Bank Hapoalim

Annual Report 2025

2025

Actuarial evaluation in respect of employee benefits, additional information regarding supervisory capital instruments, and the Report on Risks - Basel Pillar 3 Disclosure are available on the bank's website: www.bankhapoalim.com > investor relations > financial information

bank hapoalim

Not Just Active, **Proactive.**

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Bank Hapoalim

Annual Report

2025

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The Bank has received approval from the Banking Supervision Department to publish the annual financial statements on a consolidated basis only.
Note 34 to the Financial Statements contains the stand-alone condensed financial statements of the Bank.
Stand-alone data concerning the Bank is available in hard copy upon request, or on the Bank's website at www.bankhapoalim.co.il.
This is a translation of the Hebrew report and has been prepared for convenience only.
In case of any discrepancy, the Hebrew version will prevail.

2025 was a year that required us to lead in exceptionally complex times, in terms of the security situation as well as economic and social conditions. In the last few days, as well, we are witnessing geopolitical developments in our region that highlight the complex and dynamic nature of the environment in which we operate, and require us to be continually prepared for situations of uncertainty, while maintaining full operational and financial stability and service continuity for our customers.

Despite the background conditions, the bank posted strong results on all key indicators this year, including impressive growth in its balance sheet, return on equity, and shareholder value. The bank's credit portfolio grew by 13.4% in comparison to 2024, to approximately NIS 503 billion. Return on equity reached 15.9% for the year, and led us to distribute NIS 4.9 billion to our shareholders, which constitutes approximately 50% of net profit.

However, to me, the real meaning of this year is not measured in numbers. It is expressed in our ability to maintain stability while continuing to innovate and adapt the bank to the evolving conditions.

When I took office as board chair in February 2025, I discovered a highly professional, stable organization with a deep managerial culture. The board of directors and management work in close cooperation to ensure that the bank continues to grow and innovate, while upholding the principles of responsible risk management and commitment to customers and the economy.

This year was marked by several significant processes reflecting this approach. For the first time in the bank's history, we announced long-term financial targets – a decision aimed at improving transparency towards investors, deepening managerial discipline, and setting a clear performance standard. Attaining and surpassing these targets demonstrates the bank's power and capability for responsible action even during challenging times.

As part of the bank's service concept, this year we adopted new marketing language: "Not Just Active, Proactive." This approach expresses the belief that a leading bank does not limit itself to supplying financial services, instead taking the initiative and actively working to benefit its customers, identify opportunities for them, and strengthen its relationships with them over the long term.

This effort also included the launch of the Gift Shares program, a first-of-its-kind initiative in the Israeli banking system. The program is designed to reinforce long-term relationships with the bank's customers, engage them in its success, and broaden its sphere of public partnership.

We see this and other initiatives we introduced for our customers this year as the practical expression of the concept of a customer relationship grounded in initiative, responsibility, and leadership, rather than just responses to existing needs. At the same time, we are aware of and committed to the possibility for further improvement of the quality of service delivered to our customers.

Further to that, based on that same commitment to an ongoing improvement in customer experience, we are working to adapt the bank to the changing conditions in the banking industry. Competition is expanding, new technologies are transforming banking services, and customers' consumption habits are changing. This means that we must continue to streamline and adjust the work processes at the bank and the structure of our human resources to the challenges we will face in the coming years. These are not simple endeavors, and they are naturally sometimes accompanied by organizational challenges, but they are essential to keeping the bank competitive, innovative, and stable over time.

2025 was another year in which the Israeli economy demonstrated its power and financial robustness, under difficult security-related conditions. This was particularly notable in the forward-looking financial markets – stock performance on the TASE was among the highest in the world, and the shekel exchange rate broke historic records. Although economic activity has not yet caught up with the pre-war growth trend, the momentum is evident, with the growth of investments gradually closing the gap. Inflation has been reined in, allowing the Bank of Israel to lower the interest rate and encourage growth.

Under these conditions, we continued to stand by households and businesses and practice responsible lending, understanding that our role is not just to be a part of the economy in routine times, but also to be a force for stability and support, especially during difficult periods.

Concurrently with its business operations and support for the Israeli economy, the bank also continues to be committed to the resilience of Israel's society. The bank's traditional community activities, conducted for over four decades through Poalim Community, continued to focus on reducing social and economic inequalities and creating equal opportunities, with an emphasis on socially and geographically peripheral regions.

In addition to these activities, at the outset of the Swords of Iron War in October 2023 the bank established the Poalim Rebuild Fund, at a volume of NIS 100 million, for the restoration of communities and businesses in northern and southern Israel that had been harmed. Since its foundation, the fund has supported dozens of social ventures for the restoration of emotional and educational resilience and reinvigoration of local economic activity. I am proud to say that we have just completed the full allocation of the fund's aid budget, and we are looking ahead, with hope for the full restoration and thriving of the affected communities and businesses.

Looking ahead, after more than two years of war and ongoing challenges, we are cautiously hopeful for a period of calm and a gradual return to economic and social routines. The Israeli economy demonstrated its exceptional resilience during this time, and we believe that as the environment stabilizes new opportunities will emerge for growth, development, and leadership.

In this emerging reality, we are acting from a sense of deep commitment towards the people we serve:
Our commitment to our shareholders, to protect their investments while maximizing value;
Our commitment to our customers, to deliver safe, stable, fair, service-oriented banking;
Our commitment to our employees, recognizing that the bank is their home;
And our commitment to continued support for Israeli society, for the benefit of future generations.

Yours,

Noam Hanegbi
Chairperson of the Board of Directors

March 4, 2026

Bank Hapoalim

Report of the Board of Directors and Board of Management

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1. General review, objectives, and strategy

1.1. Condensed description of the Bank

General information

Bank Hapoalim, founded in 1921, is a "banking corporation" and holds a "bank" license under the directives of the Banking Law. The Bank was privatized in 1997, and the controlling interest was transferred to Arison Holdings (1998) Ltd. and others. In November 2018, the Bank became a banking corporation without a controlling core.

The Bank Group operates in Israel in all of the areas of banking and in areas related to banking, serving millions of customers in Israel in a variety of financial activities, through three main business divisions:

Retail Banking Division



The Retail Banking Division provides services to household customers in Israel, private-banking customers, foreign residents, and small businesses, in the areas of consumer and business credit, housing loans, assets, and more, through a network of 159 branches (including 13 Business Branches). In addition, the Bank offers services and solutions to customers with complex financial needs, through advanced products, global asset management, and a professional service package. The Bank also serves its customers through nine service points, fourteen Poalim Invest advising centers, Platinum banking centers for selected customers, the Poalim by Telephone call center, the Pro center for direct banking without visiting a branch, and three mobile branches that serve customers at points of service nationwide. In addition, the Bank offers its customers a wide range of self-service and digital options, allowing customers to conduct banking activities through independent, efficient, available channels.

Corporate Banking Division



The Corporate Banking Division provides services to a wide range of business clients through sectors specializing in specific industries, including real estate; industry, commerce, and hotels; energy infrastructures; the capital market; and project and infrastructure financing. Middle-market clients are served through eight Business Centers located across Israel. The division also serves customers in the technology sector through the Poalim Tech brand. The services provided to the division's customers include credit for routine operations and investment financing, guarantees, letters of credit, foreign trade, and transactions in financial and derivative instruments. Investment services are also provided, in the various channels: foreign currency, shekels, securities, etc. Services provided to customers operating in the construction and real-estate sector include financing of construction projects, granting credit to customers, and issuing various types of guarantees, including guarantees to buyers of homes pursuant to the Sale Law. The division is responsible for the international activity of the Bank Group, which primarily concerns corporate credit for customers in the United States, through the New York branch.

Financial Markets Division



The division is responsible for activity in the area of the capital market at the Bank, in and outside Israel. This activity includes, among other matters, trading services in securities and tradable derivatives (brokerage), securities custody, trading services in currencies and non-tradable derivatives, services for financial-asset managers, and management of market risks in the banking book, including the Bank's nostro portfolio. Investment activity is also carried out through the Poalim Equity Group, the non-financial asset investment arm of the Bank. The division is also responsible for Bit, the leading payment app in Israel, serving approximately 3.5 million active users.

Our vision

Committed to growth through impactful, innovative, fair banking for our customers

1.2. Corporate strategy

The Board of Management and the Board of Directors of the Bank approved a multi-annual strategic plan for 2023–2026 at the end of 2022, under the heading Poalim 2026, aimed at reinforcing the position of Bank Hapoalim as a leading bank in Israel. The principles of the plan support continued growth, preservation of the Bank's leadership, and a leap forward in customer service. The strategic plan of the Bank was formulated as a reflection of the vision it has adopted – "Committed to growth through impactful, innovative, fair banking for our customers."

The vision of the Bank is aligned with the ESG values it has promoted over the years, grounded in responsibility and recognition of the importance of impactful banking to society, the community, and the environment (for further information, see the section "Key environmental, social, and governance (ESG) indicators," below).

In the second half of 2024, the strategic focus areas of the Bank for 2025–2028 were reviewed and adjusted, and approved by the Board of Management and the Board of Directors of the Bank, as detailed below.

1.2.1. Strategic focus areas

The aforesaid strategic focus areas pertain to sales, service and fairness, digital services, data, operational efficiency, and supporting infrastructures and platforms, as detailed below:

Sales growth – Through three main sales channels: digital, branches, and contact centers. In these channels, the emphasis will be on encounters with customers, to improve value propositions.

Leadership in service and fairness – The Bank will invest efforts and inputs to heighten customer satisfaction, including through improvement of customer engagement in the various channels, including digital; shorter response times for customers; end-to-end treatment of requests; centralization of operational activities to achieve specialization; and a comprehensive, efficient response.

Bit – Expansion of banking services: the Bit app, which currently has approximately 3.5 million active users, continues to serve as the basis for development of new banking products, with the continued expansion of the areas of activity of Bit into new segments and formulation of unique innovative value propositions.

Improvement of operational efficiency – Continued effective utilization of resources while improving the cost structure at the Bank, with a focus on employee productivity, process improvement, and maintaining cost discipline.

GenAI and data – Embedding data and generative artificial intelligence in work processes, to improve service and value propositions for customers.

Technology – Continued investment in technological transformation, improvement in the effectiveness of IT costs, further adaptation of core systems, and transition to the public cloud.

The strategic focus areas establish the strategic pillars for the coming years and the vectors for change needed to attain sustainable growth and continuous improvement in profit, with a focus on the core business of the Bank and optimal efficient resource utilization. The focus areas include a wide range of business initiatives in every realm of the Bank's activity, which form the foundation for continued growth of its retail banking, corporate banking, and capital market activities, while improving service for customers.

The process of initiating and formulating the strategic focus areas is the outcome of intensive work across divisions. This process encompassed examination of the changes and trends in the global and Israeli economy, regulatory processes, business changes, and trends in the competitive environment. Due attention was also accorded to changes in consumer behavior trends with regard to the consumption of financial services through direct technological channels. These shifts have led to more intense competition, from traditional players as well as a varied multitude of new players.

The Bank has started to advance a strategic evaluation process, which also addresses the focus areas established, and the formulation of a comprehensive strategy document.

The business strategy of the Bank is based on several key business axes:

In retail banking, competition over customers continues to intensify, with banks and credit-card companies as well as with institutional players, local and international fintech ventures, and other non-bank players. Thus, the plan emphasizes continued improvement of service, a change in the concept of banking in the operational model and communication channels with customers, and a focus on leading segments, including private-banking customers and small businesses.

As noted, the plan emphasizes improvement in sales through maximizing the potential in encounters with customers across the various channels, with improved, simplified, personalized customer journeys and experience, generating loyalty and engagement, along with proactive, quality, customer-centric service. As part of the implementation of the plan, the Bank will continue to develop measurement tools for the various activities, continue to bring activities of an operational nature out of the branches, and create expert centers for various topics, along with targeted value propositions for customers of all banks, expansion of banking services via Bit, and strengthening of the area of mortgages.

For business clients, the Bank continues to aspire to strengthen its leadership and its standing as the preferred choice for large and mid-sized businesses in Israel. The Bank continues to deepen and develop its activity with business-sector clients, the largest companies and enterprises in Israel, mainly by strengthening its professional response to customers; proactivity in sales; developing digital tools, digital products, and pricing tools for customer portfolio management; attainment of SLA response times in credit applications; and growth adjusted to risk and pricing. In addition, the Corporate Banking Division will continue to expand its activity in the area of complex

Our values

Growth mindset

Growth and development

Encouraging curiosity, learning, and continual improvement, as the foundation for quality up-to-date banking that advances our customers' growth.

Partnership

Working together, for you

Joining forces and collaborating on partners' success, to let customers benefit from our full range of capabilities.

Focus

Dedicated to customers' best interests

Focusing our actions on what matters to customers, while adapting to their evolving needs, to create meaningful value.

Fairness

Fair and responsible action

Treating everyone with fairness and compassion, and acting with integrity, justifying the trust placed in us by the public.

Delivery

Making it happen

Taking the initiative and moving processes forward quickly, to deliver relevant solutions in real time.

credit products and in industries with accelerated growth, through the development of digital products and a dedicated network of leading professionals, in order to provide an optimal response to the unique financing needs of the division's clients. The Bank's leadership will be solidified while improving processes, optimizing and dynamically managing capital resources and risk-adjusted assets, and maintaining its strong capabilities in the area of risk management.

The strategic emphasis in activities in the area of the capital market will be placed on adapting the Bank's response to its customers' needs, to the changes in the capital and currency markets, and to the competitive environment, while preparing for and implementing local and international regulation. The Bank will continue to develop its leadership in the capital market and in the area of financial products, by developing and strengthening its technological infrastructures and digital value proposition, improving operational efficiency through automation and shorter time-to-market, and promoting new business ventures, while adapting and innovating in products to focus on customers' needs and an advanced service experience, with an emphasis on the use of digital tools to provide access to trading arenas, market making, and various types of financial products. The Bank will also continue the dynamic and responsible management of its banking book and investment portfolios, subject to its risk appetite and changes in the financial markets, and in compliance with regulatory requirements.

The Bank's preparations for the future are built on continued reinforcement of infrastructures and core systems, transformation of the work environment, a leap forward in operations, and striving for excellence in realizing business value, productivity, and resource optimization. The Bank is preparing to take a leap forward in digital services and in building advanced, flexible technological capabilities, including the adaptation of systems and adoption of a cloud strategy, to accelerate operational and technological innovation and flexibility. In the coming years, the Bank will continue to work to formulate effective processes and develop its data and GenAI capabilities.

Optimizing the use of resources and enhancing productivity are another element of the plan designed to confer a competitive advantage on the Bank. This element pertains to several content areas, including human capital, as well as the simplification and streamlining of business and operational processes, implementation of advanced technologies, continued effective utilization of resources, and tighter cost discipline, while improving the cost structure at the Bank and striving for operational excellence in areas including technology, and focusing on employee productivity, to bring its initiatives to fruition.

1.2.2. The targets of the strategic plan

In March 2025, the Bank set and published financial targets for 2025–2026, based on implementation of the strategic focus areas described above. The following targets were established:

- Net profit in the range of NIS 8.5–9.5 billion in each of the years;
- Return on equity in the range of approximately 14%–15% in each of the years;
- Growth of the credit portfolio at an average annual rate of approximately 7%;
- Profit distribution at a rate of at least 50% of net profit, through cash dividends or buybacks, subject to the guidelines of the Bank of Israel.

The targets were based on various assumptions, estimates, and evaluations with regard to future events, the materialization of which is uncertain and/or not under the Bank's control, including assumptions regarding macroeconomic conditions, in line with expectations derived from the market at the time of their publication; these included a Bank of Israel interest rate of 4.00% at the end of 2025 and 3.75% at the end of 2026, inflation of 2.3%–2.5% during the years of the plan, and GDP growth of 3.3%–3.5% during the years of the plan. In addition, the targets were set based on the existing regulation at the report date (and did not include the outline for the banking system announced by the Bank of Israel in a press release near the date of approval of the annual financial statements for 2024), including in connection with profit distribution, and did not include the effect of nonrecurring events, such as the recognition of income received from insurers and officers in connection with the United States tax investigation.

The Bank has achieved and surpassed the targets established for 2025. Net profit, excluding the income received from insurers and officers in connection with the United States tax investigation, totaled NIS 9,422 million; return on equity, excluding the aforesaid income, reached 15.3% (reported net profit, including recognition of income from the insurers, as noted above, totaled NIS 9,802 million, with reported return on equity of 15.9%); the portfolio of credit (to the public, net) grew by 13.4%; and profits were distributed at an overall rate (dividends and buybacks) of approximately 50%.

With the approval of the annual financial statements for 2025, the Bank has extended and updated some of its financial targets for 2026–2027, based on the continued implementation of the strategic focus areas:

- The net profit target range has been adjusted to NIS 9–10 billion in each of the years;
- The return on equity target range is approximately 14%–15% in each of the years;
- The target for the growth of the credit portfolio has been adjusted to an average annual rate of approximately 8%–9%;
- Profit distribution in the range of 50%–60% of net profit, through cash dividends and/or buybacks, subject to the guidelines of the Bank of Israel.

The targets are based on various assumptions, estimates, and evaluations with regard to future events, the materialization of which is uncertain and/or not under the Bank's control, including assumptions regarding macroeconomic conditions, in line with expectations derived from market expectations, where relevant; these include a Bank of Israel interest rate of 3.25% at the end of 2026 and 3.00% at the end of 2027, inflation of 1.5% in 2026 and 2.0% in 2027, and GDP growth of 4.3% in 2026 and 3.6% in 2027. The targets were established based on the existing regulation in effect at the date of publication of the report, including an assumption that the effect of the special tax applied to the banking system on the results of the Bank in the last two years will remain similar in 2026 and 2027 (see Note 8 to the Financial Statements regarding the legislative initiative concerning special taxation of the banking system). The targets were also established taking into consideration the Bank's planned relocation during the course of 2027 to the Poalim Center building in Tel Aviv, where all headquarters employees will be centralized, allowing the sale of several properties that are to be vacated, of the total owned properties; the initial assumption is that pre-tax profit from the sale will be in the range of NIS 800–900 million, to be recognized from 2027 onward (see also the section "Fixed assets" in the Corporate Governance Report).

The aforesaid targets, including the assumptions regarding the possible quantitative effect of future events, may not be realized, in full or in part, and the actual business results achieved may be materially different, due, among other factors, to the failure of the assumptions detailed above to materialize; changes in the business environment, in Israel and globally, and in macroeconomic conditions; the condition of the global economy; the economic, political, and security situation in Israel and in the region; regulatory changes (including changes in taxation) and consequent restrictions applicable to the Bank; or the materialization of any of the risk factors that affect the Bank. See the section "Review of risks," below.

The Bank's plans and the financial targets are subject to changes that may be required from time to time, including due to factors that may affect their realization, as described above. Subject to the directives of the law, the Bank shall not be obligated to update the information regarding the financial targets at any time.

1.2.3. Organizational changes

Over the course of 2025, the Bank implemented organizational changes aimed at maximizing the realization of its competitive advantages and strategic assets in an optimal and efficient manner. Within this effort, the Bank continued the processes of renewal of the operating model of the Retail Banking Division, including the formulation and initial implementation of a new regional management structure, which aspires to create a business focus while improving standardization in enterprise-wide activities and improving response times, as a strategic competitive advantage. Concurrently, the Bank worked to create an advanced unified structure within the Technology Division, designed to accelerate the development and application of data-based and GenAI solutions, in the awareness that these technologies are a key growth driver for the Bank for the coming years.

The Bank has also continued to expand and extend the "Tribes" working model, while strengthening the Agile methodology in the work of multi-disciplinary teams, by establishing the new Client Assets Tribe composed of professionals from business and technological fields, with the mission of promoting products in the areas of client assets and ensuring optimal responsiveness to the evolving needs of customers and the market. These processes reflect the Bank's commitment to leadership in innovation, increased operational efficiency, and deepening its competitive advantage in the financial market.

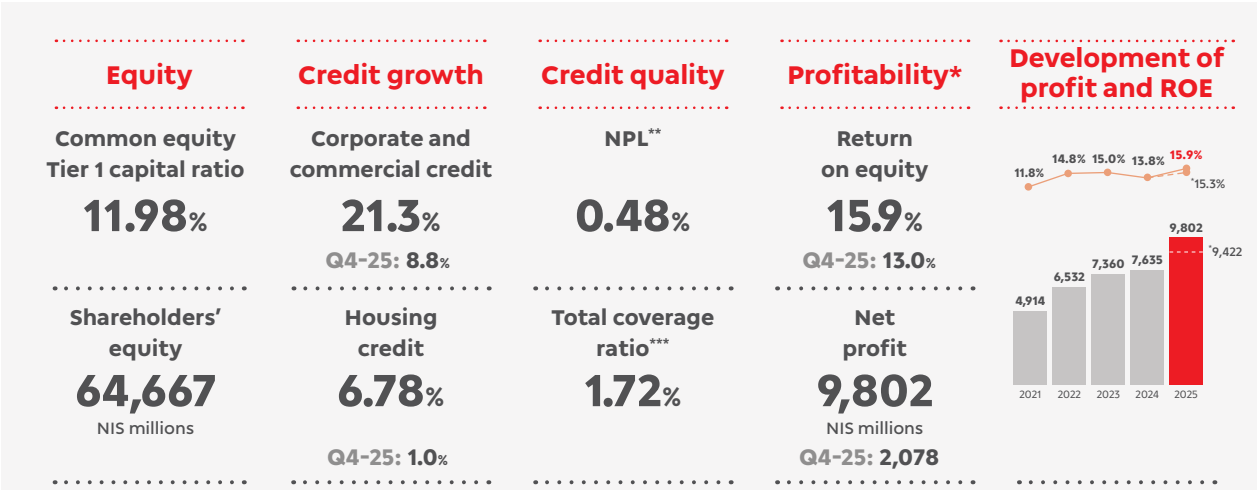
1.2.4. Forward-looking information

The Bank's approved strategy, focus areas, and work plans and the working assumptions on which they are based refer to the Bank's future activities; therefore, the information in this section with regard to the Bank's action plans and intentions is "forward-looking information."

In any planning, especially in planning for a range of several years, there is a considerable degree of uncertainty. Various external factors may prevent the assumptions on which the strategic plan is based from materializing, or may prevent them from materializing in full, and may prevent the realization or full realization of future plans, including the business environment in Israel and globally; macro conditions; interest-rate trends; the change in inflation; the condition of the global economy; the economic, political, geopolitical, and security situation in Israel and in the region; and regulatory changes and the consequent restrictions applicable to the Bank.

1.3. Condensed financial information

Diagram 1-1: Key data and indicators as at December 31, 2025, and for the year ended December 31, 2025



* Excluding profit in the amount of approximately NIS 380 million, net, after tax, due to amounts received from insurers and officers in connection with the settlement in a derivative claim concerning the United States tax investigation; the profit excluding this item for 2025 is NIS 9,422 million (ROE 15.3%), and the profit excluding this item for the fourth quarter of 2025 is NIS 2,078 million (ROE 13.0%). For further details, see Note 25.C.c.1 to the Financial Statements.

** Credit to the public not accruing interest income as a percentage of the recorded balance of credit to the public.

*** The total allowance for credit losses (including in respect of off-balance sheet balances) as a percentage of the recorded balance of credit to the public.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Main profit and loss data – quarterly development								
Net interest income	**4,203**	4,829	4,796	4,275	4,175	4,577	4,384	3,814
Non-interest financing income	**385**	311	497	325	323	42	322	272
Net financing profit	**4,588**	5,140	5,293	4,600	4,498	4,619	4,706	4,086
Provision (income) for credit losses	**388**	347	302	262	350	406	(49)	(14)
Fees and other income[1]	**1,132**	1,561	1,152	1,090	1,013	1,008	1,026	1,004
Operating and other expenses	**2,250**	2,052	2,113	1,989	2,806	2,062	2,106	2,033
Profit before taxes	**3,082**	4,302	4,030	3,439	2,355	3,159	3,675	3,071
Net profit attributed to shareholders of the Bank	**2,078**	2,758	2,542	2,424	1,554	1,905	2,238	1,938
Return of net profit	**13.0%**	17.6%	16.7%	16.4%	10.8%	13.6%	16.4%	14.6%
Net profit attributed to shareholders of the Bank excluding items[2]	**2,078**	2,378	2,542	2,424	1,554	1,905	2,238	1,938
Return of net profit excluding items[2]	**13.0%**	15.2%	16.7%	16.4%	10.8%	13.6%	16.4%	14.6%
Financing margin from regular activity[3]	**2.42%**	2.79%	2.85%	2.65%	2.53%	2.79%	2.79%	2.54%

(1) In the third quarter of 2025, includes income in the amount of approximately NIS 432 million due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements.

(2) In the third quarter of 2025, excludes profit in the amount of approximately NIS 380 million, net, after tax, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation, as noted above.

