketing and advertising, office expenses, maintenance, etc.
Operating revenue (of the Bank)	Fee revenue, profits from stocks held by the Bank, and management fees
Money laundering	Financial actions which are intended to conceal the source of funds, usually funds obtained illegally or funds on which tax has not been paid. Money laundering constitutes an attempt to bring the money back into the legal system

Glossary of Terms

Loan	An amount of money lent by a lender to a borrower, which the loan recipient undertakes to return at a later date/s, in accordance with predetermined conditions. The repayment account includes interest, and sometimes linkage as well
Balloon loan	A loan for which, throughout its entire period, only interest payments are paid, while the principal is repaid in full at the end of the period. In some cases, the interest is paid at the end of the period as well.
Grace loan	A loan in which the payment of principal, and in some cases also the first payment of interest, is deferred until a certain date in the loan period.
Debt	As this term is defined in Proper Conduct of Banking Business Directive 312 of the Commissioner of Banks.
Transaction	A contract or agreement, or a unilateral decision by a company regarding the granting of rights or other benefits.
Extraordinary transaction	A transaction which is not in the Company's ordinary course of business, a transaction which is not market conditions, or a transaction which could significantly affect the Company's profitability, assets or liabilities.
Sale Law Guarantee	A guarantee given by a bank to the buyer of a residential apartment from the seller of a new apartment, which guarantees to the buyer the repayment of the funds which they paid to the seller in consideration of the apartment, in case the seller is unable to transfer the rights in the property to the buyer as agreed in the sale agreement or due to the grounds prescribed in law
Controlling shareholder group	The controlling shareholder, together with the private companies which are related to him, according to the definition of the term "related party" in Proper Conduct of Banking Business Directive 312, and together with his relatives and private companies related to them, including his family members who live with him, or whose livelihood is dependent on him; The definition of a "relative" in accordance with the provisions of the Banking Law (Licensing) includes a sibling, parent, child, spouse's child and spouse of any of the above.
Devaluation	The decrease of one currency's value relative to the currency of another country.
Market conditions	Conditions which are not preferable to the conditions of similar transactions of the same type as the transaction, which are performed by the Bank with individuals or corporations who are not the Bank's controlling shareholders, or transactions with individuals in which the controlling shareholder does not have a personal interest.

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Branches of the Bank and main subsidiaries

Central management	2 HaNegev St., Airport City Mailing address: 2 HaNegev St., Airport City 7010000
Real Estate Sector	2 HaNegev St., Airport City 7010000
Private banking branch	30 Gershon Agron St. (Waldorf Astoria), Jerusalem 9419009
Geula branch - Romema	21 Shamgar St., Romema, Jerusalem 9446124
Tel Aviv branch	21 Achad Ha'am St., Tel Aviv 65251
Beer Sheva branch	90 Hadassah St., Beer Sheva 84221
Haifa branch	9 Pal Yam St., Zim Building, Haifa 330512
Central Branch	9 Jabotinsky St., Hachsharat HaYishuv Tower, Bnei Brak 5126417
Ashdod branch	12 Jerusalem Blvd., Ashdod 7752305
Rishon Letzion branch	63 Herzl St., Rishon Letzion 75267
Netanya branch	45 Herzl St., Netanya 42401
Modi'in Illit branch	18 Avnei Nezer St., Kiryat Sefer, Modi'in Illit 7181018
Kiryon branch	192 Acre Rd., Kiryat Bialik 27000
Nazareth branch	1100 St., House 2, Um Wassaf Junction Nazareth 16100
Sakhnin branch	HaGalil St., Sakhnin shopping mall 3081000
Carmiel branch	5 Maaleh Camon St., Hutzot Carmiel shopping mall 2165006
Eiron branch	Seven Shopping Mall, city entrance, Level 3, Umm al-Fahm 3001000
Elad branch	94 Yehuda HaNasi St., Elad 4082414
Beit Shemesh branch	2 Yitzchak Rabin St., Naimi shopping mall, Beit Shemesh 9958551
Beitar Illit branch	2 Ismach Israel St., Haim Zaken Center - Tmarim, Beitar Illit 9055702
Netivot branch	1 HaMasger St., Netivot 8776815
Jerusalem Finance & Issuance (2005) Ltd.	2 HaNegev St., Airport City 7010000
Tomer Jerusalem Ltd.	2 HaNegev St., Airport City 7010000
Ir Shalem International Insurance Agency (1996) Ltd.	15 Sarei Israel St., Jerusalem 9439029
Tamar Ariel Capital Ltd.	2 HaNegev St., Airport City 7010000
Our website:	www.bankjerusalem.co.il