(3) Financing profit from regular activity (see the section "Material developments in income, expenses, and other comprehensive income," below) divided by total financial assets after allowance for credit losses, net of non-interest bearing balances of debtors in respect of credit-card activity.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time (continued)

	For the year ended December 31				
	2025	2024	2023	2022	2021
Main performance indicators					
Return of net profit attributed to shareholders of the Bank on equity	**15.9%**	13.8%	15.0%	14.8%	11.8%
Return of net profit on equity attributed to shareholders of the Bank excluding items[1]	**15.3%**	13.8%	15.0%	14.8%	11.9%
Return of net profit on average assets	**1.33%**	1.11%	1.09%	1.01%	0.85%
Return of net profit excluding items[1] on average assets	**1.28%**	1.11%	1.09%	1.01%	0.85%
Ratio of income to average assets	**3.33%**	3.18%	3.17%	2.78%	2.48%
Ratio of income excluding items[2] to average assets	**3.28%**	3.18%	3.17%	2.78%	2.48%
Ratio of net interest income to average assets	**2.46%**	2.46%	2.39%	2.09%	1.68%
Ratio of fees to average assets	**0.60%**	0.58%	0.58%	0.57%	0.58%
Efficiency ratio – cost-income ratio	**34.2%**	41.0%	38.5%	44.5%	54.2%
Efficiency ratio excluding items – cost-income ratio[2]	**34.8%**	41.0%	38.5%	44.5%	54.2%
Financing margin from regular activity[3]	**2.68%**	2.66%	2.67%	2.35%	1.79%
Liquidity coverage ratio (LCR)[4]	**130%**	131%	129%	122%	124%
Net stable financing ratio (NSFR)[5]	**116%**	125%	128%	130%	136%

	December 31				
	2025	2024	2023	2022	2021
Ratio of common equity Tier 1 capital to risk components[6]	**11.98%**	11.80%	12.02%	11.25%	10.96%
Ratio of total capital to risk components[6]	**15.27%**	14.77%	15.07%	14.70%	14.22%
Leverage ratio[6]	**7.52%**	7.17%	6.92%	6.34%	6.03%

(1) In 2025, excluding profit in the amount of approximately NIS 380 million, net, after tax, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements. In 2021, excluding expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers.

(2) Total income – net interest income and non-interest income. In 2025, excluding income in the amount of approximately NIS 432 million, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation, as noted above.

(3) Financing profit from regular activity (see the section "Material developments in income, expenses, and other comprehensive income," below) divided by total financial assets after allowance for credit losses, net of non-interest bearing balances of debtors in respect of credit-card activity.

(4) Based on the daily average in the three months ended on the report date.

(5) For additional information, see the section "Liquidity and refinancing risk," below.

(6) For additional information, see the section "Capital, capital adequacy, and leverage," below.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time (continued)

	December 31 and the year then ended				
	2025	2024	2023	2022	2021
Main credit quality indicators					
Total allowance for credit losses* as a percentage of credit to the public**	**1.72%**	1.76%	1.92%	1.64%	**1.65%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public**	**1.49%**	1.51%	1.69%	1.40%	**1.43%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public**	**0.52%**	0.62%	1.06%	0.89%	**1.20%
Net charge-offs as a percentage of average credit to the public	**0.08%**	0.17%	0.09%	(0.03%)	(0.06%)
Provision (income) for credit losses as a percentage of average credit to the public***	**0.27%**	0.16%	0.46%	(0.01%)	(0.37%)
			NIS millions		
Main profit and loss data					
Net profit attributed to shareholders of the Bank	**9,802**	7,635	7,360	6,532	4,914
Net profit attributed to shareholders of the Bank excluding items[(1)]	**9,422**	7,635	7,360	6,532	4,957
Net interest income	**18,103**	16,950	16,085	13,467	9,767
Net financing profit[(2)]	**19,621**	17,909	17,352	14,048	10,848
Non-interest income	**6,453**	5,010	5,297	4,453	4,625
Non-interest income excluding items[(3)]	**6,021**	5,010	5,297	4,453	4,625
Of which: fees	**4,431**	3,980	3,892	3,705	3,355
Total income	**24,556**	21,960	21,382	17,920	14,392
Total income excluding items[(3)]	**24,124**	21,960	21,382	17,920	14,392
Provision (income) for credit losses	**1,299**	693	1,879	(34)	(1,220)
Operating and other expenses[(4)]	**8,404**	9,007	8,231	7,972	7,803
Of which: salaries and related expenses	**4,671**	4,486	4,577	4,470	4,409
Additional data					
Net profit per share attributed to shareholders of the Bank – basic (in NIS)	**7.43**	5.72	5.50	4.89	3.68

* Including the allowance in respect of off-balance sheet balances.

** The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. For this purpose:

1. The overall allowance for credit losses, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.80%.
2. The allowance for credit losses in respect of credit to the public, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.51%.
3. The term "impaired credit" has been eliminated, and non-accruing credit is presented instead. Comparative figures for previous periods have not been restated. If comparative figures had been restated, for convenience (i.e. accruing debts previously classified as impaired debts were not included in non-accruing debts under the new directives), credit to the public that is non-accruing or past due by 90 days or more as a percentage of credit to the public as at December 31, 2021, would be 1.13%.

*** Including provisions in respect of banks and governments.

(1) In 2025, excluding profit in the amount of approximately NIS 380 million, net, after tax, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements. In 2021, excluding expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers.

(2) Net financing profit includes net interest income and non-interest financing income (expenses).

(3) In 2025, excluding income in the amount of approximately NIS 432 million, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation, as noted above.

(4) In 2024, includes costs in the amount of approximately NIS 600 million in respect of the efficiency plan, included in the "other expenses" item.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time (continued)

	December 31				
	2025	2024	2023	2022	2021
	NIS millions				
Main balance sheet data					
Total assets	**766,665**	720,844	686,530	665,353	638,781
Of which: Cash and deposits with banks	**71,892**	117,053	107,730	133,424	189,283
Securities	**144,245**	121,838	127,122	107,400	71,105
Net credit to the public	**502,881**	443,483	407,381	388,727	352,623
Net problematic credit risk*	**7,159**	7,807	7,814	6,487	7,926
Credit to the public not accruing interest income (NPL)*	**2,448**	2,678	4,012	3,444	2,897
Total liabilities	**701,988**	662,694	634,100	618,850	596,034
Of which: Deposits from the public	**592,676**	574,285	554,595	532,588	525,072
Deposits from banks	**10,367**	10,837	9,085	8,696	11,601
Bonds and subordinated notes	**35,896**	20,190	21,800	26,866	25,582
Shareholders' equity	**64,677**	58,150	52,430	46,502	42,735
Additional data					
Share price at end of year (in NIS)	**72.1**	44.0	32.9	31.7	32.1

	For the year ended December 31				
	2025	2024	2023	2022	2021
Total dividend per share (in NIS)**	**3.10**	1.73	1.69	1.10	1.11
Average number of employee positions	**8,479**	8,471	8,602	8,562	8,694

* The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Within this process, the term "impaired credit" has been eliminated, and non-accruing credit is presented instead. In addition, housing loans past due by 90 days or more are classified as non-accruing credit. If the balance of credit to the public not accruing interest income (NPL) as at December 31, 2021, were restated, the balance would be NIS 3,955 million. If net problematic credit risk were restated, the balance as at December 31, 2021, would be NIS 7,796 million.

** Dividends in respect of the relevant year (excluding buyback of shares, as detailed in the section "Capital, capital adequacy, and leverage" below).

Key environmental, social, and governance (ESG) indicators

Bank Hapoalim is an integral part of the economy and society of Israel, and, as a large financial organization, has a significant impact on the environment and community within which it operates. In view of this responsibility, the Bank embeds social, environmental, and governance considerations in its business operations, to benefit all of its stakeholders, in support of the social and economic growth of the State of Israel and the global efforts to cope with climate change.

The Bank reports on these activities annually (since 2008) in its ESG report, written in accordance with the international GRI Standard and the SASB standard. The Bank's ESG report includes a climate section aligned with the principles of the TCFD. The Bank has been a signatory of the UN Global Compact since 2010.

The following is a summary of the key indicators on environment, social, and governance aspects for activities led by the Bank in 2025.



Environmental



Social



Governance

Environmental

The bank is committed to helping in coping with the climate crisis and supporting decarbonization of the economy, including through financing of and investment in projects promoting a green environment, management of environmental and climate risks, and reduction of the carbon footprint of the bank's operations. For details regarding environmental and climate risk management, see the section "Review of risks," below.

- **~NIS 30.3 billion –** Balances of credit (balance sheet and off-balance sheet) as at December 31, 2025 (NIS 32.0 billion as at December 31, 2024), granted to projects supporting a green environment in the areas of renewable energies, green building, clean transportation, energy efficiency, and waste and water treatment.
- **~NIS 341 million –** Total investment facility (including investment commitments) for renewable energy projects as at December 31, 2025 (NIS 500 million as at December 31, 2024), through Poalim Equity.
- **27.4 tCO_2e –** Emissions intensity per million NIS of credit in 2025 (compared with 28 tCO_2e in 2024).
- **37.1% –** Rate of reduction of the carbon footprint of the operational activities of the Bank in 2025 in comparison to 2020; 12.2% reduction in 2025. The Bank changed its carbon footprint measurement methodology in 2025, in accordance with prevailing best practices. The change in the measurement method was applied retroactively, beginning in 2020.

Social

The Bank aspires to create a beneficial impact on the society and community of Israel. Within this ambition, the Bank promotes the growth of small businesses through financing solutions, professional guidance, and supportive tools; cultivates an empowering work environment; and promotes accessibility, diverse employment, and financial empowerment for the general public. In times of emergency and war, the Bank's commitment to values-driven and responsible action is intensified; accordingly, this year the Bank stepped up its activities in support of society and the community and its efforts to provide relief to customers coping with the impacts of the war.

- **NIS 445 million –** Total benefits and reliefs offered by the Bank, to help cope with the security situation and according to the outlines of the Bank of Israel in 2025, and utilized by its customers (NIS 278 million in 2024).
- **NIS 38.5 billion –** Total balance of credit for the small-business segment as at December 31, 2025 (NIS 34.5 billion at the end of 2024).
- **The Bank placed eleventh** among all companies in the Israeli economy (and earned first place among banks) in the BDI survey ranking the 100 best workplaces (in a survey published in June 2025).
- **15.1%** of the employees of the Bank belong to population groups underrepresented in the job market (13.8% in 2024).
- **NIS 94 million –** Donations of the Bank in 2025 (NIS 119 million in 2024), of which approximately NIS 39 million through Poalim Community (approximately NIS 51 million in 2024); approximately NIS 53 million invested in 2025 through the Rebuild Fund, a fund in the amount of NIS 100 million dedicated to the restoration of communities harmed by the events of October 7th and the Swords of Iron War (at the date of the report, the fund has completed its activity); and approximately NIS 2 million through a targeted emergency fund for residents of northern Israel during the Swords of Iron War and through the Bank's New York offices.
- **~61,500 volunteer hours** invested in activities organized by Poalim Volunteers.

- **~650,000 people** accessed educational content on the Financial Growth Center website, which offers tools and knowledge for astute financial behavior.
- **17 –** Employee engagement index score at the Bank (versus 44.5 in 2024).

Governance

The Bank operates according to the principles of corporate governance, as reflected in the legislative and regulatory environment, with strict adherence to fairness and transparency towards stakeholders. Concurrently, the conduct of the Bank is guided by the cultural values and principles grounded in its code of ethics and vision.

- **40%** women on the Board of Directors (similar to 2024).
- **57.2%** women in the overall management tier of the Bank (57.3% in 2024); 38.0% women in senior management (39.6% in 2024).
- **~97%** of employees completed learning modules on compliance in various areas in 2025.
- **~95%** of the Bank's purchasing in 2025 was from suppliers that are located in Israel and employ workers here.

Within its ambition to continue to create social and environmental impacts in the coming years, the Bank has set ESG targets for 2030.

With regard to environmental aspects, the Bank aspires to increase financing and investments in projects promoting a green environment, while setting various internal limits on financing for coal and oil exploration and production projects, and performing a process to reduce holdings in companies operating in these areas in its proprietary portfolio to zero by the date of the report. In addition, the Bank will manage environmental and climate risks in its business operations, guide customers through the transition to a low-carbon economy, and continue to work to reduce its carbon footprint. On the social level, the Bank aspires to promote gender equality by striving for representation of women in all management tiers at the Bank according to the proportion of women in its workforce, and to promote diverse employment by increasing the diversity of its workforce.

1.4. Key trends in the activity of the Bank in 2025

2025 was marked by a continued focus of the Bank on balanced growth, improving efficiency, and maintaining credit portfolio quality, while expanding solutions for its customers. Throughout 2025, the Bank presented strong financial performance: net profit totaled approximately NIS 9,802 million, with return on equity of 15.9% (approximately 15.3% excluding extraordinary items, as detailed in Table 1-1 above).

High profitability supported by growth of activity

A key driver of the Bank's performance in 2025 was the continued growth in the regular income of the Bank, mainly due to an increase in the volume of activity. The credit portfolio grew by approximately 13.4% in 2025, compared with approximately 8.9% in the same period of the preceding year; the growth was reflected in all segments of activity of the Bank: consumer credit, mortgages, credit for small businesses, and commercial and corporate credit.

Regular income of the Bank increased by approximately NIS 2.2 billion (compared with an increase of approximately NIS 0.6 billion in the same period of the preceding year).

Net nonrecurring income (of approximately NIS 380 million after tax) was recorded in 2025 in connection with the settlement of a derivative claim concerning the tax investigation in the United States, through amounts received from insurers and officers.

Customer-centric – outlines for reliefs, grants, and benefits, and deeper proactive measures

A new marketing and service concept was introduced at the Bank in 2025, which serves as the foundation for the Proactive Banking operating model of the Bank. This is banking that not only responds to customers' requests but focuses on early identification of the needs that customers encounter, seeks opportunities, endeavors to prevent errors, and offers timely solutions. It is a new way of looking at the Bank's relationships with customers, and will be expressed at every point of contact with them.

The Bank is also promoting artificial-intelligence applications to create direct value for customers, with awareness and monitoring of the risks involved and in line with Israeli and global trends.

The Bank also worked in 2025 to expand benefits for its customers to help cope with the impacts of the security situation, and granted monetary reliefs to its customers in accordance with the voluntary outline of the Bank of Israel. As part of this process, the Bank awarded Gift Shares to eligible customers, with the eligible customers receiving a choice of shares of the Bank or a monetary grant. In addition, the Bank provided aid through the Poalim Rebuild Fund and the Poalim Community Foundation. The benefits offered by the Bank and utilized by customers in 2025 totaled approximately NIS 445 million.

In light of the developments in the security situation and in view of the Bank's commitment to assist its customers during this challenging time, at the outset of Operation Roaring Lion the Bank announced a series of value propositions for its customers.

Digital services and payments – continued establishment of Bit as a strategic asset

The Bank has continued to develop the Bit app as a strategic asset: the app currently serves approximately 3.5 million active users, of which about two-thirds do not own an account at the Bank. Main uses of Bit: P2P money transfers and receipts; managing balances and deposits; payments to businesses and websites (bitcom); collecting money in groups; ordering foreign currency at the airport; paying bills; donations; and receiving credits from companies.

Continued improvement of operational efficiency (cost-income)

One of the notable characteristics of 2025 was a consistent improvement in the cost-income ratio, which reached approximately 34.2% in 2025, compared with approximately 41.0% in the same period of the preceding year. This trend allows the continued effective utilization of resources while improving the cost structure at the Bank, with a focus on employee productivity, process improvement, and maintaining cost discipline.

Credit portfolio quality along with a conservative approach to allowances

Alongside the growth of credit, the Bank has continued to apply a cautious approach to credit risk management, with an emphasis on expanding its collective allowance, in light of the growth of the credit portfolio, and maintaining a buffer in view of the geopolitical and economic uncertainty. A provision for credit losses in the amount of approximately NIS 1,299 million was recorded in 2025, mainly due to an increase in the collective allowance, as noted.

Concurrently, credit portfolio quality indicators remained strong, or even improved: the NPL ratio decreased to 0.48%, while the total coverage ratio reached 1.72% at the end of 2025.

Capital robustness with diversified financing sources

The Bank maintained robust capital and liquidity ratios during the year: at the end of 2025, the common equity Tier 1 capital ratio was 11.98% and the liquidity coverage ratio (LCR) was 130.0%, significantly higher than the regulatory minimum requirements.

The Bank declared cumulative cash dividends in respect of the profits of 2025 in the amount of approximately NIS 4.1 billion. In the second quarter of 2025, the Board of Directors resolved on an update of the distribution policy, to up to 50% of net profit; in the third quarter of 2025, the Bank adopted a new plan for buybacks of shares of the Bank at a volume of up to NIS 1 billion. The total distribution (dividends and buybacks) in respect of the profits of 2025 amounts to approximately NIS 4.9 billion, constituting approximately 50% of the annual profits.

Concurrently, the Bank continued to act to diversify its financing sources, through a combination of funding in the domestic market and overseas markets, short-term financing and medium- to long-term financing, and debt and Tier 2 capital instruments, supporting its capital adequacy and liquidity goals.
Within this process, the Bank carried out several issuances in the local market, including subordinated notes and commercial securities, for the management of its composition of sources and liquidity.
In January 2026, the Bank completed the issuance of bonds at a volume of approximately USD 2 billion in an international private offering, with a broad geographical distribution of investors, thereby expanding its investor base.
These steps contribute to the diversification of the liability base and financing sources of the Bank, and support its ability to continue to finance its activity continuously, even under changing market conditions.

1.5. Condensed description of the principal risks to which the Bank is exposed

The Bank performs comprehensive examinations to assess the risks to which it is exposed and estimates the materiality of such risks. Within the ICAAP (Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic-competitive risk, regulatory risk, compliance risk, and model risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk (which may materialize via credit risks, investment risks, market risks, and more), and climate and environmental risks.
For additional information about risks in general, see the section "Top and emerging risks," the section "Impacts of the war and the security situation," and the section "Review of risks," below; and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2025.

1.6. Forward-looking information

Some of the information in these reports that does not refer to historical facts (even if it is based on processing of historical data) constitutes forward-looking information, as defined in the Securities Law, 1968. The actual results of the Bank may differ materially from those included in forward-looking information, including, among other factors, as a result of changes in capital markets in Israel and globally, macroeconomic changes, changes in geopolitical conditions, regulatory changes, accounting changes, changes in taxation rules, and other changes not under the Bank's control, which may lead to the failure of estimates to materialize and/or to changes in the Bank's business plans. Forward-looking information is usually marked by words or phrases such as "forecast," "plan," "objective," "risk estimate," "scenario," "stress scenario," "risk assessment," "correlation," "distribution," "we believe," "expect," "predict," "estimate," "intends," "plans," "aims," "may change," "should," "can," "will," or similar expressions. Such forward-looking expressions involve risk and uncertainty, because they are based on management's estimates regarding future events, which include changes in the following parameters, among others: economic conditions, public tastes, interest rates in Israel and overseas, inflation rates, new legislation and regulation in the area of banking and the capital market, exposure to financial risks, the financial stability of borrowers, the behavior of competitors, aspects related to the Bank's image, the security situation in Israel, technological developments, manpower-related matters, and other areas that affect the activity of the Bank and the environment in which it operates, the materialization of which is uncertain by nature.
This information reflects the Bank's current viewpoint with regard to future events, which is based on estimates, and is therefore subject to risks and uncertainty, as well as to the possibility that expected events or developments may not materialize at all or may only partially materialize, or even that actual developments may be the opposite of expectations.
The information presented in the reports is based, among other things, on information known to the Bank and based, among other things, on publications by various entities, such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Construction and Housing, and other entities that publish data and estimates regarding the Israeli and global capital markets.



2. Explanation and analysis of results and business position

2.1. Trends, events, developments, and material changes

2.1.1. Economic and financial review

Economic activity in Israel

Economic growth fluctuated over the last year, according to the geopolitical developments. Operation Rising Lion led to sharp contraction of economic activity in the second quarter, after which rapid growth occurred in the second half of the year, also influenced by the ceasefire agreement, among other factors. On February 28, 2026, the United States and Israel launched an attack in Iran aimed at destroying its nuclear capabilities and reducing the threat of ballistic missiles to countries in the region. On the first day of the war Iran's leadership was targeted, and within that, its supreme leader Khamenei was killed. Iran retaliated with a counterattack of missiles on Israel and on American military bases. The Iranian missile attack resulted in casualties. As of the beginning of March, the fighting is ongoing. At this stage, we cannot estimate the duration of the war, including its economic and financial impacts. The previous round of fighting with Iran last June led to a sharp but temporary decline in economic activity, with no severe reactions in the financial markets. The economy grew at a rate of 3.1% in 2025 in comparison to 2024. The Bank of Israel estimates that GDP in the second half of the year is still approximately 3.5% lower than the GDP level derived from the long-term growth trend of the economy. This gap is gradually narrowing, but is still influenced by factors such as the absence of Palestinian workers. In terms of GDP uses, private consumption grew at a moderate rate of 2.6%, with high volatility, aligned with the security situation. Fixed-asset investments rose by 8.1%, largely due to a 16% increase in investments in residential construction. Exports of goods and services, excluding startup companies and diamonds, rose by 6.1%.

2.4%
CPI increase

(12.5%)
Change in USD exchange rate

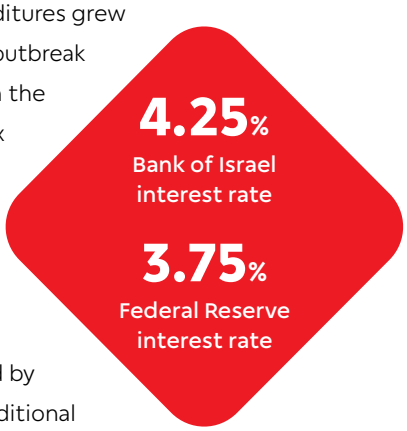
The unemployment rate remained stable throughout the year, at an average level of 3.0%, with an increase of 1.4% in the number of employed persons in 2025. In the residential real-estate market, a slowdown was recorded in purchases of homes; overall in 2025, sales of new homes decreased by approximately 25%, while sales of pre-owned homes remained at a similar level to 2024. The number of new homes sold this year reached approximately 34 thousand units, a very low level in relation to the volume of construction starts and construction permits given in the last few years, which reached approximately 80 thousand units per year. Accordingly, the number of unsold homes rose during the year, to approximately 83 thousand units in December 2025. According to a survey by the Central Bureau of Statistics, prices of homes rose by a cumulative 1.4% in December 2025 and January 2026, following a decrease in the preceding eight months. Overall in 2025, prices of homes rose at a nominal rate of 0.4%, but were approximately 1.4% lower than the peak recorded in February 2025.

Developments in the global economy

The global economy showed solid expansion in 2025, despite tariffs and trade restrictions imposed during the year, the continuation of the war in Ukraine, and the attack in Iran. On the global level, growth is evidently influenced by the expansionary fiscal policies, including an increase in defense expenditures globally, the wave of investments in artificial-intelligence technologies, and improved labor productivity, which may also have been influenced by artificial intelligence. The International Monetary Fund estimates that global growth remained at 3.3%, slightly above advance forecasts. The financial markets, and stock markets in particular, showed sharp gains, due to factors including investors' optimism regarding the maturation and absorption of artificial-intelligence technologies and the expectation of a steady increase in companies' profitability. Economic activity in the United States expanded relatively rapidly, reaching 2.2% growth overall in 2025; however, some cooling is apparent in the labor market, and job creation has slowed. Total growth of 1.5% was recorded in 2025 in the Eurozone, while in China the economy maintained a 5.0% growth rate again over the last year. The gradual decrease in the inflation environment that began in 2024 continued in most countries throughout the year. Annual inflation in the United States moderated to 2.7% in 2025, or a decrease to 2.6% excluding food and energy. In the Eurozone, annual inflation decreased to 1.9% in December 2025, and the core index fell to 2.3%. The more moderate inflation enabled many central banks to further lower interest rates, including the Federal Reserve in the United States. In the first half of 2025, the Federal Reserve maintained caution and kept the interest rate unchanged, in view of the high uncertainty. In September 2025, the Federal Reserve lowered the interest rate by 0.25%, to 4.25%, with two additional reductions in the fourth quarter of 2025, to 3.75%. The European Central Bank (ECB) had already lowered the deposit rate in the first half of 2025, and it has since remained unchanged at 2.0%. The central bank in the Britain also lowered its interest rate over the course of 2025, to 3.75%. The markets are currently pricing in expectations of further moderate interest-rate reductions over the coming year in the United States and Britain, with stability in the Eurozone.

Fiscal and monetary policy

2025 ended with a budget deficit in the amount of NIS 98.6 billion, compared with a deficit of NIS 135.6 billion in 2024. The deficit as a percentage of GDP was 4.7%, compared with a budget deficit of 6.8% of GDP in the preceding year. The deficit was below the target set when the budget was submitted, which was 4.9% of GDP. Expenditures grew by 4.8% in 2025. Expenses for the war in 2025 reached NIS 90.8 billion. Gross expenses since the outbreak of the war are at approximately NIS 232 billion, of which approximately NIS 27.2 billion from the compensation fund. Tax revenues grew at a high rate of 14.1%, due to factors including tax increases imposed at the beginning of the year, such as the one-percent increase of VAT, to 18%, taxation of trapped profits, and non-linkage of tax brackets. The ratio of public debt to GDP, which was 67.7% at the end of 2024, rose to approximately 68.6% by the end of 2025. The government has approved the budget proposal for 2026, with a deficit ceiling of 3.9%.



The Bank of Israel interest rate was 4.5% for most of the year. The interest rate was lowered by 0.25% in November 2025, to 4.25%, and remained at that level until the end of the year. An additional reduction of 0.25% was applied in January 2026, to 4.00%. The explanation given for the interest rate remaining steady through most of the year was the high level of geopolitical uncertainty and the tight labor market. In addition, it should be noted that inflation was above the target during most of this period, although inflation expectations were within the target range.

Inflation and exchange rates

The "known" consumer price index (known at the end of the year) rose by 2.4% in 2025. The "in lieu" index (for the month of December 2025) rose by 2.6%, within the inflation target range of the Bank of Israel. Prices of nontradable goods rose by 3.4%, while prices of tradable goods rose by 1.4%. Inflation during the year was influenced by the tight labor market and the wage increases in the Israeli economy, which had the effect of raising prices of services. The housing component rose by 3.7% over the last year and had a notable contribution to the increase in the index. By contrast, the strengthening of the shekel had the effect of tempering the price increases. The shekel appreciated by 12.5% against the US dollar and by 1.3% against the euro in 2025. The currency appreciation resulted from improvement in the country's geopolitical position, gains in global stock markets leading institutional investors to sell foreign currency, and continued growth of the activity of high-tech companies, including a number of large transactions in which Israeli technology companies were sold to foreign companies. Because the US dollar weakened in global currency markets, the appreciation against it was sharp. The sharp appreciation of the shekel may damage the profitability of export companies. The shekel continued to strengthen in January 2026, by 3.0% against the dollar and 1.4% against the euro. Foreign-currency balances rose by approximately USD 15 billion during the year, reaching approximately USD 229 billion.

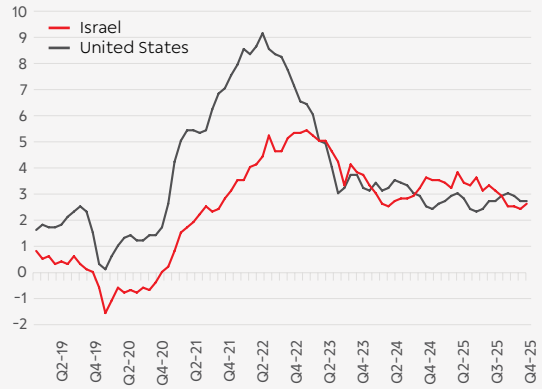
Financial and capital markets

Overall in 2025, most global stock indices showed sharp gains. The S&P 500 index in the United States rose by 16.4%, the NASDAQ index rose by 20.4%, and the Stoxx Europe 50 index rose by 18.3%. In Israel, the TA-125 index outperformed global stock markets, rising sharply by 51% overall in 2025; most of the gains were recorded in the second half of the year, after Operation Rising Lion in June 2025. Daily turnovers in equities and convertible instruments increased to a record average level of NIS 3.4 billion in 2025, compared with NIS 2.2 billion on average in 2024.

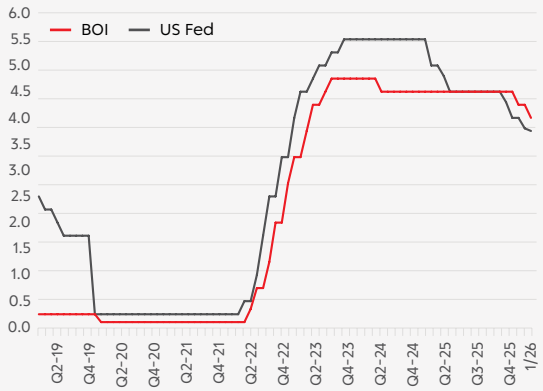
High volatility in bond markets continued during the year amid the geopolitical events. The yield of ten-year government bonds in Israel fell from 4.46% at the end of 2024 to 3.96% at the end of 2025, with most of the decrease recorded in the second half of the year, after Operation Rising Lion. Yields of ten-year bonds in the United States decreased from 4.57% at the end of the 2024 to 4.17% at the end of 2025. The unlinked government bond index rose by 7.3% in 2024, and the linked government bond index rose by 4.7%. The general corporate bond index rose by 6.4%, while yield spreads against government bonds decreased to a low level of 1.1% at the end of 2025, versus 1.3% at the end of 2024. Debt funding by non-financial Israeli companies through bonds grew in 2025, and totaled approximately NIS 73 billion, compared with approximately NIS 60 billion in 2024. Funding by real-estate companies rose sharply, constituting approximately 61% of all bond funding by the non-financial sector in 2025.

Diagram 2-1: Government bond yields, the consumer price index, interest rates, and the equity market

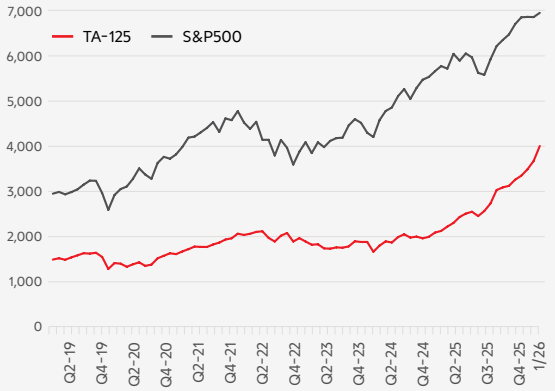
Consumer price index
Rate of monthly change year-on-year, in %



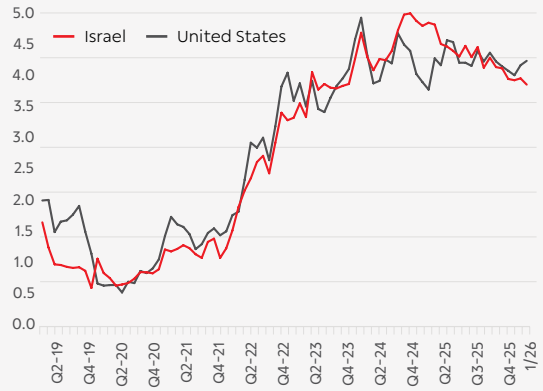
Interest rates
In %, end of period



Equity market
In terms of local currency, end of period



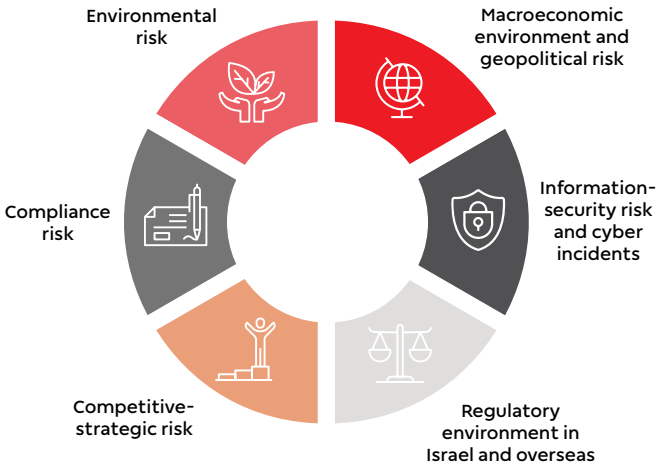
10-year government bond yields
In %



2.1.2. Top and emerging risks

Based on the recommendations of the FSB (Financial Stability Board), a top risk is defined as a development currently occurring in the business environment of the Bank that may adversely affect the Bank's results over the course of the coming year. By contrast, with respect to an emerging risk, there is greater uncertainty regarding the timing of materialization of the risk as an occurrence with a material effect on the strategy of the Bank.

Diagram 2-2: Top and emerging risks



The Board of Management and Board of Directors of the Bank have discussed the effect of the top and emerging risks described below on the Bank; from time to time, they examine the need to adjust business strategy to such developments:

- **Macroeconomic environment and geopolitical risk:** The activity of the Bank is, to a great extent, dependent on economic conditions in Israel and globally. Market volatility, changes in monetary policy and interest-rate curves, fluctuations in prices of financial assets and real estate, and the economic, political, and security situation in Israel and in the region all have the potential to affect the activity and results of the Bank. The level of uncertainty is high, due, among other matters, to the possibility of security-related developments, changes in fiscal policy, political and legal controversies, and the absence of an approved budget for 2026 at this time – a budget that may be influenced by defense needs and by the election year. The multi-annual strategic plan of the Bank assumes various macroeconomic scenarios, balancing reward with risk.

  Impacts of the war and the security situation on the economy in Israel: The effects of the war (which began on October 7, 2023) subsided over the course of 2024, due to factors including the government support and the return to routine economic activity. Operation Rising Lion impaired activity in the second quarter of 2025; after its end, growth accelerated in the second half of the year, influenced, among other factors, by the agreement for the ceasefire in Gaza signed in October 2025. On February 28, 2026, the United States and Israel launched an attack in Iran aimed at destroying its nuclear capabilities and reducing the threat of ballistic missiles to countries in the region. On the first day of the war Iran's leadership was targeted, and within that, its supreme leader Khamenei was killed. Iran retaliated with a counterattack of missiles on Israel and on American military bases. The Iranian missile attack resulted in casualties. As of the beginning of March, the fighting is ongoing. At this stage, we cannot estimate the duration of the war, including its economic and financial impacts. The previous round of fighting with Iran last June led to a sharp but temporary decline in economic activity, with no severe reactions in the financial markets.

The fiscal situation in Israel has stabilized, with a decrease in the budget deficit as a percentage of GDP in 2025 to 4.7%. Concurrently, public debt as a percentage of GDP also stabilized at 69%. The improvement in the fiscal situation resulted from a decrease in defense expenditures, along with a sharp increase in tax revenues, as a result of a number of measures adopted by the government in early 2025, such as the increase in VAT, the tax on "trapped profits," and the non-linkage of tax brackets to the consumer price index.

In the residential real-estate market, the deceleration of purchases of homes continued, and the number of unsold homes rose to approximately 83 thousand units. According to a survey by the Central Bureau of Statistics, prices of homes rose by a cumulative 1.4% in December 2025 and January 2026, following a decrease in the preceding eight months. The high interest-rate environment, increase in construction costs, high inventory of unsold homes, decline in prices, and erosion of households' purchasing power are increasing risk in this industry. Continuation of these trends may adversely affect some of the customers of the Bank.

The improvement in the geopolitical and fiscal situation was also reflected in the evaluations by credit-rating agencies. S&P raised its rating outlook to stable in November 2025, while maintaining a rating of A, and Moody's revised its rating outlook from negative to stable in January 2026, while maintaining a rating of Baa1. By contrast, Fitch kept its rating at A with a negative outlook, reflecting high uncertainty surrounding the security situation and its fiscal impacts. As of the beginning of March, the state budget for 2025 has not yet been approved by the Knesset. The attack in Iran is expected to increase defense expenditures and the budget deficit, beyond the planning in the budget.

Since 2021, the Bank has used S&P country ratings as a single rater for the purposes of capital-adequacy measurement; accordingly, rating downgrades by other agencies that have occurred and/or may occur do not directly affect the Bank's capital ratio. Additional rating downgrades of the State of Israel by S&P, if any, would have a direct effect on the capital-adequacy ratios of the Bank only if the rating falls to BBB+ or lower (i.e. a downgrade of two notches relative to the current level of A). If such a rating downgrade occurs, it may lead, as at December 31, 2025, to a direct negative impact of 0.35% and 0.45% on the common equity Tier 1 capital ratio and the total capital ratio, respectively. The ratings of the Israeli banks, including the Bank, are influenced by the rating of the State of Israel. However, as noted, in May and October 2025, S&P and Fitch, respectively, raised the rating outlook of the Bank and other banks from negative to stable again. Downgrades of the rating of the banks, inasmuch as may occur in the future, may affect the activities of foreign financial institutions with Israeli banks and international banking activities. At this stage, the Bank cannot estimate how the security situation may develop, its economic and financial effects, or the duration of such effects; accordingly, it is difficult to estimate the future impacts on the condition of the Bank's customers and the Bank itself, and on the various risks. The Bank is acting to support its customers. For details, see the section "Operating segments" in the Corporate Governance Report, the section "Impacts of the war and the security situation" below, and the section "Economic and financial review" above.

Global economy: The trade war appeared to calm during the second half of 2025, as the United States reached agreements with many countries. Global economic activity continued to expand, though at a moderate pace, and the United States labor market began to show signs of softening. The interest rate was lowered by the Federal Reserve in the United States in September, October, and December. However, many risks continue to weigh on the global economy. Various trade disputes and measures taken by several countries in this area have occasionally reignited concerns over a renewed trade war. Inflation has stabilized, but is still not trending down consistently; as a result, expectations of interest-rate cuts have been tempered or eliminated in many economies. Many countries are facing fiscal difficulties. In the United States, federal services were shut down for 43 days due to a conflict over raising the debt ceiling; in Britain, the deficit has crossed the 5% line, and there have been difficulties applying cutbacks; and in France, the country rating has been downgraded by one notch by S&P. Concurrently, global geopolitical tensions remain a constraint. The security situation in Israel; the developments in the Middle East, in general, and the tensions between the United States and Iran in particular; the war in Ukraine; and stresses in other arenas worldwide are exacerbating inter-bloc tensions and may impair global growth and intensify market volatility.

- **Information-security risk and cyber incidents:** Increasing cybersecurity threats to financial institutions have led to the channeling of resources in the banking industry to cope with this risk. The Bank invests extensive human and technological resources in strengthening its information security and cyber defense systems, and applies frequent controls in all channels in order to prevent harmful penetration, activation of malicious software, and information leakage. These lines of defense consist of a large number of advanced information-security systems, deployed internally in the Bank's network as well as externally as an all-around defense. Note that the expanded use of remote work, transition to cloud computing, and increased digitization of the activity of the Bank, including an increase in remote work with customers, concurrently with an increase in threats and attempted attacks on the Bank, its suppliers, and its customers, particularly with the potential exploitation of artificial-intelligence technologies, have intensified the risk. Over recent years, cybersecurity threats to targets in Israel, including the Bank, have increased, and the scope of fraud attempts against the Bank and its customers has grown, with no damage to its activity to date. As noted, the Bank invests extensive efforts and uses a wide range of means to mitigate this risk, including assessments of the maturity of cyber controls, in accordance with international standards.
- **Regulatory environment in Israel and overseas:** Local and international regulatory reforms have implications for the business of the Bank, in Israel and overseas. In Israel, several regulatory initiatives have been formulated over the last few years, primarily concerned with promoting competition in the banking system in Israel; additional regulatory initiatives are in the process of being generated, some of which concern direct intervention in prices and interest rates (including on positive balances and deposits) in the banking industry, particularly concerning households. As part of the legislative amendments for the achievement of the state budget goals for 2024, in view of the war, approval has been granted for a special payment to be imposed on banks from April 2024 to the end of 2025, at a rate of 6% of the profit they generate from their activity in Israel (4.5% in 2024, based on applicability during a part of the year; in both years, the payment is subject to the ceilings set in the law). Additional proposals and proposed measures include a draft directive regarding a new current-account fee model that alters the method of charges for the execution of routine payment transactions, replacing the fee packages model in place since 2015, and the announcement by the Competition Authority of the possibility of declaring banks a concentration group and issuing directives on this matter. In addition, risks have intensified due to the interpretation of competition law by the Competition Authority, combined with the apparent policy of the Competition Authority of imposing high sanctions against companies in the Israeli economy; direct legislative intervention in interest rates on deposits, current accounts, and mortgages, through private bills; legislation passed by the Knesset, at the initiative of the Israel Securities Authority, concerning the creation of money-market funds with similar characteristics to deposits, exclusion of these money-market funds as well as currently existing money-market funds from the Advising Law, and expansion of the funds' distribution channels; the publication of a memorandum of law for the promotion of competition in the banking market through an outline for tiered licensing and eased regulation for non-bank entities, and a draft roadmap for the adaptation of the supervision directives to the supervisory tiers of the Bank of Israel based on this outline; the publication of a memorandum of law by the Bank of Israel, jointly with the Ministry of Justice, regarding an amendment of Section 24 of the Payment Services Law aimed at expanding the arrangement concerning the responsibility of banks for fraud, to impose responsibility on the banks even in the event that the customer provided the essential component (the component or combination of components that makes it possible to use the means of payment, e.g. a credit card and a passcode) as part of the fraud; publication of a bill for the imposition of a special excess profit tax on the banks in 2026–2030; and the publication of principles for an outline for assistance to customers in 2025–2026 by the Bank of Israel, implemented as of the second quarter of 2025. For further details, see the section "Regulatory initiatives" in the Corporate Governance Report. The regulatory initiatives and trends may adversely affect the banking system in general and the Bank in particular. At this stage, it is not possible to estimate the effects of some of these changes, if they occur, on the Bank. Further, these effects may not be immediate; instead, there may be slower, prolonged effects derived from processes of gradual change in the Bank's environment (customers, market players, etc.), alongside the gradual preparations of the Bank for the necessary adaptation of its operations.

- **Competitive-strategic risk:** Regulatory and competitive changes in the domestic arena, with an emphasis on measures aimed at increasing competition in the banking industry, including the Memorandum of Law for the Promotion of Competition in the Banking Market (Legislative Amendments), 2025, based on the recommendations of the Committee for the Examination of Means of Increasing Competition in the Banking System for the Retail Sector, which may increase competition from institutional entities and credit-card companies in banking activities, and a draft roadmap for adapting the supervision directives to the supervisory tiers of the Bank of Israel based on this outline, as well as competition in the business sector, may affect the business results of the Bank, including its credit spreads. Concurrently, competition from fintech companies, including payment service companies and digital banks, the development of new technologies, changes in customer behavior, and new business models in the financial sphere may significantly affect the banking system, in Israel and worldwide, in the medium to long term. In the second half of 2024, the strategic focus areas of the Bank for 2025–2028 were reviewed and adjusted. The strategic focus areas formulated pertain to sales, service and fairness, digital services, data, operational efficiency, and supporting infrastructures and platforms, including for the purpose of responding to these threats (for details, see the section "Corporate strategy" above). The Bank has started to advance a strategic evaluation process, which also addresses the focus areas established, and the formulation of a comprehensive strategy document.
- **Compliance risk:** Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including international sanctions), provision of advice to customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, or directives of a similar nature. The materialization of this risk on the global level is reflected in the continuing investigations of banks around the world and in the fines imposed on them in connection with breaches of laws or regulations, such as in the areas of assisting tax evasion, financing of terrorism, money laundering, investigations of corruption, unfair practices, and failure to comply with consumer protection laws. Consumer protection legislation is developing and is frequently updated, requiring adaptations of technological systems, customers for products, processes, and practices. Compliance with consumer protection legislation is a focus area for regulation. Errors in adaptation to consumer protection legislation, or incomplete updates, may be considered failure to comply with consumer protection legislation. Compliance risks related to fairness risk, compliance with consumer protection legislation, and service aspects have increased. The Bank has approved work plans and is working to improve and promote service, fairness, and compliance with consumer protection legislation. The continuation of the Swords of Iron War, and during it also the war with Iran, intensified compliance risks arising from terrorism financing and money laundering. The compliance function at the Bank assessed the risks and adapted its activity to the state of war, through a series of measures focused, among other matters, on the risks arising from this situation. The scope of international sanctions has been expanded, including due to the Russia-Ukraine war, and subsequently the Swords of Iron War. In 2024–2025, international sanctions were imposed on Israeli individuals and organizations due to activities in the West Bank. Compliance has adapted its activity through a series of measures, including monitoring and tracking aimed at reducing compliance risks arising from failure to adhere to the international sanctions. The Bank provides correspondent services to Palestinian banks, under letters of indemnity and immunity received from the state. The letters of indemnity and immunity have been extended from time to time, most recently until March 14, 2026. The Bank notified the representatives of the Palestinian banks that the extension had been granted and that the discontinuation of the services, as announced by the Bank, would therefore be postponed to the aforesaid date. The Bank is preparing for a scenario of discontinuation of the services, if required, and the risks associated with this scenario.
- **Climate and environmental risks:** Around the world, the understanding has grown in recent years that the materialization of environmental risks and climate risks may cause harm to the economy, and, in extreme cases, may cause significant damage to banks and to the financial system, as a result of the materialization of financial and non-financial risks in the long term. These effects may also be expressed within other risks to which the banking corporation is exposed in the course of its activity, such as credit risk (through the effect on the financial resilience of

borrowers and/or on the value of collateral), market and investment risk, operational risk, legal risk, reputational risk, and more. These risks, particularly climate risks and the impact of processes of transition to a low greenhouse-gas emissions economy, have unique characteristics of uncertainty. At this stage, it is too early to estimate the potential long-term effects of these changes on the Bank. For details regarding the preparations of the Bank in this area, see the section "Climate and environmental risks," below.

For further details regarding the impacts of the war and the security situation, see the section below.

For details regarding legal proceedings, see Note 25 to the Financial Statements.

For further details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see the Corporate Governance Report.

2.1.3. Impacts of the war and the security situation

The ceasefire agreement with Hamas and the return of all of the hostages to Israel have reduced geopolitical risk, but the renewal of the conflict with Iran and the uncertainty regarding the disarming of Hamas may harm economic activity, the customers of the Bank, and the Bank. By contrast, rapid conclusion of the conflict with Iran and continuation of the ceasefire in Gaza would be likely to reduce protests and the risk of sanctions, and support investments and economic recovery. For further details and more extensive information, see the section "Top and emerging risks," above.

To help customers cope with the impacts of the security situation, the Bank announced a series of significant benefits for its customers, differentiating customers directly affected by the war from the rest of the population. For further details, see the section "Benefits granted to customers of the Bank," below.

Regarding credit risk, the Bank regularly examines the effects of the situation on its operations, including tracking of various credit risk indicators, while examining the various segments, and conducting up-to-date assessments of economic industries and sectors harmed or expected to be significantly hurt. Foreign tourism is expected to recover slowly after the security-related uncertainty recedes, but at this stage internal tourism is a compensating factor. In the area of construction and real estate, the quantity of transactions remains low, while the inventory of unsold homes has grown; however, it is difficult to determine whether the security situation is the main cause. Since the outbreak of the war, the Bank has increased its collective allowances for credit losses, and these balances remain high, to reflect the level of uncertainty and the effects of geopolitical and economic risk, which have remained high even after the cessation of the fighting.

Regarding market risks, occasional shocks have occurred in the Israeli and global financial markets in the last few quarters, as a function, among other matters, of factors including the developments in the security situation in Israel and the trade measures applied by the governments of the United States and other countries, respectively. Market shocks, if they occur, including depreciation of the shekel, capital-market declines, and changes in yield curves and in the interest rate of the Bank of Israel, have the potential to negatively affect capital ratios, the profitability of the Bank, and the fair value of assets and liabilities, as detailed in the section "Market risks," below.

Downgrades of the rating of the state may have negative effects, including currency devaluation; possible damage to liquidity in foreign currency; an increase in the yield curves of Israeli government bonds, and a subsequent increase in the Bank's funding costs; a negative impact on the capital ratio; and negative financial impacts on the economy, the customers of the Bank, and the Bank itself. Rating downgrades of the State of Israel by S&P, if any, would have a direct effect on the capital-adequacy ratios of the Bank only if the rating falls to BBB+ or lower, as detailed in the section on capital below. The ratings of the Israeli banks, including the Bank, are influenced by the rating of the State of Israel. Downgrades of the rating of the banks, inasmuch as may occur in the future, may affect the activities of foreign financial institutions with Israeli banks and international banking activities.

In terms of the operations of the Bank, in 2025 the emergency plans of the Bank were activated throughout the days of Operation Rising Lion, in accordance with changing needs. At the reporting date, the security situation has no effect on the operational activity of the Bank. The Bank is continually examining the situation and adapting its activity. Compliance has adapted its activity to the security situation and emergency conditions, through a series of measures focused on compliance risks heightened by the security situation.

Benefits granted to customers of the Bank

The Bank also worked in 2025 to expand benefits for its customers to help cope with the impacts of the security situation, and granted monetary reliefs to its customers in accordance with the voluntary outline of the Bank of Israel.
The benefits offered by the Bank and utilized by customers in 2025, as detailed below, totaled approximately NIS 445 million.

Benefits and donations to help cope with the security situation

To help customers cope with the impacts of the security situation, the Bank granted benefits to its customers, in accordance with the outlines released by the Banking Supervision Department, as well as additional benefits beyond these outlines. The benefits included, among other things, waivers of mortgage payments; the option to defer and suspend loan and mortgage payments, free of interest, for some population groups; an option to defer certain loan payments at the contractual interest rate; an exemption from current-account fees and interest on negative balances for certain population groups; and more.
In addition, since the outbreak of the war, allocations in the amount of NIS 100 million have been approved through the foundation of the Poalim Rebuild Fund, supporting people injured in the war and ventures in the areas of education and mental, community, and financial resilience in the Western Negev region and in the combat zone in northern Israel. Additional aid has also been provided through targeted support. All of this is in addition to the tens of millions of shekels in community aid routinely given by the Bank every year through Poalim Community, which has worked for more than forty years to reduce social and economic inequalities and create equal opportunities in Israel.
In light of the developments in the security situation and in view of the Bank's commitment to assist its customers during this challenging time, at the outset of Operation Roaring Lion the Bank announced a series of value propositions for its customers, including interest-free loans for customers evacuated from their homes, deferral of loan payments for private and business customers, benefits for customers staying overseas and for reserve soldiers, and more. In addition, the Bank has adopted the Bank of Israel's outline, released on March 2, 2026, for support for customers who have suffered harm during the operation.

Other benefits for customers of the Bank

Beginning in the second quarter of 2025, the Bank has granted monetary reliefs to its customers in accordance with the voluntary outline of the Bank of Israel, which has been adopted by the banking system for a period of two years. In accordance with this outline, the Bank is giving grants and benefits to its customers in the areas of current accounts, fees, loans, housing credit, the capital market, and additional areas, at a volume of approximately NIS 400 million for the full year. As part of this process, the Bank awarded Gift Shares to eligible customers, in two phases, in each of which the eligible customers received a choice of two shares of the Bank or a monetary grant, with the cost recorded as an expense in the report. For additional details, see the section "Capital, capital adequacy, and leverage," below, and the section "Operating segments based on the management approach" in the Corporate Governance Report.

The following is a disclosure of the benefits granted by the Bank to the public within the Bank of Israel outlines of reliefs of 2025, as well as benefits granted by the Bank to the public due to the Swords of Iron War and Operation Rising Lion, including under previous outlines. The benefits granted within the Bank of Israel outline of reliefs of 2025 begin on April 1, 2025.

Table 2-1: Benefits granted to the public by the Bank

	For the three months ended December 31, 2025					For the year ended Dec. 31, 2025	For the year ended Dec. 31, 2024	Total benefits utilized since the beginning of the war
	Housing	Private individuals – other	Small businesses and microbusinesses	Other	Total			
	NIS millions							
Amounts of benefits recorded to the statement of profit and loss during the reported period								
Interest benefits via modification of terms of credit[1]	-	**11**	-	-	**11**	**49**	121	254
Other interest benefits on credit[2]	-	-	-	-	-	**14**	6	65
Other grants[3]	-	**133**	-	-	**133**	**282**	-	282
Waiver of fees[4]	-	**13**	**4**	-	**17**	**45**	67	142
Donations	-	-	-	**17**	**17**	**55**	84	149
Total	-	**157**	**4**	**17**	**178**	**445**	278	892
Of which – within the Bank of Israel outline of reliefs of 2025:								
Interest benefits via modification of terms of credit[1]	-	**11**	-	-	**11**	**33**	-	33
Other interest benefits on credit[2]	-	-	-	-	-	**7**	-	7
Other grants[3]	-	**121**	-	-	**121**	**260**	-	260
Waiver of fees[4]	-	**11**	**3**	-	**14**	**38**	-	38
Total	-	**143**	**3**	-	**146**	**338**	-	338
Estimated amounts of the benefits not yet recorded to the statement of profit and loss at the report date[5]					**494**	**494**		

(1) Including via waiver of interest in respect of negative balances and via deferral of loan payments.
(2) Including via granting of interest-free or reduced-interest loans and via interest grants/refunds on credit in respect of periods prior to the outline.
(3) Primarily includes grants in the form of the award of gift shares or cash grants as a substitute for the award of the shares, as well as grants in respect of deposits and positive balances in current accounts, and grants for new customers who transfer their salaries.
(4) Including giving grants/refunds in respect of fees.
(5) The estimated amounts of benefits not yet recorded to the statement of profit and loss at the reporting date reflect the amounts expected to be recorded in the future, according to the estimates of the Bank, in respect of the adoption of the outlines (for the years 2025–2027). It is clarified that the amounts recognized in practice will be according to such benefits as may be granted in the future, at the discretion of the Bank.

Table 2-2: Additional information regarding activities to benefit borrowers

	For the year ended December 31, 2025						For the year ended December 31, 2024
	Housing	Private individuals – other	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Total	
	NIS millions						
Total credit the terms of which were modified during the reported period[1]							
Modification of terms for borrowers experiencing financial difficulty (see Note 29 to the Financial Statements)	**6**	**2**	**8**	**-**	**-**	**16**	37
Modification of terms for borrowers not experiencing financial difficulty	**1,671**	**437**	**1,042**	**190**	**106**	**3,446**	9,921
Total credit	**1,677**	**439**	**1,050**	**190**	**106**	**3,462**	9,958

	Balance as at						
	December 31, 2025						December 31, 2024
	Housing	Private individuals – other	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Total	
	NIS millions						
Balance of credit with modified terms at the report date							
Modification of terms for borrowers experiencing financial difficulty (see Note 29 to the Financial Statements)	**26**	**20**	**26**	**-**	**-**	**72**	74
Modification of terms for borrowers not experiencing financial difficulty							
Credit with interest-rate reduction	**-**	**1**	**1**	**-**	**-**	**2**	356
Credit with deferred payments and/ or extended term, where the deferral period has not yet ended[2]	**-**	**1**	**10**	**5**	**14**	**30**	1,732
Average payment deferral in months[2]	**-**	**9**	**11**	**5**	**3**	**7**	7
Total	**26**	**22**	**37**	**5**	**14**	**104**	2,162
Additional information regarding modification of terms for borrowers not experiencing financial difficulty							
Balance of credit where payment deferral has ended	**12,893**	**1,190**	**2,787**	**911**	**2,219**	**20,000**	22,729
Of which: debts in default after modification of terms	**592**	**26**	**60**	**10**	**-**	**688**	569

(1) Credit the terms of which have been modified during the reported period also includes credit where a repeated deferral of payments was granted during the reported period.

(2) Including payment deferral without interest during the deferral period. In cases in which a repeated payment deferral has been granted for a debt, the cumulative duration of the deferral is presented. Deferral of payments does not include deferrals in which an entitlement was exercised to which the borrower is entitled under any law.

Special payment to the state due to the war

For details regarding expenses recorded in the item "taxes on income" in respect of the Special Payment for the Achievement of the Budget Goals Law (Temporary Order – Swords of Iron), 2024, see Note 8 to the Financial Statements.

2.1.4. External auditors

Ziv Haft (BDO), CPA (Isr.) and Somekh Chaikin (KPMG), CPA (Isr.) serve as the joint auditors of the Bank. Occasionally, the external auditor finds it appropriate to diverge from the uniform format of the opinion or review report by including an emphasis-of-matter paragraph, directing attention to a particular matter that has a significant effect on the financial statements and is included in a note to the financial statements.

In this regard, the external auditors have emphasized the section in Note 25.C.b to the Financial Statements concerning exposure to class-action suits filed against the Bank Group.

2.2. Material developments in income, expenses, and other comprehensive income

Net profit of the Bank Group attributed to shareholders of the Bank totaled NIS 9,802 million in 2025 (a return of 15.9%), compared with profit in the amount of NIS 7,635 million (a return of 13.8%) in 2024. The increase in profit mainly resulted from an increase in financing profit and fees, and from tax income in the amount of approximately NIS 0.3 billion recorded in respect of the beginning of liquidation of the subsidiary Hapoalim Switzerland. In addition, operating expenses decreased, mainly as a result of an expense in the amount of approximately NIS 597 million recorded in respect of the efficiency plan approved in late 2024. By contrast, the provision for credit losses increased in comparison to 2024.

In addition, the increase in net profit was influenced, among other matters, by the recognition of profit in the amount of approximately NIS 380 million, net, after tax effect, due to amounts received from insurers and officers in connection with the United States tax investigation, as detailed in Note 25.C.c.1 to the Financial Statements.

For convenience, profit, income, and return excluding the aforesaid amounts received from insurers are presented below. Accordingly, net profit excluding this effect totaled NIS 9,422 million in 2025 (a return of 15.3%), compared with profit in the amount of NIS 7,635 million (a return of 13.8%) in 2024.

Net profit of the Bank Group attributed to shareholders of the Bank totaled NIS 2,078 million in the fourth quarter of 2025 (a return of 13.0%), compared with profit in the amount of NIS 1,554 million (a return of 10.8%) in 2024. The increase in profit mainly resulted from a decrease in operating expenses, mainly due to an expense in the amount of approximately NIS 597 million recorded in respect of the efficiency plan in the fourth quarter of 2024.

With regard to the effect of the interest-rate environment, see Section 2.2.1, “Development of income and expenses,” below.

Table 2-3: Condensed statement of profit and loss

	For the year ended		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Interest income	**36,788**	35,495	3.6%
Interest expenses	**(18,685)**	(18,545)	0.8%
Net interest income	**18,103**	16,950	6.8%
Non-interest financing income	**1,518**	959	58.3%
Net financing profit[1]	**19,621**	17,909	9.6%
Provision for credit losses	**1,299**	693	87.4%
Net financing profit after provision for credit losses	**18,322**	17,216	6.4%
Fees and other income[1][2]	**4,935**	4,051	21.8%
Operating and other expenses	**8,404**	9,007	(6.7%)
Profit before taxes	**14,853**	12,260	21.2%
Provision for taxes on profit	**5,093**	4,559	11.7%
Profit after taxes	**9,760**	7,701	26.7%
The Bank's share in profits (losses) of equity-accounted investees, after taxes	**42**	(66)	-
Net profit:			
Attributed to shareholders of the Bank	**9,802**	7,635	28.4%
Return of net profit	**15.9%**	13.8%	15.1%
Attributed to shareholders of the Bank excluding items[3]	**9,422**	7,635	23.4%
Return of net profit excluding items[3]	**15.3%**	13.8%	10.6%

(1) The profit and loss items above are presented in a different format than in the statement of profit and loss, in order to allow better analysis of the financial results. This change is expressed in the reclassification of non-interest financing income from the item of "non-interest income (expenses)" to the item of "net financing profit."
(2) In 2025, includes income in the amount of approximately NIS 432 million due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements.
(3) In 2025, excluding profit in the amount of approximately NIS 380 million, net, after tax, due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation, as noted above.

2.2.1. Development of income and expenses

Net financing profit

Profit from financing activity includes interest income and expenses as well as non-interest financing income and expenses. Non-interest financing income and expenses include, among other matters, financing income in respect of derivative instruments and securities, which constitute an integral element of the Bank's financial profitability and exposure management, so that their inclusion reflects the overall results of the financial activity of the Bank. In order to analyze financing profit, profit from financing activity is broken down into profit from regular financing activity and profit from non-regular financing activity. Profit from regular financing activity includes interest accrual, exchange-rate differences, and index effects in respect of credit, deposits, bonds, and other financial components of the balance sheet, as well as the effect of these components in activity in derivative instruments. The development of profit from regular financing activity over time reflects the trends in the financial profitability of the Bank. Profit from non-regular financing activity includes volatile or unusual effects, mainly derived from the timing of recording of income and expenses in accounting, such as gain (loss) from shares, gain (loss) from realization of bonds as part of the management of the balance-sheet position, and change in the differences between the fair value of derivatives and measurement on an accrual basis, as well as the effect of the award of the Gift Shares to customers of the Bank, the cost of which was recognized as an expense in the financial statements for the third and fourth quarters of 2025.

Table 2-4: Composition of net financing profit

	For the year ended		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Interest income	**36,788**	35,495	3.6%
Interest expenses	**(18,685)**	(18,545)	0.8%
Net interest income	**18,103**	16,950	6.8%
Non-interest financing income	**1,518**	959	58.3%
Total reported financing profit	**19,621**	17,909	9.6%
Excluding effects not from regular activity:			
Gain (loss) from realizations of bonds available for sale	**194**	(778)	(124.9%)
Profit from investments in shares	**542**	503	7.8%
Adjustments to fair value of derivative instruments[(1)]	**186**	290	(35.9%)
Others[(2)]	**(230)**	211	(209.0%)
Total effects not from regular activity	**692**	226	206.2%
Total income from regular financing activity*	**18,929**	17,683	7.0%
* Of which: in respect of changes in the CPI	**881**	1,178	(25.2%)

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) Including financing costs in respect of benefits granted by the Bank to its customers within the outline of reliefs of the Bank of Israel of 2025, and in respect of the Swords of Iron War and Operation Rising Lion, in the amount of approximately NIS 345 million in the one-year period ended December 31, 2025 (2024: NIS 127 million), and the effects of hedging of currency exposures of non-monetary items. In addition, in the one-year period ended December 31, 2024, includes profit in respect of buybacks of bonds in the amount of approximately NIS 260 million.

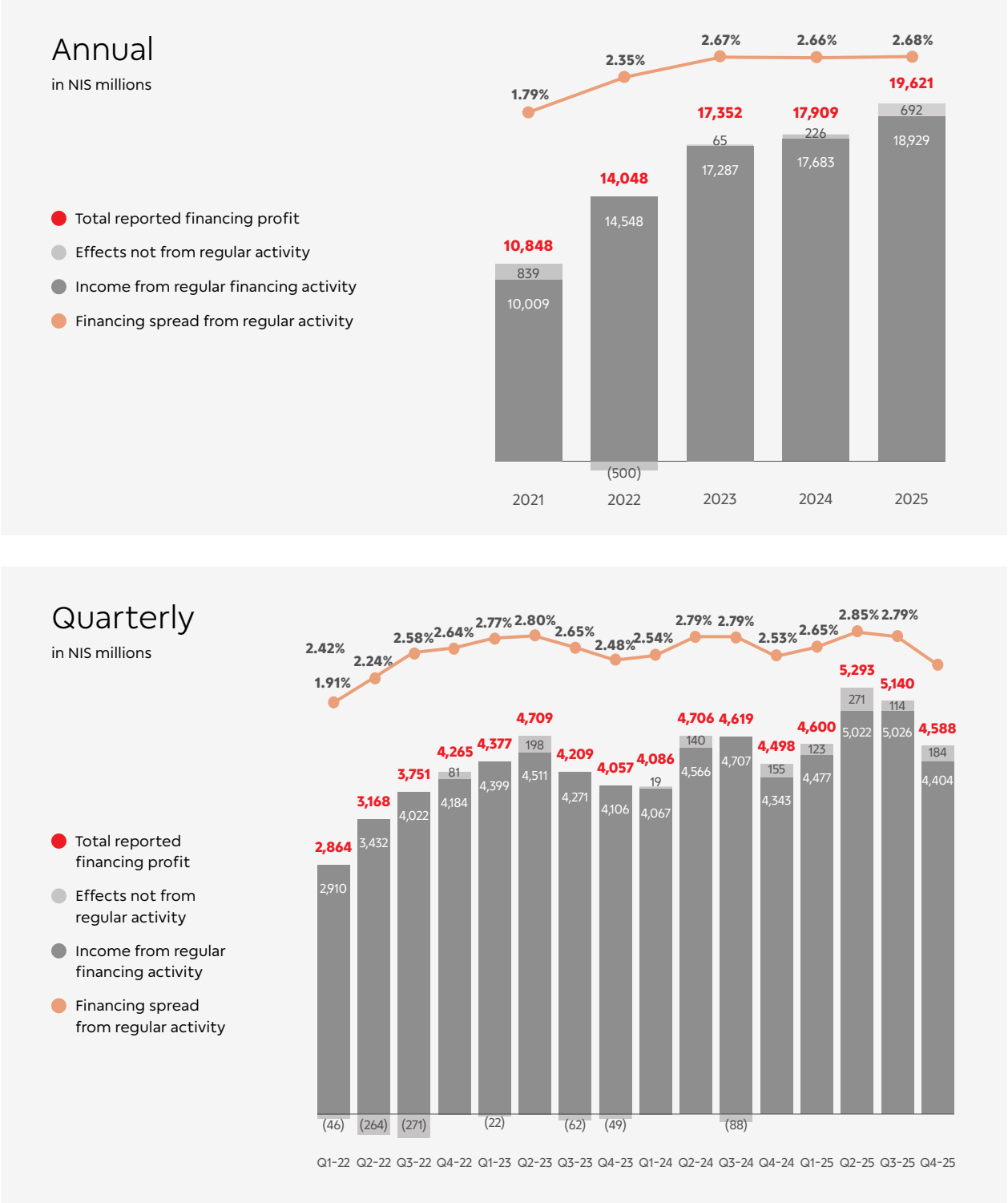
Table 2-4: Composition of net financing profit (continued)

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Interest income	**8,638**	9,887	9,565	8,698	8,686	9,608	9,110	8,091
Interest expenses	**(4,435)**	(5,058)	(4,769)	(4,423)	(4,511)	(5,031)	(4,726)	(4,277)
Net interest income	**4,203**	4,829	4,796	4,275	4,175	4,577	4,384	3,814
Non-interest financing income	**385**	311	497	325	323	42	322	272
Total reported financing profit	**4,588**	5,140	5,293	4,600	4,498	4,619	4,706	4,086
Excluding effects not from regular activity:								
Gain (loss) from realizations of bonds available for sale	**10**	66	49	69	(201)	(301)	(60)	(216)
Profit from investments in shares	**211**	129	142	60	134	146	84	139
Adjustments to fair value of derivative instruments[1]	**85**	49	68	(16)	175	28	40	47
Others[2]	**(122)**	(130)	12	10	47	39	76	49
Total effects not from regular activity	**184**	114	271	123	155	(88)	140	19
Total income from regular financing activity*	**4,404**	5,026	5,022	4,477	4,343	4,707	4,566	4,067
* Of which: in respect of changes in the CPI	**(194)**	468	496	111	(27)	556	556	93

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) Includes financing costs in respect of benefits granted by the Bank to its customers, within the Bank of Israel outline of reliefs of 2025 and in respect of the Swords of Iron War and Operation Rising Lion, in the amount of approximately NIS 144 million for the three-month period ended December 31, 2025 (in the third quarter of 2025: NIS 122 million; in the second quarter of 2025: NIS 73 million; in the first quarter of 2025: NIS 6 million; in the fourth quarter of 2024: NIS 10 million; in the third quarter of 2024: NIS 15 million; in the second quarter of 2024: NIS 44 million; in the first quarter of 2024: NIS 58 million), and the effects of hedging of currency exposures of non-monetary items. Also includes profit from buybacks of bonds in the amount of approximately NIS 111 million in the first quarter of 2024 and approximately NIS 149 million in the second quarter of 2024.

Diagram 2-3: Net financing profit



Financing profit from regular activity totaled NIS 18,929 million in 2025, compared with a total of NIS 17,683 million in 2024. The increase mainly resulted from an increase of approximately 11.3% in average credit balances, and an increase in interest income due to asset portfolio rollover and duration extension in 2024, partly offset by a decrease in credit spreads, and a decrease in income from linkage differences, due to changes in the rate of the known CPI between the periods.

Total reported financing income amounted to NIS 19,621 million in 2025, compared with a total of NIS 17,909 million in 2024, an increase of approximately 9.6%. The increase resulted from an increase in profit from regular financing activity, as noted above. In addition, profits from realization of bonds were recorded in the present period, versus losses in the comparison period. By contrast, profit from buybacks of bonds in the amount of NIS 260 million was included in the comparison period. In addition, expenses in respect of grants and benefits for customers in accordance with the Bank of Israel outline of reliefs increased.

Table 2-5: Principal data regarding interest income and expenses

	For the year ended			
	December 31, 2025		December 31, 2024	
	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)
	NIS millions/percent			
Interest income	**36,788**	**5.55%**	35,495	5.67%
Interest expenses	**(18,685)**	**(3.87%)**	(18,545)	(4.13%)
Net interest income	**18,103**	**1.68%**	16,950	1.54%
Of which:				
Credit spread	**8,605**		8,172	
Deposit and other spread*	**9,498**		8,778	
Net interest income as a percentage of the balance of interest-bearing assets		**2.73%**		2.71%

* The other spread mainly results from net interest income from the asset and liability management activity of the Bank.

In 2025, net interest income increased compared with 2024, mainly as a result of an increase in average credit balances, and of asset portfolio rollover and duration extension during 2024. This increase was partly offset by erosion of credit spreads, and a decrease in income from linkage differentials, due to changes in the rate of the known CPI between the periods.
For further details, see the section "Rates of interest income and expenses" in the Corporate Governance Report.
For further information regarding the effect of credit and deposit spreads on net interest income by operating segment, see Note 28 to the Financial Statements.
For further details regarding exposures to interest-rate risk and CPI risk, see the section "Review of risks," below.

Credit losses amounted to a provision of approximately NIS 1,299 million in 2025, compared with a provision in the amount of approximately NIS 693 million in 2024.
Income in respect of the net individual allowance amounted to approximately NIS 95 million in 2025, and mainly resulted from recoveries from a small number of borrowers, compared with income in the amount of approximately NIS 250 million in 2024.
The provision in respect of the collective allowance and net automatic charge-offs amounted to approximately NIS 1,394 million in 2025, compared with a provision in the amount of approximately NIS 943 million in 2024.
The increase in the collective allowance mainly reflects the effects of the growth of the credit portfolio and the continued uncertainty in the economic environment.
For further information regarding the change in the allowance for credit losses, see the section "Credit risk," below, and Note 29 to the Financial Statements.

Table 2-6: Provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments

	For the year ended	
	December 31, 2025	December 31, 2024
	NIS millions	
Individual provision for credit losses	**333**	344
Decrease in individual allowance for credit losses and recovery of charged off debts	**(428)**	(594)
Net individual income in respect of credit losses	**(95)**	(250)
Provision in respect of the collective allowance for credit losses and net automatic charge-offs*	**1,394**	943
Total provision for credit losses**	**1,299**	693
** Of which:		
Net provision for credit losses in respect of commercial credit risk	**675**	138
Net provision for credit losses in respect of housing credit risk	**85**	47
Net provision for credit losses in respect of other private credit risk	**516**	519
Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds	**23**	(11)
Total provision for credit losses	**1,299**	693

	In %	
Provision as a percentage of total credit to the public:***		
Provision for credit losses as a percentage of the average balance of credit to the public[1]	**0.27%**	0.16%
Gross individual provision for credit losses as a percentage of the average balance of credit to the public	**0.07%**	0.08%
Gross provision for credit losses as a percentage of the average balance of credit to the public[2]	**0.36%**	0.30%

* Charge-offs in respect of debts past due by 150 days or more not examined individually.
*** The rates below are calculated on an annualized basis.
(1) Including provisions in respect of banks and governments.
(2) The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Table 2-6: Provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments (continued)

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Individual provision for credit losses	**128**	66	34	105	126	56	137	25
Decrease in individual allowance for credit losses and recovery of charged off debts	**(161)**	(65)	(66)	(136)	(41)	(120)	(377)	(56)
Net individual provision (income) for credit losses	**(33)**	1	(32)	(31)	85	(64)	(240)	(31)
Net provision in respect of the collective allowance for credit losses and net automatic charge-offs*	**421**	346	334	293	265	470	191	17
Total provision (income) for credit losses**	**388**	347	302	262	350	406	(49)	(14)
** Of which:								
Net provision (income) for credit losses in respect of commercial credit risk	**226**	158	254	37	53	357	(155)	(117)
Net provision (income) for credit losses in respect of housing credit risk	**9**	33	(20)	63	111	(12)	(8)	(44)
Net provision for credit losses in respect of other private credit risk	**157**	147	52	160	190	73	108	148
Net provision (income) for credit losses in respect of risk of credit to banks and governments and bonds	**(4)**	9	16	2	(4)	(12)	6	(1)
Total provision (income) for credit losses	**388**	347	302	262	350	406	(49)	(14)

					In %			
Provision (income) as a percentage of total credit to the public:***								
Provision (income) for credit losses as a percentage of the average balance of credit to the public[1]	**0.31%**	0.29%	0.26%	0.23%	0.32%	0.38%	(0.05%)	(0.01%)
Gross individual provision for credit losses as a percentage of the average balance of credit to the public	**0.10%**	0.05%	0.03%	0.09%	0.11%	0.05%	0.13%	0.02%
Gross provision for credit losses as a percentage of the average balance of credit to the public[2]	**0.44%**	0.34%	0.31%	0.35%	0.35%	0.49%	0.31%	0.04%

* Charge-offs in respect of debts past due by 150 days or more not examined individually.
*** The rates below are calculated on an annualized basis.
(1) Including provisions in respect of banks and governments.
(2) The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Fees and other income totaled NIS 4,935 million in 2025, compared with NIS 4,051 million in 2024. The increase mainly resulted from an increase in fees and an increase in other income, in the amount of approximately NIS 432 million, due to the settlement in the derivative claim in connection with the United States investigation. For further details, see Note 25.C.c.1 to the Financial Statements.

Income from operating fees totaled NIS 4,431 million in 2025, compared with NIS 3,980 million in 2024. The increase resulted from most of the components of fees, including fees from securities activity, conversion differences, and account management. The increase in credit-card fees mainly resulted from nonrecurring income received from international credit-card organizations. Benefits in the area of fees granted to customers within the Bank of Israel outline of reliefs of 2025 to help cope with the impacts of the war totaled NIS 45 million in 2025, compared with NIS 67 million in 2024.

Other income totaled NIS 504 million in 2025, compared with NIS 71 million in 2024. The increase resulted from income in the amount of approximately NIS 432 million from a settlement in a derivative claim, as noted above. The remainder of other income, mainly arising from profits from the sale of real estate and real-estate rights, remained at a similar level.

Table 2-7: Details of fees and other income

	For the year ended		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Fees			
Account-management fees[1]	**912**	856	6.5%
Securities activity[1]	**873**	783	11.5%
Financial product distribution fees	**223**	178	25.3%
Credit cards, net[1]	**676**	511	32.3%
Credit processing	**310**	325	(4.6%)
Financing transaction fees	**833**	821	1.5%
Conversion differences	**405**	342	18.4%
Other fees	**199**	164	21.3%
Total operating fees	**4,431**	3,980	11.3%
Other income			
Income from insurance indemnity[2]	**432**	-	-
Other income	**72**	71	1.4%
Total other income	**504**	71	609.9%
Total fees and other income	**4,935**	4,051	21.8%

(1) Includes the effect of benefits granted to customers within the Bank of Israel outline of reliefs of 2025 to help cope with the impacts of the war, in the amount of approximately NIS 45 million (2024: NIS 67 million).
(2) Income received from insurers and officers in connection with the settlement in the derivative claim concerning the United States tax investigation. For additional details, see Note 25.C.c.1 to the Financial Statements.

Table 2-7: Details of fees and other income (continued)

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Fees								
Account-management fees[1]	**238**	237	213	224	225	219	209	203
Securities activity[1]	**220**	228	210	215	201	195	191	196
Financial product distribution fees	**62**	57	53	51	47	46	44	41
Credit cards, net[1]	**146**	147	229	154	123	119	149	120
Credit processing	**73**	68	85	84	60	64	103	98
Financing transaction fees	**204**	213	211	205	211	212	201	197
Conversion differences	**105**	111	101	88	90	94	82	76
Other fees	**61**	56	44	38	40	43	42	39
Total operating fees	**1,109**	1,117	1,146	1,059	997	992	1,021	970
Other income								
Income from insurance indemnity[2]	**-**	432	-	-	-	-	-	-
Other income	**23**	12	6	31	16	16	5	34
Total other income	**23**	444	6	31	16	16	5	34
Total fees and other income	**1,132**	1,561	1,152	1,090	1,013	1,008	1,026	1,004

(1) Includes the effect of benefits granted to customers within the Bank of Israel outline of reliefs of 2025 to help cope with the impacts of the war, in the amount of approximately NIS 17 million in the fourth quarter of 2025 (third quarter of 2025: NIS 3 million; second quarter of 2025: NIS 21 million; first quarter of 2025: NIS 4 million; fourth quarter of 2024: NIS 9 million; third quarter of 2024: NIS 15 million; second quarter of 2024: NIS 20 million; first quarter of 2024: NIS 23 million).

(2) Income received from insurers and officers in connection with the settlement in the derivative claim concerning the United States tax investigation. For additional details, see Note 25.C.c.1 to the Financial Statements.

Operating and other expenses totaled NIS 8,404 million in 2025, compared with NIS 9,007 million in 2024.

Table 2-8: Details of operating and other expenses

	For the year ended		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Wages	**4,671**	4,486	4.1%
Maintenance and depreciation of buildings and equipment	**1,446**	1,445	0.1%
Other expenses – excluding effect of efficiency plan	**2,287**	2,479	(7.7%)
Other expenses – effect of efficiency plan	**-**	597	-
Total operating and other expenses	**8,404**	9,007	(6.7%)

Table 2-8: Details of operating and other expenses (continued)

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Wages	**1,267**	1,124	1,165	1,115	1,153	1,060	1,151	1,122
Maintenance and depreciation of buildings and equipment	**386**	355	360	345	356	362	349	378
Other expenses – excluding effect of efficiency plan	**597**	573	588	529	700	640	606	533
Other expenses – effect of efficiency plan	**-**	-	-	-	597	-	-	-
Total operating and other expenses	**2,250**	2,052	2,113	1,989	2,806	2,062	2,106	2,033

Salary expenses totaled NIS 4,671 million in 2025, compared with NIS 4,486 million in 2024, an increase of 4.1%. The increase mainly resulted from a provision in the amount of approximately NIS 200 million recorded in connection with the labor dispute at the Bank (for further details, see Note 22.I to the Financial Statements). Current salary expenses were stable.

Expenses for maintenance and depreciation of buildings and equipment totaled NIS 1,446 million in 2025, similar to 2024.

Other expenses totaled NIS 2,287 million in 2025, compared with NIS 3,076 million in 2024. The decrease mainly resulted from an expense in the amount of approximately NIS 597 million in 2024 in respect of the cost of the efficiency plan approved at the end of 2024, and a decrease in expenses in respect of donations and aid granted by the Bank in connection with the war, which totaled NIS 55 million in 2025, compared with NIS 84 million in 2024. In addition, decreases were recorded in expenses for advertising and professional services, and in expenses in respect of customer claims. This decrease was mainly offset by an increase in expenses for fees due to growth of activity.

The provision for taxes on profit totaled NIS 5,093 million in 2025, compared with a total of NIS 4,559 million in 2024. The increase mainly resulted from an increase in regular profitability, partly offset by tax income in the amount of approximately NIS 0.3 billion recorded in respect of the beginning of liquidation of the subsidiary Hapoalim Switzerland.

The Bank's share in profits of equity-accounted investees after tax amounted to profit of NIS 42 million in 2025, compared with a loss in the amount of NIS 66 million in 2024. The increase resulted from impairments recorded in 2024.

Net profit attributed to shareholders of the Bank totaled NIS 9,802 million in 2025, compared with a total of NIS 7,635 million in 2024.

Basic net earnings attributed to the shareholders of the Bank per share of par value NIS 1 amounted to NIS 7.43 in 2025, compared with NIS 5.72 in 2024.

2.2.2. Developments in comprehensive income

Table 2-9: Comprehensive income

	For the year ended	
	December 31, 2025	December 31, 2024
	NIS millions	
Net profit attributed to shareholders of the Bank	**9,802**	7,635
Other comprehensive income before taxes:		
Net adjustments in respect of bonds available for sale at fair value	**1,257**	1,102
Adjustments of employee benefit liabilities*	**162**	173
Other comprehensive income before taxes	**1,419**	1,275
Effect of related tax	**(529)**	(458)
Other comprehensive income attributed to shareholders of the Bank, after taxes	**890**	817
Comprehensive income attributed to shareholders of the Bank	**10,692**	8,452

* Mainly reflects adjustments in respect of actuarial estimates at the end of the year, and deduction of amounts previously recorded in other comprehensive income.

Comprehensive income totaled NIS 10,692 million in 2025, compared with a total of NIS 8,452 million in 2024. The increase in comprehensive income in 2025 was mainly influenced by the increase in net profit. In addition, adjustments in respect of bonds available for sale increased, due to a decrease in the shekel and dollar interest rates.

2.2.3. Information-technology system

Table 2-10: Information-technology system

	Software	Hardware[3]	Other	Total
	NIS millions			
Additions to assets[1] in respect of the information-technology system not charged as expenses in 2025				
Costs in respect of wages and related expenses	**329**	**-**	**-**	**329**
Outsourcing costs, including consultants' fees	**138**	**-**	**-**	**138**
Costs of acquisitions or usage licenses[4]	**17**	**78**	**-**	**95**
Costs of equipment, buildings, and land	**-**	**-**	**4**	**4**
Total	**484**	**78**	**4**	**566**
Expenses in respect of the information-technology system as included in the profit and loss statement in 2025				
Expenses in respect of wages and related expenses	**513**	**143**	**-**	**656**
Expenses in respect of acquisitions or usage licenses not capitalized to assets	**309**	**54**	**14**	**377**
Outsourcing expenses, including consultants' fees	**70**	**19**	**-**	**89**
Other expenses[5]	**39**	**10**	**73**	**122**
Total expenses (excluding depreciation and amortization)	**931**	**226**	**87**	**1,244**
Total IT spend in 2025	**1,415**	**304**	**91**	**1,810**
Additional information				
Balances of assets[2] in respect of the information-technology system as at December 31, 2025				
Total depreciated cost	**1,413**	**253**	**40**	**1,706**
Of which: in respect of wages and related expenses	**1,014**	**-**	**-**	**1,014**
Depreciation and amortization expenses	**506**	**88**	**30**	**624**

(1) The addition to assets does not include prepaid expenses in respect of the information-technology system in the amount of NIS 2 million (December 31, 2024: NIS 242 million).
(2) The balance of assets does not include prepaid expenses in respect of the information-technology system in the amount of NIS 496 million (December 31, 2024: NIS 494 million).
(3) Including communications infrastructures.
(4) Including acquisitions and usage licenses of software and hardware for all divisions of the banking corporation.
(5) Includes expenses by the information-technology system, including current expenses for the use of communications and telephones, mail, rent, taxes, electricity, etc.

Table 2-10: Information-technology system (continued)

	Software	Hardware[3]	Other	Total
	NIS millions			
Additions to assets[1] in respect of the information-technology system not charged as expenses in 2024				
Costs in respect of wages and related expenses	337	1	-	338
Outsourcing costs, including consultants' fees	113	-	-	113
Costs of acquisitions or usage licenses[4]	11	84	-	95
Costs of equipment, buildings, and land	-	-	23	23
Total	461	85	23	569
Expenses in respect of the information-technology system as included in the profit and loss statement in 2024				
Expenses in respect of wages and related expenses	510	134	-	644
Expenses in respect of acquisitions or usage licenses not capitalized to assets	251	54	11	316
Outsourcing expenses, including consultants' fees	58	15	-	73
Other expenses[5]	63	17	66	146
Total expenses (excluding depreciation and amortization)	882	220	77	1,179
Total IT spend in 2024	1,343	305	100	1,748
Additional information				
Balances of assets[2] in respect of the information-technology system as at December 31, 2024				
Total depreciated cost	1,429	266	58	1,753
Of which: in respect of wages and related expenses	1,029	-	-	1,029
Depreciation and amortization expenses	484	94	25	603

(1) The addition to assets does not include prepaid expenses in respect of the information-technology system in the amount of NIS 2 million (December 31, 2024: NIS 242 million).
(2) The balance of assets does not include prepaid expenses in respect of the information-technology system in the amount of NIS 496 million (December 31, 2024: NIS 494 million).
(3) Including communications infrastructures.
(4) Including acquisitions and usage licenses of software and hardware for all divisions of the banking corporation.
(5) Includes expenses by the information-technology system, including current expenses for the use of communications and telephones, mail, rent, taxes, electricity, etc.

Costs of the information-technology system (IT spend) of the Bank totaled NIS 1,810 million in 2025, compared with NIS 1,748 million in 2024.

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

The consolidated balance sheet as at December 31, 2025, totaled NIS 766.7 billion, compared with NIS 720.8 billion at the end of 2024.

Table 2-11: Developments in principal balance sheet items

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Total assets	**766,665**	720,844	6.4%
Net credit to the public	**502,881**	443,483	13.4%
Cash and deposits with banks	**71,892**	117,053	(38.6%)
Securities	**144,245**	121,838	18.4%
Deposits from the public	**592,676**	574,285	3.2%
Bonds and subordinated notes	**35,896**	20,190	77.8%
Shareholders' equity	**64,677**	58,150	11.2%

2.3.1. Structure and development of assets and liabilities

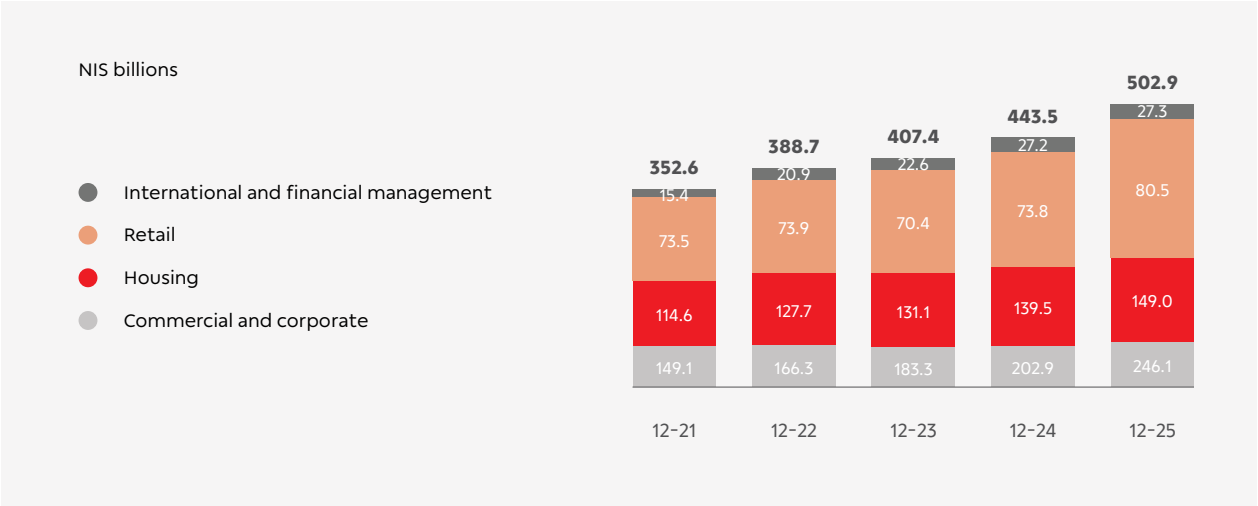
Credit to the public

Table 2-12: Development of net credit to the public by operating segment according to the management approach

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Private customers[1]	**42,002**	39,331	6.8%
Small businesses[1]	**38,480**	34,479	11.6%
Housing loans	**149,005**	139,540	6.8%
Commercial	**69,857**	62,747	11.3%
Corporate	**176,284**	140,180	25.8%
International activity[2]	**21,685**	22,476	(3.5%)
Financial management	**5,568**	4,730	17.7%
Total	**502,881**	443,483	13.4%

(1) Includes the receivables balance in respect of credit cards.
(2) Of which: effect of exchange-rate differences, a decrease of approximately 12.5%.

Diagram 2-4: Segmentation of credit by principal segment as at December 31, 2025



For further information regarding the development of credit and credit risks by economic sector, see the section "Credit risk," below.

Problematic debts

Table 2-13: Problematic credit risk[1]

	December 31, 2025			December 31, 2024		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
	NIS millions					
Non-accruing credit risk	**2,448**	**389**	**2,837**	2,678	500	3,178
Substandard credit risk	**847**	**46**	**893**	903	115	1,018
Special mention credit risk	**4,250**	**439**	**4,689**	4,422	632	5,054
Total problematic credit risk*	**7,545**	**874**	**8,419**	8,003	1,247	9,250
Net problematic credit risk	**6,399**	**760**	**7,159**	6,721	1,086	7,807
* Of which, accruing debts past due by 90 days or more	**116**	**-**	**116**	105	-	105

(1) Non-accruing, substandard, or special mention credit risk.

Note:
Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

Problematic credit risk decreased by approximately 9.0% in 2025, mainly due to a decrease in non-accruing credit risk and a decrease in special mention credit risk.

For further information regarding the analysis of the credit portfolio and problematic credit risk, including the scenarios and sensitivity analyses tested, see the section "Credit risk," below.

Off-balance sheet financial instruments

Table 2-14: Developments in principal off-balance sheet items

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Off-balance sheet financial instruments, excluding derivatives			
Guarantees and other commitments[1]	**86,982**	84,511	2.9%
Commitments to issue guarantees	**52,781**	46,872	12.6%
Irrevocable commitments to grant credit approved but not yet drawn	**79,004**	69,280	14.0%
Unutilized revolving overdraft and other credit facilities in on-demand accounts	**29,855**	27,878	7.1%
Unutilized credit-card credit facilities	**22,346**	20,183	10.7%
Total	**270,968**	248,724	8.9%

(1) Includes documentary credit and off-balance sheet credit risk in respect of which insurance was acquired from foreign insurers.

In 2025, the volume of off-balance sheet financial instruments increased by approximately NIS 22.2 billion compared with the end of 2024, concurrently with an increase in the volume of activity and in credit balances. Most of the increase resulted from commitments to grant credit and commitments to issue guarantees.

Securities

The Bank has investments in government and corporate bonds, as well as investments in tradable (mainly foreign) and non-tradable shares, broadly diversified.

Investments in securities totaled approximately NIS 144.2 billion as at December 31, 2025, compared with approximately NIS 121.8 billion at the end of 2024, an increase of approximately 18.4%, mainly reflected in an increase in the volume of holdings in government bonds of the Israeli government and the United States government.

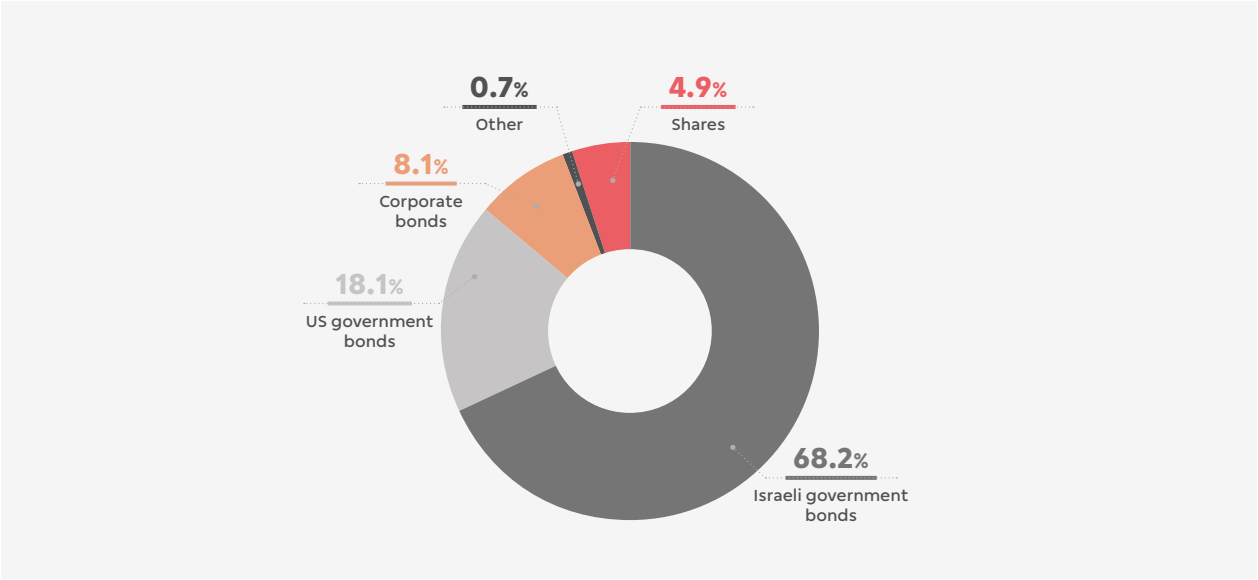
Profits in the amount of approximately NIS 214 million from realization and adjustments to fair value of bonds were recorded in 2025, mainly resulting from realization of corporate and government bonds at a profit, compared with losses in the amount of approximately NIS 779 million in the preceding year, which mainly resulted from realization of government bonds at a loss, as part of the management of the interest-rate and liquidity position of the Bank.

The balance of the capital reserve in respect of bonds increased by approximately NIS 1.3 billion in 2025, mainly as a result of a decrease in shekel and dollar interest rates. With regard to sensitivity of the capital reserve to changes in interest rates, see the section "Capital adequacy," below.

The share portfolio of the Bank contains tradable shares (measured at fair value) and non-tradable shares (measured at cost or observable price, if it exists, less impairment). The overall share portfolio of the Bank Group totaled approximately NIS 7.0 billion, compared with a total of approximately NIS 4.9 billion at the end of 2024.

Net profit from revaluation, dividends, and realization of shares in the amount of approximately NIS 542 million was recorded in respect of the share portfolio of the Bank Group in 2025, compared with profit in the amount of approximately NIS 503 million in the preceding year.

Diagram 2-5: Segmentation of securities of the Bank



Details of the Bank Group's activity in securities are set out below.

Table 2-15: Securities balances

	Held to maturity	Available for sale	Trading portfolio	Total
	NIS millions			
Balance as at December 31, 2025				
Israeli government bonds	**13,905**	**66,579**	**17,947**	**98,431**
US government bonds	**1,698**	**19,687**	**4,775**	**26,160**
Government bonds – other foreign countries	**-**	**991**	**-**	**991**
Total government bonds	**15,603**	**87,257**	**22,722**	**125,582**
Corporate bonds – Israel	**599**	**213**	**-**	**812**
Corporate bonds – outside Israel	**-**	**10,880**	**-**	**10,880**
Total corporate bonds	**599**	**11,093**	**-**	**11,692**
Shares	**-**	**5,995**	**976**	**6,971**
Total securities	**16,202**	**104,345**	**23,698**	**144,245**
Balance as at December 31, 2024				
Israeli government bonds	15,715	49,459	14,971	80,145
US government bonds	1,930	16,765	790	19,485
Government bonds – other foreign countries	-	1,634	-	1,634
Total government bonds	17,645	67,858	15,761	101,264
Corporate bonds – Israel	486	246	-	732
Corporate bonds – outside Israel	-	14,861	114	14,975
Total corporate bonds	486	15,107	114	15,707
Shares	-	4,867	-	4,867
Total securities	18,131	87,832	15,875	121,838

Table 2-16: Details of corporate bonds by economic sector

	Balance as at			
	December 31, 2025		December 31, 2024	
	Balance sheet value	Percentage of total corporate bonds	Balance sheet value	Percentage of total corporate bonds
	NIS millions		NIS millions	
Mining and quarrying	**48**	**0.4%**	306	2.0%
Industry	**390**	**3.3%**	727	4.6%
Electricity and water supply	**193**	**1.7%**	372	2.4%
Information and communications	**169**	**1.4%**	140	0.9%
Banks and financial institutions	**10,480**	**89.6%**	13,905	88.5%
Commerce	**-**	**-**	35	0.2%
Transportation and storage	**17**	**0.1%**	35	0.2%
Other sectors	**395**	**3.4%**	187	1.2%
Total corporate bonds	**11,692**	**100.0%**	15,707	100.0%

The investment in bonds of banks and financial institutions also includes bonds of regional development banks (supranational bonds).

For further details regarding amounts measured at fair value, see Note 32.B to the Financial Statements.

Deposits

Table 2-17: Developments in balances of deposits

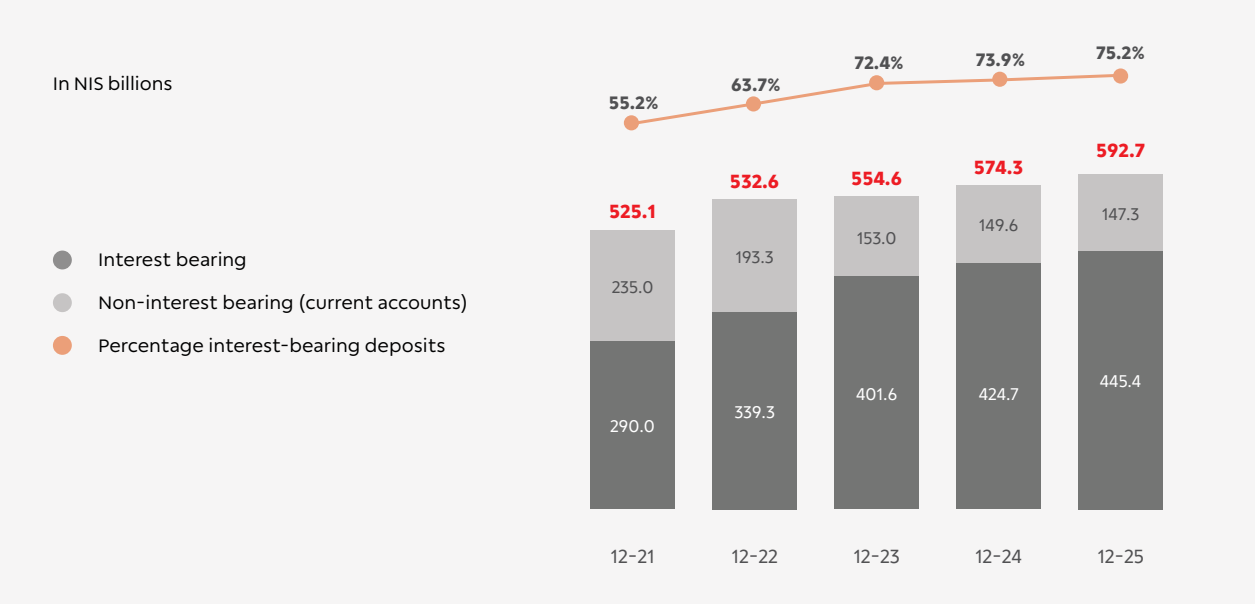
	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Deposits from the public	**592,676**	574,285	3.2%
Deposits from banks	**10,367**	10,837	(4.3%)
Deposits from the government	**1,531**	932	64.3%
Total	**604,574**	586,054	3.2%

Table 2-18: Additional information regarding deposits of the public

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
On demand			
Non-interest bearing	**147,251**	149,621	(1.6%)
Interest bearing	**149,018**	152,328	(2.2%)
Total on demand	**296,269**	301,949	(1.9%)
Fixed term	**296,407**	272,336	8.8%
Total deposits from the public	**592,676**	574,285	3.2%

The balance of deposits totaled approximately NIS 604.6 billion as at December 31, 2025, compared with a total of approximately NIS 586.1 billion at the end of 2024. The increase in 2025 mainly resulted from an increase in deposits from the public, due to an increase in fixed-term deposits, offset by a decrease in on-demand deposits.

Diagram 2-6: Development of the composition of deposits from the public



Off-balance sheet activity in securities held by the public

Table 2-19: Developments in balances of off-balance sheet monetary assets held by the Bank Group's customers

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Securities[(1)]	**1,283,477**	1,127,821	13.8%

(1) Including securities balances of provident funds and mutual funds for which the Bank Group provides custody services, and services incidental to account management at various volumes.

The increase in the volume of securities of customers of the Bank Group in 2025 was mainly influenced by customers' transition from deposits and current accounts to the capital markets, and by an increase in the value of securities, due to the gains in the capital markets.

Bonds and subordinated notes

Bonds and subordinated notes totaled approximately NIS 35.9 billion as at December 31, 2025, compared with approximately NIS 20.2 billion at the end of 2024, an increase of approximately 77.8%, which resulted from the issuance of two series of commercial securities, the issuance of bonds, the expansion of series of CoCo subordinated notes, and CLN transactions contracted during 2025.

On March 6, 2025, the Bank completed an issuance at a volume of approximately NIS 2.03 billion of commercial securities for a period of one year. The principal of the commercial securities matures in one payment on March 9, 2026.

In early March 2025, the Bank expanded two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series L and Series M, maturing in 2037 and 2049 respectively, subject to the Bank's right to early maturity in 2032 and 2044, respectively.

The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.16 billion.

On April 3, 2025, after receiving the approval of the Bank of Israel, the Bank repaid Subordinated Notes (Series I) in early maturity, in the amount of approximately NIS 1.2 billion.

On May 22, 2025, the Bank expanded two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series L and Series M, maturing in 2037 and 2049 respectively, subject to the Bank's right to early maturity in 2032 and 2044, respectively.

The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.15 billion.

In March and June 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total funding volume of approximately NIS 1.75 billion.

On June 16, 2025, the Bank completed an issuance at a volume of approximately NIS 1.58 billion of a series of bonds not linked to an index, maturing in ten equal annual payments, to be paid in each of the years from 2026 to 2035.

On the same date, the Bank completed an issuance at a volume of approximately NIS 1.47 billion of Commercial Securities (Series 2) for a period of one year. The principal of the commercial securities matures in one payment on June 17, 2026.

In July 2025, partial early redemption of Credit Linked Notes (Series 1) was carried out, in the amount of approximately NIS 85 million.

On August 20, 2025, the Bank completed the issuance of two series of subordinated notes with a principal loss absorption mechanism (CoCo), maturing in 2036 and 2042 respectively, subject to the Bank's right to early maturity in 2031 and 2037, respectively. The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.64 billion.

On August 21, 2025, the Bank completed an issuance at a volume of approximately NIS 3.42 billion of a series of bonds linked to an index, maturing in ten equal annual payments, to be paid in each of the years from 2026 to 2035.

In August 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total funding volume of approximately NIS 1.4 billion.

On December 22, 2025, the Bank completed an issuance at a volume of approximately NIS 4.12 billion of two series of bonds:

On January 14, 2026, the Bank completed a private offering to institutional entities of two dollar-denominated bond series on the international market, at a volume of approximately USD 2 billion. The first series matures in one payment in July 2029, and the second series matures in one payment in January 2033.

The Bank is considering the possibility of issuing additional bonds shortly after the publication of the financial statements, and from time to time, according to its routine liquidity needs.

On May 4, 2025, the Bank received approval from the Israel Securities Authority to extend the validity of the shelf prospectus of the Bank of May 2023 by an additional year, until May 8, 2026. The Bank is working to renew the validity of the shelf prospectus.

For further details, see Note 20 to the Financial Statements and the section "Capital adequacy," below.

Table 2-20: Details of bonds and subordinated notes

	December 31, 2025		December 31, 2024	
	Balance sheet value	Of which: tradable*	Balance sheet value	Of which: tradable*
	NIS millions			
Bonds**	**24,091**	**22,408**	10,896	10,896
Subordinated notes	**11,805**	**11,801**	9,294	9,284
Total bonds and subordinated notes	**35,896**	**34,209**	20,190	20,180

* Includes bonds and subordinated notes traded on the Retzef Mosdi'im (TACT Institutional) system.

** Includes the balance of credit-linked notes (CLN) in the amount of approximately NIS 3,901 million (December 31, 2024: NIS 1,039 million).

Table 2-21: Derivative instruments

	December 31, 2025			December 31, 2024		
	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value	Notional value
	NIS millions					
Interest contracts	**8,674**	**8,309**	**1,496,161**	10,211	9,302	1,044,058
Currency contracts	**11,266**	**13,109**	**762,511**	6,951	6,691	627,747
Share-related contracts	**5,101**	**4,947**	**515,090**	5,020	4,920	324,127
Commodity and service contracts (including credit derivatives)	**30**	**31**	**2,529**	9	8	210
Total	***25,071**	***26,396**	**2,776,291**	*22,191	*20,921	1,996,142

* Of which: net fair value of assets and liabilities in respect of embedded derivatives in the amount of NIS 22 million and NIS 1 million, respectively, included in the balance sheet in the item "deposits from the public" (December 31, 2024: assets and liabilities in the amount of NIS 42 million and NIS 6 million, respectively).

The balances of nominal value and the fair value of derivative instruments increased in 2025. Most of the increase in nominal-value balances resulted from activity in interest contracts and share contracts. Most of the increase in fair value resulted from currency contracts. The increase resulted, among other factors, from sharp changes in exchange rates in the markets. The Bank generally operates with counterparties under netting agreements and with collateral aimed at reducing the credit exposure arising from activity in derivative instruments of these counterparties.

2.3.2. Capital, capital adequacy, and leverage

(1) Capital

Investments in the capital of the Bank and transactions in its shares

The issued and paid-up share capital of the Bank, as at December 31, 2025, and at the report date, is NIS 1,337,682,310 par value, composed of ordinary shares of par value NIS 1 each, of which, at the report date, 24,484,021 dormant shares held in treasury.

In April 2025, the Bank entered into an agreement with the Tel Aviv Stock Exchange Ltd. (the "TASE") for the formulation of a tailor-made market making program, in accordance with the directives of the TASE Rules and Regulations and the resolution of the TASE board of directors of March 4, 2025. Pursuant to the agreement, in June 2025 the TASE appointed two market makers to operate as market makers in the shares of the Bank (Meitav Market Making Ltd. and Idan Financial Instruments Ltd. (the Barak Capital Group)), beginning June 18, 2025. The Bank bears the payments to the market makers, which include a fixed component in respect of the activity and a variable component depending on each market maker's share of the trading turnover. The amounts borne by the Bank in respect of the market-making activity are immaterial for the Bank. Pursuant to the agreement, the market making will be performed according to the rules established in the TASE Rules and Regulations, the guidelines thereunder, and the resolution of the TASE board of directors mentioned above, as they may be from time to time, and the TASE will supervise the market makers' compliance with the rules. The parties intend to operate the program for at least one year.

For details regarding the Gift Shares program, which is included in the shelf prospectus report released on August 24, 2025, and the Gift Shares 2.0 program, included in the shelf prospectus report released on November 26, 2025, see Note 24.D to the Financial Statements.

Profit distribution

Dividend distribution by the Bank is subject to tests and limits set forth in the Companies Law and in the directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 331. Any distribution and the rate thereof are subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account the directives of all laws, any constraints on distribution, and business considerations, including the strategy of the Bank.

The updated dividend distribution policy of the Bank, which was approved by the Board of Directors at the date of approval of the financial statements for the second quarter of 2025, is distribution each quarter (with the possibility of a supplementary dividend in subsequent periods) at a rate of up to 50% of net profit (instead of 40% prior to the update). This policy does not constitute a commitment by the Bank to dividend distribution or to the rate thereof, and any distribution in practice shall be in accordance with a specific approval by the Board of Directors to carry out the distribution, according to its judgment and subject to compliance with the directives of the law and the conditions for the execution of the distribution, including the directives of the Companies Law and the directives and guidelines of the Bank of Israel. The actual dividend distribution rate may be affected by the extent of buybacks of shares of the Bank, if and inasmuch as carried out concurrently.

At the date of approval of the report, taking into consideration the capital surpluses of the Bank in relation to the capital requirements, the Board of Directors approved a total distribution of approximately NIS 1,239 million (50% of the profits of the fourth quarter of 2025, plus NIS 200 million from existing capital surpluses), of which a total of NIS 991 million to be paid as dividends on March 23, 2026, and a total of NIS 248 million within Stage B of a buyback plan for shares of the Bank, approved in November 2025. For details regarding this buyback plan, and the previous buyback plan completed in July 2025, see Note 24.C to the Financial Statements.

Table 2-22: Details regarding overall distribution, dividends paid, and buybacks of shares in previous periods

Cash dividend					Buyback of shares	Percentage of buyback of shares*	Total amount distributed	Overall distribution rate*
Date of declaration	Date of payment	Dividend per share	Total dividend	Dividend distribution rate*				
		Agorot	NIS millions		NIS millions		NIS millions	
March 5, 2026	March 23, 2026	75.465	991	48%	248	12%	1,239	60%
November 20, 2025	December 8, 2025	83.809	1,103	40%	276	10%	1,379	50%
August 13, 2025	August 31, 2025	96.594	1,271	50%	-	-	1,271	50%
May 19, 2025	June 3, 2025	54.563	720	30%	250	10%	970	40%
March 3, 2025	March 20, 2025	28.092	372	24%	250	16%	622	40%
November 18, 2024	December 11, 2024	38.513	512	27%	250	13%	762	40%
August 14, 2024	September 9, 2024	48.302	645	29%	250	11%	895	40%
May 20, 2024	June 10, 2024	57.936	775	40%			775	40%
March 7, 2024	April 8, 2024	26.322	352	20%			352	20%
November 16, 2023	December 6, 2023	24.976	334	20%			334	20%
August 14, 2023	September 6, 2023	57.505	769	40%			769	40%
May 22, 2023	June 14, 2023	60.048	803	40%			803	40%
March 8, 2023	March 30, 2023	39.272	525	30%			525	30%

* The percentages of the distribution/acquisition are based on the profits of the quarter preceding the distribution date, approximated as a whole percentage.

(2) Capital adequacy

The Bank's approach to capital-adequacy assessment

The Bank applies the capital measurement and adequacy directives based on the Basel directives, as published by the Banking Supervision Department.

The Basel Committee on Banking Supervision is applying updates to the framework for capital-adequacy measurement, sometimes referred to as "Basel 4." Significant updates have been established in connection with the method of calculating risk-adjusted assets in respect of which capital requirements are required to be calculated in Pillar 1. In the European Union, implementation of the standards included in the update commenced on January 1, 2025. At this stage, the date of implementation in Israel has not yet been determined.

In December 2021, the Banking Supervision Department issued a circular updating directives pertaining to capital allocation in respect of derivative financial instruments (implementation of Proper Conduct of Banking Business Directives 203A and 208A). The circular is aimed at adjusting the Proper Conduct of Banking Business Directives to the guidelines of the Basel Committee with regard to counterparty credit risk. Directive 203A, on the subject of the treatment of counterparty credit risk, has been implemented as of July 1, 2022. Directive 208A, on the subject of capital allocation in respect of CVA risk, which has been implemented as of January 1, 2025, establishes the basic approach for CVA (BA-CVA), replacing the existing approach in Proper Conduct of Banking Business Directive 203. The main points of the updates in this approach concern different treatment of the attribution of risk weights by economic sector and counterparty credit quality. At the inception date, the implementation of the directive led to a decrease of approximately 0.03% and approximately 0.04% in the common equity Tier 1 capital ratio and total capital ratio of the Bank, respectively.

In addition, on June 19, 2024, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 206, "Capital Measurement and Adequacy – Operational Risk." The directive establishes an updated definition for the calculation of the capital allocation in respect of operational risk, such that it is based, among other things, on components of the business indicator and on an internal loss multiplier based on the average historical losses of the banking corporation. The directive is implemented as of January 1, 2026, with the exception of the implementation of the internal loss multiplier (ILM) approach, which will take effect later, as shall be determined by the Bank of Israel. The component in effect as of January 1, 2026, has no material effect on the capital-adequacy ratio, and the Bank is in the process of preparing for implementation of the internal loss multiplier approach.

On April 6, 2025, the Banking Supervision Department issued a circular updating the Proper Conduct of Banking Business Directives, as detailed below, in light of an increase in credit risk in the construction and real-estate industry and the housing market, due, among other factors, to a significant increase in sales of homes within various promotional campaigns by developers. The requirements of the circular are in effect as of the date of its publication. The updates to the directives will be in effect until December 31, 2026. Pursuant to the circular, credit within a residential construction project finance agreement shall be risk weighted at 150% if the percentage of apartment sale contracts with non-linear payment where more than 40% of the consideration of the sale in the purchasing agreement is deferred to the delivery date is greater than 25%. Transitional directives were established with respect to existing projects. In addition, Directive 329, "Limits on Housing Loans," was updated. Pursuant to the update, a section was added stating that the percentage of loans executed in respect of bullet and balloon loans subsidized by contractors cannot exceed 10% of total loans executed in respect of housing loans in a calendar quarter. The implementation of this directive had no material effect on the capital ratio.

Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief has been granted. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at December 31, 2025, stand at 10.23% and 13.50%, respectively.

In order to comply with the capital-adequacy target and manage capital effectively, capital planning is performed at the Bank based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins. Various sensitivity tests are applied within the planning of capital and capital ratios. The Bank also routinely monitors actual results as compared to planning, and the gaps between results and planning, and, as necessary, examines the actions needed in order to comply with the established capital targets. As part of the establishment of the internal capital targets of the Bank, as detailed below, the policy of the Bank is to maintain capital adequacy at a level higher than the minimum ratio required by the Banking Supervision Department, and not lower than the level of capital adequacy required to cover the risks as assessed in the Internal Capital Adequacy Assessment Process (ICAAP). Within the ICAAP, the Bank examines the effect of stress scenarios on capital-adequacy ratios; accordingly, plans are in place for preparedness to return to regulatory capital adequacy in the case of such a stress event. The results of the process indicated that the Bank's capital targets (even prior to the update noted below) are higher than required to cover the risks.

The common equity Tier 1 capital target takes into consideration the outcomes of discussions held with the Banking Supervision Department regarding the specific risk attributes of the Bank, within the most recent supervisory review and evaluation process (SREP) performed, and the uncertainty in relation to geopolitical conditions.

Taking the foregoing into consideration, on November 19, 2025, the Board of Directors updated the internal target for the common equity Tier 1 capital ratio to a rate of no less than 11.0% (instead of 10.5% prior to the update).

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Banking Supervision Department and with the aforesaid internal target, while maintaining safety margins in relation thereto.

The capital of the Bank and the volume of risk-adjusted assets are subject to changes, due to the following factors, among others:

- Effects of changes in the interest rate on capital reserves from bonds available for sale.
- Effects of changes in the CPI, exchange rates, and the rating of the state on risk-adjusted asset balances.
- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions.

The sensitivity of the capital reserve in respect of bonds available for sale, net, after tax effect, to a theoretical increase of 1% in the risk-free yield curve and in the credit risk spread is estimated at a decrease in the amount of approximately NIS 1.3 billion and approximately NIS 0.7 billion, respectively. By contrast, the sensitivity of the capital reserve arising from adjustments for actuarial changes, net, after tax effect, to a theoretical increase of 1% in the discount rate is estimated at an increase in the amount of approximately NIS 0.2 billion.

Capital requirements in respect of the exposures of the Bank to the government of Israel, Israeli banks, institutional entities, and public-sector entities are derived from the rating of the State of Israel. The Bank uses S&P as a single rater for country ratings for the purposes of capital-adequacy measurement. As at December 31, 2025, the rating of the State of Israel by S&P is A. Rating downgrades of the State of Israel by S&P, if any, would have a direct effect on the capital-adequacy ratios of the Bank only if the rating falls to BBB+ or lower (i.e. a downgrade of two notches relative to the current level of A). If such a rating downgrade occurs, it may lead, as at December 31, 2025, to a direct negative impact of 0.35% and 0.45% on the common equity Tier 1 capital ratio and the total capital ratio, respectively.

Changes in capital

For further details regarding supervisory adjustments and deductions, and regarding additional effects on capital and capital adequacy, including directives prior to the date of implementation, see Note 24 to the Financial Statements.

Table 2-23: Calculation of the capital-adequacy ratio

	December 31, 2025	December 31, 2024
	NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions		
Common equity Tier 1 capital	**64,605**	58,165
Tier 1 capital	**64,605**	58,165
Tier 2 capital	**17,727**	14,627
Total overall capital	**82,332**	72,792
2. Weighted balances of risk-adjusted assets		
Credit risk	**497,698**	454,175
Market risks	**4,656**	4,407
Operational risk	**36,876**	34,181
Total weighted balances of risk-adjusted assets	**539,230**	492,763
	%	
3. Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components	**11.98%**	11.80%
Ratio of Tier 1 capital to risk components	**11.98%**	11.80%
Ratio of total capital to risk components	**15.27%**	14.77%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department[(1)]	**10.23%**	10.23%
Minimum total capital ratio required by the Banking Supervision Department[(1)]	**13.50%**	13.50%

(1) The minimum common equity Tier 1 capital ratio and the minimum total capital ratio are 10.0% and 13.5%, respectively. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order.

(3) Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations. The leverage ratio is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202. The total exposure is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

For details regarding the temporary order of the Banking Supervision Department for a relief in leverage ratios, see Note 24.K to the Financial Statements.

Table 2-24: Leverage ratio

	December 31, 2025	December 31, 2024
	NIS millions	
Consolidated data		
Tier 1 capital	**64,605**	58,165
Total exposures	**858,555**	810,835
	%	
Leverage ratio	**7.52%**	7.17%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**6.00%**	6.00%

2.4. Description of the Bank Group's business by supervisory operating segments

Supervisory operating segments are reported in the uniform format established by the Banking Supervision Department for the entire banking system. The segments are based on customer characteristics, such as asset portfolio volume with respect to private customers, or annual revenue of a business with respect to business customers.

This reporting is fundamentally different from the operating segments used at the Bank according to the approach of its management, which are described in Note 28A to the Financial Statements and in the section "Operating segments based on the management approach" in the Corporate Governance Report.

For further information regarding the business of the Bank Group according to supervisory operating segments, see Note 28 to the Financial Statements.

Table 2-25: Results of operations and principal data of the supervisory operating segments

	For the year ended December 31, 2025		
	Activity in Israel		
	Households	Private banking	Small businesses and microbusinesses
	NIS millions		
Net financing profit	**6,832**	**433**	**4,191**
Fees and other income	**1,418**	**191**	**1,171**
Total income	**8,250**	**624**	**5,362**
Provision (income) for credit losses	**601**	**-**	**517**
Operating and other expenses	**3,934**	**218**	**2,032**
Net profit (loss) attributed to shareholders of the Bank	**2,350**	**257**	**1,780**

* Includes income in the amount of approximately NIS 432 million due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements.

	For the year ended December 31, 2024*		
	Activity in Israel		
	Households	Private banking	Small businesses and microbusinesses
	NIS millions		
Net financing profit	7,064	502	4,100
Fees and other income	1,231	163	1,018
Total income	8,295	665	5,118
Provision (income) for credit losses	566	-	546
Operating and other expenses	4,390	204	2,158
Net profit (loss) attributed to shareholders of the Bank	2,056	287	1,479

* Reclassified.

For the year ended December 31, 2025							
Activity in Israel						Activity outside Israel	Total
Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity outside Israel	
NIS millions							
1,580	**3,466**	**287**	**1,633**	**23**	**18,445**	**1,176**	**19,621**
393	**822**	**124**	**201**	**122**	**4,442**	***493**	**4,935**
1,973	**4,288**	**411**	**1,834**	**145**	**22,887**	**1,669**	**24,556**
121	**(38)**	**(4)**	**23**	**-**	**1,220**	**79**	**1,299**
391	**652**	**228**	**440**	**65**	**7,960**	**444**	**8,404**
913	**2,293**	**119**	**916**	**78**	**8,706**	**1,096**	**9,802**

For the year ended December 31, 2024*							
Activity in Israel						Activity outside Israel	Total
Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity outside Israel	
NIS millions							
1,513	3,148	298	108	13	16,746	1,163	17,909
373	741	119	228	123	3,996	55	4,051
1,886	3,889	417	336	136	20,742	1,218	21,960
(15)	(474)	3	(11)	-	615	78	693
421	643	237	431	83	8,567	440	9,007
901	2,273	106	14	91	7,207	428	7,635

Principal changes in the results of the segments

Household Segment

Net profit attributed to the Household Segment totaled NIS 2,350 million in 2025, compared with NIS 2,056 million in the preceding year. The increase mainly resulted from a decrease in operating and other expenses and from an increase in fees and other income. This increase was partly offset by a decrease in net financing profit.

Net financing profit totaled NIS 6,832 million in 2025, compared with NIS 7,064 million in the preceding year. Most of the decrease resulted from the effect of benefits granted to the customers of the Bank, in accordance with the voluntary outline of the Bank of Israel, including the grant of "gift shares." In addition, credit spreads in housing loans and in consumer activity decreased, partly offset by an increase in average balances of these activities.

Fees and other income totaled NIS 1,418 million in 2025, compared with NIS 1,231 million in the preceding year. The increase mainly resulted from an increase in credit-card fees, mainly due to nonrecurring income received from international credit-card organizations. In addition, fees from capital-market activity increased.

A provision for credit losses in the amount of NIS 601 million was recorded in 2025, compared with a provision in the amount of NIS 566 million in the preceding year. The increase mainly resulted from an increase in the provision in respect of the collective allowance, which mainly reflects the effects of the growth of the credit portfolio and the continued uncertainty in the economic environment.

Operating and other expenses of the segment totaled NIS 3,934 million in 2025, compared with NIS 4,390 million in the preceding year. The decrease mainly resulted from expenses in respect of the efficiency plan recorded in the preceding year, which were partly offset by an increase in performance-based bonuses and in provisions in connection with the labor dispute at the Bank.

Private Banking Segment

Net profit attributed to the Private Banking Segment totaled NIS 257 million in 2025, compared with NIS 287 million in the preceding year. The decrease mainly resulted from a decrease in net financing profit, partly offset by an increase in fees and other income.

Net financing profit totaled NIS 433 million in 2025, compared with NIS 502 million in the preceding year. The decrease mainly resulted from price effects of deposit spreads, due to a decrease in the dollar interest rate.

Fees and other income totaled NIS 191 million in 2025, compared with NIS 163 million in the preceding year. The increase mainly resulted from an increase in fees from capital-market activity and an increase in financial product distribution fees.

Operating and other expenses of the segment totaled NIS 218 million in 2025, compared with NIS 204 million in the preceding year.

Small Business and Microbusiness Segment

Net profit attributed to the Small Business and Microbusiness Segment totaled NIS 1,780 million in 2025, compared with NIS 1,479 million in the preceding year. The increase mainly resulted from an increase in fees and other income and a decrease in operating and other expenses. In addition, net financing profit increased.

Net financing profit totaled NIS 4,191 million in 2025, compared with NIS 4,100 million in the preceding year. The increase mainly resulted from an increase in average balances of credit. This increase was partly offset by price effects of deposit spreads, mainly due to the decrease in the dollar interest rate, and by price effects of credit spreads.

Fees and other income totaled NIS 1,171 million in 2025, compared with NIS 1,018 million in the preceding year. The increase mainly resulted from an increase in credit-card fees, mainly due to nonrecurring income received from international credit-card organizations. In addition, account-management fees increased.

A provision for credit losses in the amount of NIS 517 million was recorded in 2025, compared with a provision in the amount of NIS 546 million in the preceding year.

Operating and other expenses of the segment totaled NIS 2,032 million in 2025, compared with NIS 2,158 million in the preceding year.

Mid-sized Business Segment

Net profit attributed to the Mid-sized Business Segment totaled NIS 913 million in 2025, compared with NIS 901 million in the preceding year.

Net financing profit totaled NIS 1,580 million in 2025, compared with NIS 1,513 million in the preceding year. The increase mainly resulted from an increase in average balances of credit. This increase was partly offset by price effects of deposit spreads, mainly due to the decrease in the dollar interest rate, and by price effects of credit spreads.

Fees and other income totaled NIS 393 million in 2025, compared with NIS 373 million in the preceding year. The increase mainly resulted from an increase in credit processing fees.

A provision for credit losses in the amount of approximately NIS 121 million was recorded in 2025, compared with income in the amount of approximately NIS 15 million in the preceding year. The change mainly resulted from an increase in the provision in respect of the collective allowance, which mainly reflects the effects of the growth of the credit portfolio and the continued uncertainty in the economic environment. In addition, the provision in respect of the net individual allowance increased.

Operating and other expenses of the segment totaled approximately NIS 391 million in 2025, compared with NIS 421 million in the preceding year.

Large Business Segment

Net profit attributed to the Large Business Segment totaled NIS 2,293 million in 2025, compared with NIS 2,273 million in the preceding year.

Net financing profit totaled NIS 3,466 million in 2025, compared with NIS 3,148 million in the preceding year. The increase mainly resulted from an increase in average balances of credit and deposits. This increase was partly offset by price effects of deposit spreads, mainly due to the decrease in the dollar interest rate, and by price effects of credit spreads.

Fees and other income totaled NIS 822 million in 2025, compared with NIS 741 million in the preceding year. The increase mainly resulted from an increase in fees from financing transactions and an increase in credit-processing fees.

Income in respect of credit losses in the amount of approximately NIS 38 million was recorded in 2025, compared with income in the amount of approximately NIS 474 million in the preceding year.

The change resulted from an increase in the provision in respect of the collective allowance, which mainly reflects the effects of the growth of the credit portfolio.

Operating and other expenses of the segment totaled NIS 652 million in 2025, compared with NIS 643 million in the preceding year.

Institutional Entity Segment

Net profit attributed to the Institutional Entity Segment totaled NIS 119 million in 2025, compared with NIS 106 million in the preceding year. The increase mainly resulted from a decrease in operating and other expenses and a decrease in the provision for credit losses, and was partly offset by a decrease in net financing profit.

Net financing profit totaled NIS 287 million in 2025, compared with NIS 298 million in the preceding year.

Fees and other income totaled NIS 124 million in 2025, compared with NIS 119 million in the preceding year.

Financial Management Segment

Net profit attributed to the Financial Management Segment totaled NIS 916 million in 2025, compared with profit of NIS 14 million in the preceding year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 1,633 million in 2025, compared with profit of NIS 108 million in the preceding year. The increase mainly resulted from profits from realization of bonds recorded in 2025, compared with losses in the comparison period, and from an increase in interest income due to asset portfolio rollover and duration extension during 2024. By contrast, income from linkage differentials decreased due to changes in the rate of the known CPI between the periods. In addition, profit from buybacks of bonds in the amount of NIS 260 million was included in the comparison period last year.

Fees and other income totaled NIS 201 million in 2025, compared with NIS 228 million in the preceding year. The decrease mainly resulted from a decrease in syndication fees. This decrease was partly offset by an increase in capital-market fees.

Operating and other expenses totaled NIS 440 million in 2025, compared with NIS 431 million in the preceding year.

Other Segment (activity in Israel)

Net profit attributed to the Other Segment totaled NIS 78 million in 2025, compared with net profit in the amount of NIS 91 million in the preceding year.

International Activity Segment

Net profit attributed to the International Activity Segment totaled NIS 1,096 million in 2025, compared with net profit in the amount of NIS 428 million in the preceding year.

The principal changes in the results of international activity are set out below:

- Recognition of profit in the amount of approximately NIS 380 million, net, after tax effect, due to amounts received from insurers and officers in connection with the United States tax investigation.
- The net profit of the New York branch totaled approximately NIS 489 million in 2025, compared with net profit of approximately NIS 458 million in the preceding year.
- During the year, tax income in the amount of approximately NIS 300 million was recorded in respect of the beginning of liquidation of Hapoalim Switzerland.
- The loss attributed to the subsidiary Hapoalim Switzerland totaled approximately NIS 72 million in 2025, compared with a loss in the amount of approximately NIS 34 million in the preceding year.

2.5. Description of the Bank Group's business by operating segment based on the management approach

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. The division into operating segments according to the management approach is based on types of products and services, or on types of customers and their assignments to the organizational units by which they are served, which is performed in accordance with various criteria established by the Board of Management of the Bank. The Board of Management of the Bank uses this division to make decisions and to analyze the Group's business results.

For additional information regarding the operating segments and analysis of the segments' results, see Note 28A to the Financial Statements and the section "Operating segments based on the management approach" in the Corporate Governance Report.

2.6. Principal companies

Poalim Equity Group

The Poalim Equity Group, which serves as the non-financial investment arm of the Bank and is held under its full ownership, operates in two main areas:

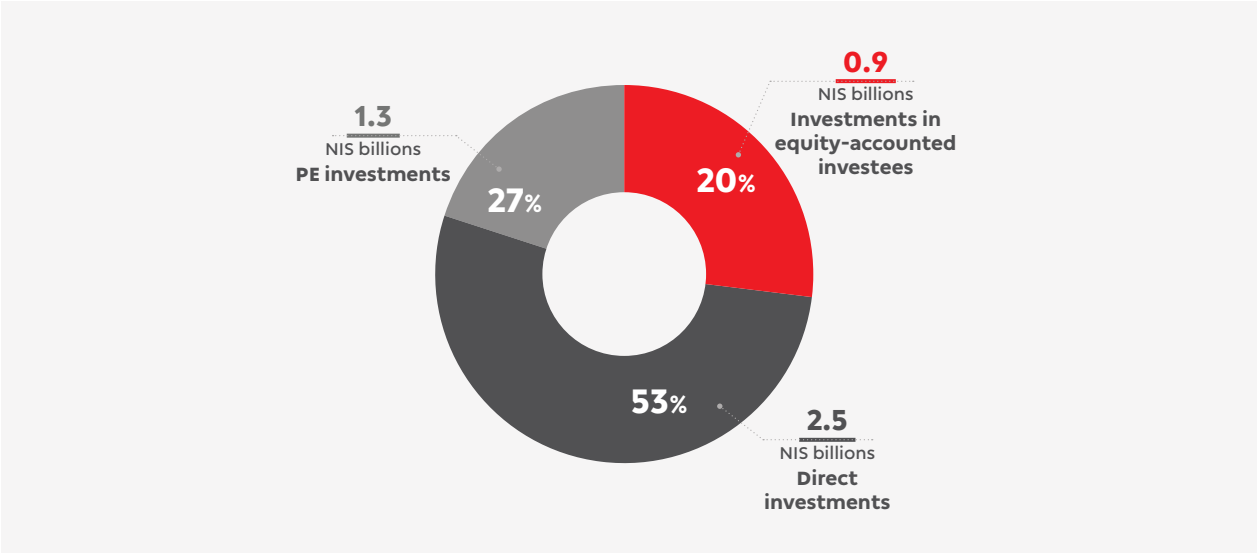
- Investment activity in and outside Israel. This activity includes direct investments in equity and debt (mezzanine) in private companies, and investments and ventures in private-equity (PE) funds.
- Investment banking in and outside Israel.

In addition, Poalim Equity has minority holdings (approximately 20%) in companies in the Leader Group, which is engaged, among other matters, in securities advising, underwriting, and distribution.

The balance of investments of Poalim Equity totaled approximately NIS 4.8 billion as at December 31, 2025, compared with approximately NIS 4.5 billion at the end of 2024.

In addition, Poalim Equity has an investment commitment in the amount of approximately NIS 1.1 billion as at December 31, 2025, compared with a total of approximately NIS 1.2 billion at the end of 2024.

Diagram 2-7: Distribution of investments of Poalim Equity



The net profit of Poalim Equity totaled approximately NIS 356 million in 2025, compared with net profit in the amount of approximately NIS 77 million in 2024. The increase mainly resulted from an increase in profits from revaluations of shares and an increase in profits from realization of shares, including profit of approximately NIS 190 million (before tax) recorded as a result of the disposal of holdings in Amal Holdings A.D. Ltd., which was completed in the fourth quarter of 2025, and revaluation of the balance of the investment according to its market value, in addition to an increase in equity profits in respect of equity-accounted investees, due to amortizations of impairments recorded in 2024, among other factors.

The Bank's investment in Poalim Equity (in capital and other means) totaled NIS 5.7 billion as at December 31, 2025, compared with NIS 5.0 billion at the end of 2024.



3. Review of risks

Some of the information in this section, even if it is based on processing of historical data, constitutes forward-looking information, as defined in the Securities Law and as detailed in Section 1.1 above.
Additional information regarding risks is available in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2025 (hereinafter: the "Report on Risks").

3.1. General description of risks and risk management

The Bank performs a comprehensive examination to assess the risks to which it is exposed and the materiality of such risks. Within the ICAAP (Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic-competitive risk, regulatory risk, compliance risk, and model risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk (which may materialize via credit risks, investment risks, market risks, and more), and climate and environmental risks.

Financial risks		Non-financial risks	
Credit risk	Market risk	Operational risk (including IT and cyber risk)	Economic risk
Concentration risk	Interest-rate risk in the banking book	Compliance risk	Strategic and competitive risk
Counterparty risk	Investment risk	Legal risk	Climate and environmental risks
	Liquidity risk	Reputational risk	Model risk
		Regulatory risk	

The risk-management strategy of the Bank Group is designed to support the achievement of the strategic objectives of the Group as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business benefit, taking into consideration costs in terms of risk, by every responsible function at all levels of the organization. Risk management at the Bank is based on a uniform methodology, from a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting informed risk-taking in order to maximize the Group's profitability at a risk level aligned with its risk appetite.

The risk management structure and organization described in this section are applicable to all types of risks and to all units of the Bank. Each type of risk is addressed further, separately, as relevant, later in this section. Additional information is available in the Report on Risks.

3.1.1. Risk governance and risk management method

Risk management is performed based on a global view of the Bank's activity in Israel and of activity at the Bank's branches in New York, with due attention to the activity of subsidiaries with exposure significant for the Group. The subsidiaries are instructed to manage risks based on the strategy and policy of the Group, with adjustments according to the circumstances, which are reported to the parent company. Risks are managed separately by each company in the Bank Group, according to policy formulated by each company's board of directors. The Bank manages the various risks while hedging some risks. The Banking Supervision Department has set forth guidelines concerning risk management in the Proper Conduct of Banking Business Directives. The directives detail the requirements of the Banking Supervision Department for the management of the various risks to which a banking corporation is exposed, and stipulate fundamental principles for the management and control of risks, including suitable involvement in and thorough understanding of risk management by the board of directors of the banking corporation, the management of risks by a risk officer who is a member of the board of management, the employment of tools for the identification and measurement of risks, and the creation of means for supervision and control, including the existence of an independent risk-control function. The Bank operates in accordance with the guidelines of the Banking Supervision Department.

Risk control and the assessment of financial risks and operational risks are performed based on a uniform methodology at the Group level, under the direction of the Risk Management Division, taking into account the unique characteristics of the activity of each company. Any risks in new products or processes are identified through an orderly procedure, based on the policy for the launch of new products and processes. Models used to assess risks are tested prior to implementation and periodically, based on the Bank's model validation policy.

The approach taken with regard to control of all financial and operational risks at the Bank involves identification and assessment of the risks, and control of compliance with risk-appetite limits and with additional limits stipulated in the various internal procedures, through three lines of defense:



1. The first line of defense includes the business units within the divisions, including supporting and operational divisions, that create or take risks, as well as the internal control units within the divisions, which provide internal control over the risk creators and risk takers. The management of the business line bears the primary responsibility for routine risk management, aimed at managing risks while striving to achieve strategic goals and business objectives, within the established risk appetite and in accordance with the internal risk procedures and regulatory directives. Controls in the first line of defense are formalized in working procedures.
2. The second line of defense consists of the control units at the Risk Management Division, which is independent of the business divisions. This line is also responsible for presenting an overview of risks; formulating methodologies for risk assessment and for economic capital allocation; independent risk assessment; model validation; and analysis of the congruence of products and activities with the risk-appetite framework and risk capacity established by the Board of Directors. The second line of defense contains additional independent control functions, such as accounting and legal counsel.
3. The third line of defense consists of Internal Audit, which operates independently and objectively. Its purpose is to improve the activity of the organization and help it achieve its goals, including through supervision to ensure compliance with the directives of the law and regulation, implementation of the guidelines of the Board of Management and Board of Directors, and challenging and recommending improvement, from a focused and forward-looking perspective. Internal Audit operates under laws, regulations, international standards, guidelines of the Institute of Internal Auditors in Israel, guidelines of the Board of Directors' Audit Committee and of the Board of Directors, and the needs of the Bank.

The Board of Directors of the Bank is responsible for delineating the overall risk-management strategy and supervising the risk-management framework of the Group, directly or through the Risk Management and Control Committee. Main duties of the Board of Directors in the area of risk management are:

- Establishing the risk appetite and risk capacity framework of the Group.
- Approving a risk-management policy consistent with the risk-appetite framework, including the establishment of risk limits in the various areas of activity and main risk areas.
- Approving the control concept framework for the Group and ensuring that it meets risk-management needs.
- Providing clear guidance to senior management with regard to risk management, based on the recommendations of the Board of Management Risk Management Committee, and ensuring that senior management takes the necessary actions in order to identify, measure, monitor, and control risks.
- Approving methodologies for risk assessment and control, and for the allocation of economic capital in respect of risks.
- Supervising and monitoring the implementation of the established risk-management policy; examining the actual risk profile, including at the level of the Group; and examining the processes and actions that the Bank must apply in order to comply with all regulatory directives concerning risk management.

Board of Directors' Committee on Risk Management and Control – The committee's mission is to make recommendations and assist the plenum of the Board of Directors in formulating the Bank's risk-management policy, including establishing risk limits in the various areas of activity, examining the Bank's risk profile, monitoring the implementation of the established risk-management policy, and examining the processes and actions to be implemented by the Bank in order to comply with all regulatory directives concerning risk management. The Board of Directors' Committee on Risk Management and Control and **the plenum of the Board of Directors** receive reports on risks and on the execution of approved policies at least once each quarter. The committee also holds discussions as the United States Risk Management Subcommittee, which is charged with supervising risk-management policy in the Bank's activity in the United States.

Additional committees of the Board of Directors are engaged in matters related to risk management, primarily including the Audit Committee, the Committee for Monitoring the Implementation of the Resolutions with the United States Authorities, and the Corporate Governance and Stakeholders Committee.

The Board of Management of the Bank, including the managements of the divisions, is responsible for formulating, instilling, and implementing the risk-management framework of the Group, directly or through committees acting on its behalf. Main duties of the Board of Management in the area of risk management:

- Designing a risk-management policy consistent with the risk-appetite framework established by the Board of Directors, including risk limits in the various areas of activity and main risk areas, and submitting this policy to the Board of Directors for approval.
- Establishing guidelines and risk limits aligned with the policy, appropriate work methods for risk assessment, and decision-making processes based on an analysis of return/business benefit versus risk, and receiving the appropriate reports, while ensuring compliance with risk-management policy objectives.
- Ensuring the existence of an internal process for capital assessment and for setting capital targets consistent with the risk profile of the corporation and with its control environment.
- Ensuring the existence of adequate resources for risk management at the Bank, including a framework of internal controls, and the existence of independent, effective, comprehensive control and reporting systems for risks.

Board of Management Committee on Risk Management and Compliance – Responsible for shaping the Bank's risk-management policy, risk limits, and reporting and control procedures, and for examining the Bank's overall risk profile, including the various risk types and factors to which the Bank is exposed.
Additional committees of the Board of Management operate in specific areas of risk, subject to the risk policies and limits established by the Board of Directors and the Board Committees. Committees have also been established that convene under certain conditions, including the Financial Crises Committee and the Banking Emergency Committee. These committees convened at the outbreak of the Swords of Iron War, and have continued to convene as needed. For further details, see the section "Impacts of the war and the security situation."

The Chief Risk Officer (CRO) and the member of the Board of Management responsible for the Risk Management Division is Ms. M. Ben Shushan Cohen.
Financial risks are managed by designated members of the Board of Management and under their responsibility.
The principal members of the Board of Management responsible for managing credit risks are the Head of Corporate Banking (as of December 2025 Mr. S. Arbel, and previously Mr. I. Furman) and the Head of Retail Banking, Ms. P. Garfinkel.
The member of the Board of Management responsible for managing market, investment, and liquidity risks is the Head of Financial Markets, Mr. A. Dauber.
Legal risk is managed by Attorney Y. Almog, Chief Legal Advisor, who gave notice in January 2026 of her intention to leave the Bank.
Technological risk, including cyber risk, is managed by Mr. E. Rachmil, Head of Information Technology.
Operational risk, excluding legal risk and technological risk, is managed by each member of the Board of Management in the area of activity for which he or she is responsible.

Risk Management Division – The activities and responsibilities of the division are consistent with Proper Conduct of Banking Business Directive 310. The main objectives of the division are: to instill an advanced culture of risk management and monitoring at the Bank Group, supporting risk-taking in an informed manner, with the aim of maximizing the profitability of the Group at a risk level aligned with its risk appetite; to establish risk-management and compliance policies at the level of the Group, in line with the goals of the Group and with the requirements of the Basel Committee and of relevant regulation; and to examine and monitor the overall risk profile of the Bank and its congruence with the risk appetite set by the Board of Directors. Towards that end, the division develops and implements comprehensive and quantitative risk-assessment methodologies and models, which are also used to calculate economic capital.

The division ensures the existence and quality of the key risk-management processes of the Group: identification and assessment of risks; establishment of risk capacity and risk appetite; and establishment of mechanisms for control, monitoring of risks, and reporting. The division leads and coordinates the ICAAP (the annual Internal Capital Adequacy Assessment Process, taking risks into account) and is involved in capital ratio management processes. The division comprises four units, headed by the head of the division, who has the rank of a Member of Management: (1) the Credit Risk Management Unit, (2) the Operational and Market Risk Management Unit, (3) the Chief Compliance Officer and Securities Enforcement Unit, and (4) the Risk Integration Unit.
In general, reports of the Risk Management Division submitted to the Board of Directors' Committee on Risk Management and Control for discussion are also submitted to the plenum, as a written report or for discussion, as relevant. Pursuant to the policy of the Bank, the risk reporting system has been established in a manner that allows effective communication both across the Group and to higher levels of the management chain. The purpose of the reports is to escalate sensitive issues or weaknesses with the potential to cause risk; the reports are performed both on an individual basis and at the level of the Group as a whole. The reporting system includes the presentation of weaknesses or limitations in risk estimates, as well as significant assumptions on which the estimates are based, and includes routine reports and ad-hoc reports as needed.

The Risk Management Division also operates several committees, headed by the Chief Risk Officer:
Board of Management Steering Committee on Credit Policy – The committee formulates the credit policy of the Bank.
Board of Management Committee on Credit Review – The committee discusses credit review reports prepared for major borrowers of the Bank and for risk-based samples of the overall credit portfolio of the Bank, and examines the reliability of the credit rating and the appropriateness of the classifications and allowances of the Group.
Board of Management Committee on Debt Classification and Determination of the Provision for Credit Losses – The committee is engaged in formulating methodology for the collective allowance, formulating policy for classifications and individual allowances, classifying credit, and determining individual allowances for credit losses, subject to the hierarchy of authority.
Model Risk Management Committee – The committee formulates the model risk governance framework, manages model risk within the risk appetite, and ensures congruence with model policy and governance. The committee discusses the validation of models performed in both the first and second lines.
Additional committees include the Regulatory Investment Prioritization Committee, the Lateral Control Aspects Monitoring and Improvement Committee, the Board of Management Committee on Compliance and Legal Risk Management, and the New York Risk Management Committee.

For more extensive information regarding risk management, see further details in this section and in the Report on Risks.

3.1.2. Risk appetite

Risk appetite is a key tool for linking the organization's strategy, capital allocation, and risk management. The Board of Directors establishes the risk-appetite framework, taking into consideration the recommendations of the Chief Executive Officer, the Chief Risk Officer, and the Chief Financial Officer. The risk appetite is translated into targets and limits for the business lines. The risk-appetite framework includes policies, processes, controls, and systems used to implement, communicate, and supervise risk appetite. The risk-appetite framework includes a statement of risk appetite and risk capacity, risk limits, and outlines of the responsibilities of those charged with the implementation and control of the risk-appetite framework. The risk-appetite framework refers to the material risks to the Bank, and establishes the risk profile in alignment with the Bank's business strategy and risk capacity. An effective risk-appetite framework provides a shared structure and means for senior management and the Board of Directors to communicate, understand, and evaluate the level of risk that they are willing to accept. The framework defines the boundaries within which the Board of Management is expected to operate in order to realize the business strategy of the Bank.

The framework includes the following main components:
Risk appetite statement: A written formulation of the extent and types of aggregate risk that the Bank is interested in bearing in order to achieve its business objectives, including appropriate reports, as well as quantitative metrics of profits, capital, risk indicators, liquidity, and other relevant means, as necessary.
Risk appetite: The maximum total aggregate risk that the banking corporation is willing to bear, within its defined risk capacity, in order to achieve its business objectives in accordance with the strategic plan, under various constraints (such as sources of capital and liquidity, regulatory requirements, risk/return characteristics, etc.).
Risk capacity: The maximum level of risk that the Bank is able to sustain without diverging from capital limits relevant to stress scenarios, including from the perspective of shareholders and customers. Compliance with the risk capacity shall be examined, among other matters, by applying stress tests designed to estimate the impact on the Bank's profit and capital adequacy as a result of the materialization of a stress scenario.
Risk limits: Quantitative indicators based on forward-looking assumptions, which give practical expression to the aggregate risk-appetite statement of the Bank.

3.1.3. Stress scenarios

In order to understand the possible implications of various shocks for the financial robustness of the Bank, both given the existing balance sheet and upon the materialization of work plans and other business intentions, a process of stress testing is carried out. Three types of scenarios are examined at the Bank for this purpose: comprehensive systemic scenarios applied to the entire Bank Group; reverse scenarios; and single-factor scenarios applied at the level of a sector, transaction, borrower, or portfolio, in certain cases, according to predefined thresholds. The Bank adapts the various scenarios and their characteristics to financial, political, and environmental developments in Israel and globally. In addition, the Bank implements the directives of the Bank of Israel and applies the uniform stress test established by the Banking Supervision Department, when required.
Goals of analysis of stress scenarios:

- Identification of risk concentrations and potential weaknesses in the Bank's portfolio;
- Examination of the effect of strategic decisions of the Bank;
- Integration in the planning process and examination of the effects of the business plan on potential exposures;
- Examination of the financial robustness of the Bank and evaluation of the potential damage that may be caused by extreme events of various types;
- Analysis of the sensitivity of the Bank to shocks or exceptional but possible events;
- Assessment of the materiality of the various risks;
- Examination of the Bank's compliance with its risk appetite and risk capacity, and breakdown of risk appetite by division;
- Support for the business divisions in understanding the risk map of the various areas of activity and sectors;
- Support for the ICAAP and for the formulation of contingency plans in order to minimize the damage of extreme events.

Assumptions, methodology, and results are discussed and approved by the Stress Scenarios and Risk Concentrations Committee and in meetings of the Board of Management and committees of the Board of Directors.

Capital management takes the results of various stress tests into consideration, in several ways: first, the capital target and the business plan of the Bank are determined in view of the risk capacity, which establishes the minimum capital adequacy that the Bank is willing to reach in the event of a stress scenario. Second, capital planning includes contingency plans which the Bank can activate if a stress scenario materializes, in order to improve its capital adequacy. Stress scenarios are tested for each planning year, given the capital targets and expected capital ratio, in order to ascertain that the capital planning ensures compliance with the risk capacity throughout the years of the plan. The Bank also examines the effect of a moderate stress scenario, primarily consisting of changes in the financial markets, including changes in interest rates, spreads, exchange rates, and more, on the capital-adequacy ratio, in order to measure and limit the potential erosion of the capital-adequacy ratio. In liquidity management, the Bank examines internal and regulatory liquidity scenarios.

3.2. Credit risk

Credit risk is the risk that a borrower or debtor may default on obligations to the Bank under a credit agreement.
The credit portfolio is a major component of the asset portfolio of the Bank Group; therefore, deterioration in the stability of the various borrowers may have an adverse effect on the Group's asset value and profitability.
Activities that create credit risk include:

- **Balance sheet exposures –** Present liabilities to the Bank, such as credit and mortgages to the public, credit to banks and deposits with banks, credit to governments, investment in bonds (corporate and other), and the balance sheet part (positive fair value) of derivatives and financial instruments.
- **Off-balance sheet exposures –** Potential (unrealized) liabilities to the Bank, such as guarantees, unutilized commitments to grant credit, unutilized credit facilities, and potential liabilities arising from changes in the value of transactions in derivative financial instruments.

The credit risk arising from transactions in derivative financial instruments is defined as counterparty risk, which is the risk that the counterparty to the transaction will default before the final settlement of cash flows in the derivatives transaction. For information regarding counterparty credit risk and the management thereof, see the Report on Risks.
Another risk arising from the portfolio of credit exposures is concentration risk. Concentration risk arises from non-optimal diversification of specific risks in the credit portfolio, such that the credit portfolio is insufficiently diversified across the various risk factors; for example, when the credit portfolio is composed of a small number of borrowers (name concentration) or has a high degree of exposure to a particular economic sector (sector concentration).

3.2.1. Management of credit risks

The goal of credit-risk management is to allow the Group to operate, and to ensure that it operates, in accordance with the policies and strategic objectives established and within the risk appetite defined in the area of credit, from the level of the single transaction to the overview of the credit portfolio.
The Bank's credit risk management policy is based on diversification of the credit portfolio and controlled management of risks. Risk diversification is reflected by the distribution of the Bank's credit portfolio among different sectors of the economy, a large number of borrowers, different linkage segments, and different geographical regions overseas. The policy of distributing risks among economic sectors is based on an evaluation of anticipated developments in the different sectors. For this purpose, the Bank conducts industry-level surveys and economic feasibility studies to evaluate the risk and business potential related to activity in the various economic sectors. The Bank's business objectives are determined in accordance with these surveys and studies.
The credit management system monitors customers' credit exposure. Credit review systems identify, monitor, and report to the responsible function and to managers on negative indications related to borrowers.

Credit-risk management is based on principles including the following:

- **Independence –** The principle of independence is an essential element of the Bank's corporate governance, aimed at preventing conflicts of interest and establishing an effective system of checks and balances. The goal of this principle is to ensure that the information regarding risks reported to management functions, and in particular to senior management and the Board of Directors, is objective and is not influenced by other considerations, in particular considerations of business success and remuneration for such success.
- **Hierarchy of authority –** The Bank has a hierarchy of authority that outlines a sequence of credit authorizations, according to the level of debt of the borrower or group, the risk rating, and problematic debt classifications, allowing control over the process of approving new credit transactions. The hierarchy of authority provides a definition of individual credit approval thresholds and thresholds for transfer to approval committees, as well as the composition of such committees.
- **Comprehensive view of the customer/group –** The Bank manages risk groups containing counterparties with material ties or dependence relationships in a manner that allows detection of shared risk within the group. Material groups are overseen by a customer manager who is responsible for all activities of that borrower/group. Information systems continuously provide customer managers and their staff with a comprehensive view of the activity of the customer/group, including the level of credit risk, and in accordance with Proper Conduct of Banking Business Directive 313.
- **Credit policies and procedures –** The Board of Directors of the Bank sets forth the credit policy, which is examined and updated routinely, according to changes in the financial markets and in the economy. This policy includes various limits on the credit portfolio, in accordance with the risk appetite of the Bank, including exposure limits by economic sector, country, or financial institution, as a function of the risk level assessed by the Bank. Limits are also imposed on the maximum exposure to a single borrower, according to the credit rating assigned to the borrower, which reflects the borrower's risk level, as well as a maximum limit for a group of borrowers.

  The credit policy formalizes and establishes the rules applicable to all parties at the Bank involved with credit risk, and is designed to serve the business goals of the Bank, in alignment with its risk policy and risk appetite, and in compliance with regulatory directives.

  Credit policy documents delineate the aspects relevant to each division (including customer type, economic sector, and purpose of the credit), adjusted for risk level.

  Adherence to the guidelines of the credit policy in carrying out business operations allows rational management of credit and credit exposures, and serves as a tool for the management of credit risks.

  The credit policies and procedures are binding for everyone involved in the area of credit at the Bank. The policy specifies the principles and considerations related to credit granting, the authority to grant credit, prohibitions and limits applied to credit granting, and the internal regulations that establish the Bank's practices and principles in the areas of credit and collateral.

  The Board of Management is also authorized to establish temporary orders stricter than the parameters in the credit policy of the Bank.

  The Risk Management Division is responsible for the overall policy of the Bank, and for formulating and coordinating the policies of the business units.
- **Controls and risk identification –** The process of reviewing and identifying credit risks is conducted by the three lines of defense. Controls are applied from the level of each individual credit item to the level of the portfolio, in the first and second lines of defense, according to materiality thresholds. The Credit Risk Management Unit leads and coordinates reports to the Board of Management and Board of Directors regarding trends and changes in the credit portfolio, including the level of credit risk in the portfolio, compliance with limits, special events, analysis of concentration, stress scenarios, and presentation of general risk indicators, in Israel and globally.

The third line of defense, through Internal Audit, examines the implementation and effectiveness of risk management and control processes. The identification of credit risk in existing products is based on risk management, measurement, and control processes at the various levels. The identification of risk in new products relies on the policy for new products, which specifies the processes to be followed for each new product at the Bank in order to identify all risks involved in the product, assess the extent and materiality of such risk, and provide solutions for the measurement, control, and hedging of the risk.

A quarterly and annual process has been designed in order to identify risk concentrations and examine the potential implications of various shocks (financial, political, and others) for the financial robustness of the Bank. This process includes definition, examination, and reporting of the results of stress scenarios, and mapping of the effects on profit and on capital adequacy.

- **Credit risk is quantified and measured on several levels:** the level of the individual borrower, borrower groups by area of activity, sectors of the economy, borrower segments, products, and the overall portfolio of the Bank and of the Group. Processes for risk quantification and measurement and for the ranking of borrowers and of credit have been developed and implemented for each area of activity and type of credit. These processes combine assessments by credit experts with decision-making processes and advanced statistical models.
- **Identification and treatment of borrowers in distress –** The Bank has established procedures for the identification and treatment of borrowers who, according to the Bank's evaluation, may default on their obligations to the Bank. The Credit Analysis Department and the Credit Review Department in the Risk Management Division determine, in the opinion they prepare, whether the specific customer should be included in the Bank's watch list, whether the customer's condition requires classification as problematic debt, and whether an individual allowance for credit losses is necessary. Borrowers included in watch lists are examined on a quarterly basis and subject to heightened monitoring; measures are considered to reduce the exposure and/or receive additional collateral. In certain cases, customers are transferred to a unit specializing in monitoring and restructuring of customers' debt, or to debt collection units. In addition, the Bank regularly reviews the level of credit risk in borrower portfolios on the basis of conservative assumptions, classifies problematic credit risk according to the directives of the Bank of Israel (non-accruing, substandard, or special mention), and includes a sufficient allowance for credit losses in the financial statements in respect of the total credit risk at the Bank.
- **Uniform instruction and training –** Anyone involved in the area of credit at the Bank undergoes routine professional training and instruction to ensure a uniform level of knowledge and absorption of the policies and principles of the Bank. Lessons-learned processes based on various credit events are conducted by the units and communicated to the relevant functions, in accordance with the internal regulations of the Bank.
- **Hedging and risk mitigation –** The Bank manages credit collateral using a collateral system with safety margins that are conservative relative to the safety margins required under the Basel directives, which reduce the value of collateral based on the risk of decline in value and rapid realization. In this sense, the Pillar 1 capital requirement is conservative and does not take a considerable part of the collateral provided against exposures into account. The collateral portfolio is diversified among different types of assets, which contributes to a lower probability of a sweeping decline in the value of the collateral. The collateral may include portfolios of securities, of which shares of the Bank are a part, received during the ordinary course of business, including incidentally to swap transactions on stock indices (such as the TA-35 index and the Tel Aviv Banks index), in compliance with the limits of Proper Conduct of Banking Business Directive 332. The Bank uses supplementary tools to hedge and mitigate risk, such as credit sales and the acquisition of insurance.

Method of determining the collective allowance

The calculated allowance for current expected credit losses is estimated on a collective basis, excluding borrowers regarding which the Bank has not identified common risk characteristics with other borrowers, for which the allowance is calculated on an individual basis. Each quarter, a process is conducted to identify customers with problematic potential, based on defined criteria, and all borrowers on watch lists and/or classified as problematic are reviewed. The adequacy of the classification and allowance is reviewed for customers examined individually according to the policy of the Bank. In cases in which the customer's situation has changed, changes have occurred in collateral, and/or collection has been performed, the need to update the classification and allowance is examined.

The collective allowance for credit losses is calculated based on the expected loss over the lifetime of the credit. In addition, the estimate of the allowance for credit losses involves significant use of forward-looking information, which reflects reasonable, supported forecasts of future economic events.

The Bank estimates expected credit losses using an advanced method based on an economic estimate of the lifetime expected loss, through an estimate of the components of the credit loss: probability of default (PD), loss given default (LGD), and the balance of credit, taking into account repayments and future utilization of off-balance sheet credit facilities (exposure at default – EAD), including macroeconomic adjustments and adjustments in respect of qualitative factors.

Data in this method are primarily based on existing internal information at the Bank; in cases of information limitations, expert evaluations were included.

Macroeconomic adjustments are based on forecasts of the Bank regarding macroeconomic parameters including unemployment rates, the consumer price index, the housing price index, gross national product, the volume of purchases using credit cards, and the real interest rate.

Adjustments to the model in respect of qualitative factors refer, among other matters, to political and environmental attributes; rapid growth in credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and additional factors.

For additional information regarding credit risk and the management thereof, see the Report on Risks.

3.2.2. Analysis of credit quality and problematic credit risk

Table 3-1: Analysis of credit quality, problematic credit risk, and nonperforming assets of the public

	Balance as at December 31, 2025				Balance as at December 31, 2024			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
	NIS millions							
Credit risk at credit execution rating[1]								
Balance sheet credit risk	**316,723**	**147,736**	**35,093**	**499,552**	271,885	138,359	31,629	441,873
Off-balance sheet credit risk	**180,129**	**12,848**	**25,725**	**218,702**	168,386	10,922	24,088	203,396
Total credit risk at credit execution rating	**496,852**	**160,584**	**60,818**	**718,254**	440,271	149,281	55,717	645,269
Credit risk not at credit execution rating								
a. Non-problematic – balance sheet	**4,279**	**788**	**3,981**	**9,048**	4,243	776	3,364	8,383
b. Total problematic[2]	**5,886**	**1,035**	**624**	**7,545**	6,551	844	608	8,003
Of which: problematic accruing	**4,745**	**3**	**349**	**5,097**	4,958	-	367	5,325
Of which: problematic non-accruing	**1,141**	**1,032**	**275**	**2,448**	1,593	844	241	2,678
Total balance sheet credit risk not at credit execution rating	**10,165**	**1,823**	**4,605**	**16,593**	10,794	1,620	3,972	16,386
Off-balance sheet credit risk not at credit execution rating	**2,646**	**24**	**298**	**2,968**	2,552	6	229	2,787
Total credit risk not at credit execution rating	**12,811**	**1,847**	**4,903**	**19,561**	13,346	1,626	4,201	19,173
Of which: debts accruing interest income past due by 90 days or more	**148**	**-**	**70**	**218**	65	-	60	125
Total overall credit risk of the public	**509,663**	**162,431**	**65,721**	**737,815**	453,617	150,907	59,918	664,442
Additional information regarding total nonperforming assets								
a. Non-accruing debts	**1,141**	**1,032**	**275**	**2,448**	1,593	844	241	2,678
b. Assets received in respect of discharged credit	**3**	**-**	**-**	**3**	2	-	-	2
Total nonperforming assets of the public	**1,144**	**1,032**	**275**	**2,451**	1,595	844	241	2,680

(1) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(2) Non-accruing, substandard, or special mention credit risk.

Note:
A. Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.
B. For additional information regarding debts with payment deferrals of 180 days or more that are not classified as problematic, see Note 29 to the Financial Statements.

As at December 31, 2025, the volume of overall credit risk at credit execution rating increased, while its rate as a percentage of total credit risk of the Bank rose slightly compared with December 31, 2024. In a breakdown by segment, the volumes of credit risk increased, and there are moderate changes in rates of credit risk at execution rating as a percentage of total credit risk, with a slight decrease in the percentage of credit to private individuals, an increase in the percentage of commercial credit, and stability in the percentage of housing credit.

Table 3-2: Additional information regarding changes in non-accruing credit to the public

	For the year ended December 31, 2025		
	Commercial	Private*	Total
	NIS millions		
Changes in non-accruing credit to the public			
Balance of non-accruing debts at beginning of year	**1,593**	**1,085**	**2,678**
Debts classified as non-accruing during the year**	**704**	**1,338**	**2,042**
Debts that resumed accruing interest income during the year	**(165)**	**(639)**	**(804)**
Debts charged off	**(486)**	**(347)**	**(833)**
Debts repaid	**(505)**	**(130)**	**(635)**
Balance of non-accruing debts at end of year	**1,141**	**1,307**	**2,448**

	For the year ended December 31, 2024		
	Commercial	Private*	Total
	NIS millions		
Changes in non-accruing credit to the public			
Balance of non-accruing debts at beginning of year	3,035	977	4,012
Debts classified as non-accruing during the year**,***	689	1,108	1,797
Debts that resumed accruing interest income during the year	(309)	(522)	(831)
Debts charged off***	(755)	(368)	(1,123)
Debts repaid***	(1,067)	(110)	(1,177)
Balance of non-accruing debts at end of year	1,593	1,085	2,678

* Including housing loans.

** Of which, debts of borrowers experiencing financial difficulty the terms of which were modified during the period in the amount of approximately NIS 508 million (for the one-year period ended December 31, 2024: approximately NIS 452 million). For additional information regarding borrowers experiencing financial difficulty the terms of whose debts have been modified, see Note 29 to the Financial Statements.

*** Reclassified.

Table 3-3: Credit risk indicators

	As at							
	December 31, 2025				December 31, 2024			
	Commercial	Private individuals – housing loans	Private individuals – other	Total	Commercial	Private individuals – housing loans	Private individuals – other	Total
Analysis of quality of credit to the public								
Non-accruing credit as a percentage of the balance of credit to the public	**0.36%**	**0.69%**	**0.69%**	**0.48%**	0.58%	0.60%	0.68%	0.59%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of the balance of credit to the public	**0.40%**	**0.69%**	**0.87%**	**0.52%**	0.60%	0.60%	0.85%	0.62%
Problematic credit as a percentage of the balance of credit to the public	**1.83%**	**0.69%**	**1.57%**	**1.48%**	2.38%	0.60%	1.71%	1.78%
Credit not at credit execution rating as a percentage of the balance of credit to the public	**3.17%**	**1.22%**	**11.60%**	**3.25%**	*3.93%	1.16%	11.16%	*3.64%
Analysis of provision for credit losses in the reported period								
Provision for credit losses as a percentage of the average balance of credit to the public	**0.23%**	**0.06%**	**1.37%**	**0.27%**	0.05%	0.03%	1.48%	0.16%
Net charge-offs as a percentage of the average balance of credit to the public	**0.06%**	**-**	**0.61%**	**0.08%**	0.18%	-	0.82%	0.17%
Analysis of allowance for credit losses in respect of credit to the public								
Total allowance for credit losses** as a percentage of the balance of credit to the public	**1.99%**	**0.51%**	**4.11%**	**1.72%**	2.14%	0.48%	3.77%	1.76%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public	**1.67%**	**0.45%**	**3.97%**	**1.49%**	1.79%	0.43%	3.65%	1.51%
Allowance for credit losses as a percentage of the balance of non-accruing credit to the public	**469.3%**	**64.6%**	**573.5%**	**310.4%**	309.0%	70.9%	539.0%	254.7%
Allowance for credit losses as a percentage of the balance of credit to the public, non-accruing or past due by 90 days or more	**415.4%**	**64.6%**	**457.1%**	**285.0%**	296.9%	70.9%	431.6%	243.3%
Ratio of allowance for credit losses to net charge-offs	**32.3**	**-**	**6.9**	**19.2**	10.8	-	4.5	9.1

* Reclassified.
** Including the allowance in respect of off-balance sheet balances.

Note:
The rates calculated above refer to provisions in respect of credit to the public only, without credit losses in respect of banks and governments.
Credit to the public – before deduction of the allowance for credit losses.

Portfolio quality analysis

In the data for December 31, 2025, improvement was recorded in most indicators of the quality of credit to the public in comparison to December 31, 2024, mainly as a result of an improvement in credit quality indicators in the commercial segment.

An increase was recorded in the rate of the provision for credit losses, influenced by the increase in the collective allowance, while improvement was recorded in the rate of net charge-offs.

Minor changes occurred in the indicators of the analysis of the allowance for credit losses in respect of credit to the public, with a decrease in the total allowance for credit losses as a percentage of the balance of credit to the public, and in the allowance for credit losses in respect of credit to the public as a percentage of the balance of credit to the public. In a breakdown by segment, both rates decreased in the commercial portfolio and increased in private individuals and housing.

Effects of the economic and geopolitical environment on the collective allowance

Economic growth fluctuated over the last year, according to the geopolitical developments. Operation Rising Lion led to sharp contraction of economic activity in the second quarter, after which rapid growth was observed in the second half of the year, also influenced by the ceasefire agreement, among other factors. The economy grew at a rate of 3.1% over the last year, in comparison to 2024. The unemployment rate remained stable throughout the year, at an average level of 3.0%, with an increase of 1.4% in the number of employed persons in 2025.

The fiscal situation in Israel has stabilized, with a decrease in the budget deficit as a percentage of GDP in 2025 to 4.7%. Concurrently, public debt as a percentage of GDP also stabilized at 69%. The improvement in the geopolitical and fiscal situation was also reflected in the evaluations by credit-rating agencies. S&P raised its rating outlook to stable in November 2025, while maintaining a rating of A, and Moody's revised its rating outlook from negative to stable in January 2026, while maintaining a rating of Baa1. By contrast, Fitch kept its rating at A with a negative outlook, reflecting high uncertainty surrounding the security situation and its fiscal impacts. The country risk premium decreased following the agreement. The gap in yields between dollar-denominated ten-year bonds of the State of Israel and those of the United States government was approximately 90 basis points at the end of 2025.

Activity in the construction industry is expanding, in view of the lessened shortage of workers. Concurrently, a decrease in sales of new homes is apparent, with a resulting upward trend in the inventory of unsold homes. According to a survey by the Central Bureau of Statistics, prices of homes rose by a cumulative 1.4% in December 2025 and January 2026, following a decrease in the preceding eight months. Overall in 2025, prices of homes rose at a nominal rate of 0.4%, but were approximately 1.4% lower than the peak recorded in February 2025.

The collective allowance at the end of 2025, which totaled approximately NIS 8.5 billion, reflects the continued high uncertainty and the possible consequent damage to the economic environment, which may lead to an increase in the risk level, despite the positive geopolitical developments in the fourth quarter of 2025. In calculating the collective allowance, the Bank weighs in the results of three economic forecasts (optimistic, baseline scenario, and pessimistic) describing different trajectories of economic and financial developments in the short and medium term, and their impacts on credit risk. The pessimistic forecast includes an assumption of a sharp "correction" in the financial markets, leading to deceleration of growth globally and in Israel, as well as continued security-related tensions on the border with Lebanon and in the Gaza Strip and West Bank. The optimistic scenario assumes that the agreement in Gaza leads to the expansion of the Abraham Accords, improvement in investments, and relatively rapid growth.

For the purpose of analysis of the sensitivity of the collective allowance to different assumptions, the calculation of the collective allowance in respect of the portfolio in Israel based solely on the pessimistic forecast would lead to an increase of approximately NIS 1.2 billion, beyond the allowance included in these financial statements, and the calculation of the collective allowance based solely on the optimistic forecast would lead to a decrease of approximately NIS 0.9 billion in the collective allowance. This range indicates the potential effect of the level of uncertainty on the credit portfolio of the Bank. It is emphasized that the pessimistic forecast does not constitute a stress scenario.

Table 3-4: Composition of the allowance for credit losses

	Allowance for credit losses			
	Measured on an individual basis	Measured on a collective basis		Total
		Housing credit	Other	
	NIS millions			
Composition of the allowance as at December 31, 2025:				
In respect of credit to the public	**218**	**667**	**6,714**	**7,599**
In respect of debts other than credit to the public	**-**	**-**	**52**	**52**
In respect of off-balance sheet credit instruments (included in the item "other liabilities")	**94**	**96**	**999**	**1,189**
Allowance for credit losses as at December 31, 2025	**312**	**763**	**7,765**	**8,840**
Composition of the allowance as at December 31, 2024:				
In respect of credit to the public	253	598	5,969	6,820
In respect of debts other than credit to the public	-	-	28	28
In respect of off-balance sheet credit instruments (included in the item "other liabilities")	119	113	856	1,088
Allowance for credit losses as at December 31, 2024	372	711	6,853	7,936

Each quarter, a process is conducted to identify customers with problematic potential, based on defined criteria, and all borrowers on watch lists and/or classified as problematic are reviewed. The adequacy of the classification and allowance is reviewed for customers examined individually according to the policy of the Bank. In cases in which the customer's situation has changed, changes have occurred in collateral, and/or collection has been performed, the classification and allowance are updated.

The allowance for credit losses increased by NIS 904 million in 2025; the allowance on an individual basis decreased by NIS 60 million, while the allowance on a collective basis increased by NIS 964 million. The overall allowance for credit losses as a percentage of credit to the public decreased from 1.76% at the end of 2024 to 1.72% at the end of 2025.

3.2.3. Classification and analysis of credit risk by economic sector

Table 3-5: Credit risk by economic sector

	December 31, 2025, and the year then ended						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: non-accruing credit risk	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	**32,067**	**30,995**	**659**	**93**	**35**	**26**	**409**
Construction and real estate – construction	**140,288**	**137,958**	**1,379**	**280**	**175**	**23**	**1,439**
Construction and real estate – real-estate activities	**48,953**	**47,889**	**825**	**97**	**(72)**	**10**	**947**
Commerce	**45,646**	**43,728**	**927**	**285**	**166**	**118**	**581**
Financial services	**89,086**	**88,835**	**9**	**2**	**57**	**3**	**255**
Other business services	**20,207**	**19,129**	**163**	**56**	**121**	**45**	**387**
Public and community services	**11,434**	**10,992**	**230**	**141**	**36**	**9**	**153**
Other sectors	**58,244**	**55,439**	**940**	**216**	**44**	**(145)**	**1,456**
Total commercial	**445,925**	**434,965**	**5,132**	**1,170**	**562**	**89**	**5,627**
Private individuals – housing loans	**161,415**	**159,593**	**1,027**	**1,024**	**85**	**-**	**751**
Private individuals – other	**65,427**	**60,532**	**624**	**275**	**516**	**226**	**1,627**
Total public – activity in Israel	**672,767**	**655,090**	**6,783**	**2,469**	**1,163**	**315**	**8,005**
Total banks in Israel and government of Israel	**101,784**	**101,784**	**-**	**-**	**(1)**	**-**	**1**
Total activity in Israel	**774,551**	**756,874**	**6,783**	**2,469**	**1,162**	**315**	**8,006**
Total public – activity outside Israel	**65,048**	**63,164**	**1,636**	**368**	**132**	**80**	**809**
Banks and governments outside Israel	**51,118**	**51,117**	**-**	**-**	**5**	**-**	**25**
Total activity outside Israel	**116,166**	**114,281**	**1,636**	**368**	**137**	**80**	**834**
Total activity in and outside Israel	**890,717**	**871,155**	**8,419**	**2,837**	**1,299**	**395**	**8,840**

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts,[2] bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 515,774; 137,304; 7,419; 2,581; and 227,639 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds and securities borrowed or purchased under agreements to resell.
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet non-accruing, substandard, or special mention credit risk.

Table 3-5: Credit risk by economic sector (continued)

	December 31, 2024, and the year then ended						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: non-accruing credit risk	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	32,166	31,152	684	73	(37)	(50)	404
Construction and real estate – construction	120,848	118,749	1,512	449	189	16	1,285
Construction and real estate – real-estate activities	47,436	46,465	717	132	5	4	1,012
Commerce	42,877	40,627	1,257	333	140	138	535
Financial services	67,584	67,302	9	3	(14)	3	201
Other business services	18,481	17,465	150	69	133	101	308
Public and community services	9,936	9,518	170	147	48	219	144
Other sectors	52,415	49,452	1,314	554	(323)	11	1,262
Total commercial	391,743	380,730	5,813	1,760	141	442	5,151
Private individuals – housing loans	150,127	148,520	831	831	47	-	668
Private individuals – other	59,662	55,468	609	241	514	285	1,341
Total public – activity in Israel	601,532	584,718	7,253	2,832	702	727	7,160
Total banks in Israel and government of Israel	82,539	82,539	-	-	-	-	2
Total activity in Israel	684,071	667,257	7,253	2,832	702	727	7,162
Total public – activity outside Israel	62,910	60,551	1,997	346	(1)	19	754
Banks and governments outside Israel	43,937	43,824	-	-	(8)	-	20
Total activity outside Israel	106,847	104,375	1,997	346	(9)	19	774
Total activity in and outside Israel	790,918	771,632	9,250	3,178	693	746	7,936

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts,[2] bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 457,351; 116,982; 2,227; 1,953; and 212,405 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds and securities borrowed or purchased under agreements to resell.
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet non-accruing, substandard, or special mention credit risk.

3.2.4. Construction and real estate

In the residential real-estate market, a slowdown was recorded in purchases of homes; overall in 2025, sales of new homes decreased by approximately 25%, while sales of pre-owned homes remained at a similar level to 2024. The number of new homes sold this year reached approximately 34 thousand units, a very low level in relation to the volume of construction starts and construction permits given in the last few years, which reached approximately 80 thousand units per year. Accordingly, the number of unsold homes rose during the year, to approximately 83 thousand units in December 2025. According to a survey by the Central Bureau of Statistics, prices of homes rose by a cumulative 1.4% in December 2025 and January 2026, following a decrease in the preceding eight months. Overall in 2025, prices of homes rose at a nominal rate of 0.4%, but were approximately 1.4% lower than the peak recorded in February 2025.

The continued high interest-rate environment, further increases in construction costs, high inventory of unsold homes, decline in prices, and erosion of households' purchasing power are increasing risk in this industry.

On April 6, 2025, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 203, according to which the risk weight of credit for the financing of projects may require a higher capital allocation if the proportion of contracts where more than 40% of the value of the home is paid at the delivery date is above the threshold established in the directive. The directive took effect on the day of its publication and is in effect until December 31, 2026. Sales of new homes decreased sharply beginning in April 2025, due, among other matters, to the inception of the directive and its effects on special offers from contractors, but also other factors including the high interest-rate environment and the uncertainty attributed to the war. The Bank is continually monitoring the developments and has adjusted its credit policies with regard to projects with non-linear receipts, to respond to the potential resulting risks.

The Bank is working to identify direct effects on the borrower portfolio through routine monitoring, and, when necessary, re-rating and/or classification as problematic debt, with weight given to the current status of the borrowers.

Table 3-6: Segmentation of credit risk in the construction and real-estate sectors in Israel, by customers' principal area of activity

	Balance as at December 31, 2025			
	Balance sheet credit risk	Off-balance sheet credit		Total credit risk
	Loans[1]	Unutilized credit facilities	Guarantees	
	NIS millions			
Corporate Banking Division				
Income-producing properties	**33,133**	**8,312**	**1,482**	**42,927**
Residential construction	**44,220**	**26,971**	**[1]21,670**	**92,861**
Commerce and services construction	**3,319**	**939**	**297**	**4,555**
Industrial construction	**377**	**165**	**61**	**603**
Other	**16,040**	**13,562**	**6,165**	**35,767**
Corporate Banking Division total	**97,089**	**49,949**	**29,675**	**176,713**
Retail Banking Division	**9,618**	**2,220**	**690**	**12,528**
Total activity in Israel	**106,707**	**52,169**	**30,365**	**189,241**

(1) Includes balance sheet and off-balance sheet credit risk in respect of which insurance was acquired, mainly from foreign insurance companies, for the portfolio of credit for land.

Table 3-6: Segmentation of credit risk in the construction and real-estate sectors in Israel, by customers' principal area of activity (continued)

	Balance as at December 31, 2024			
	Balance sheet credit risk	Off-balance sheet credit		Total credit risk
	Loans[1]	Unutilized credit facilities	Guarantees	
	NIS millions			
Corporate Banking Division				
Income-producing properties	31,970	8,824	1,088	41,882
Residential construction	37,466	23,792	[1]21,416	82,674
Commerce and services construction	2,876	1,043	360	4,279
Industrial construction	140	191	67	398
Other	12,843	9,664	4,909	27,416
Corporate Banking Division total	85,295	43,514	27,840	156,649
Retail Banking Division	8,884	2,140	611	11,635
Total activity in Israel	94,179	45,654	28,451	168,284

(1) Includes balance sheet and off-balance sheet credit risk in respect of which insurance was acquired, mainly from foreign insurance companies, for the portfolio of credit for land.

Overall credit risk in the construction and real-estate sectors in Israel totaled approximately NIS 189 billion as at December 31, 2025. The total balance of the risk of credit to the public in the construction and real-estate sectors in Israel increased by approximately 12.5% in 2025. Most of the exposure is at the Corporate Banking Division (mid-sized and large customers), at approximately 93.4% of total credit risk in the construction and real-estate sectors in Israel.

Exposure to companies operating primarily in the residential construction industry at the Corporate Banking Division constitutes approximately 53% of the exposure of the division to the construction and real-estate sector. Most financing for companies in this industry consists of financing of residential construction projects and land for housing nationwide.

Exposure to companies operating in the industries of construction of buildings for commerce and services, construction for industry, and income-producing properties for rent at the Corporate Banking Division constitutes approximately 27% of the exposure of the division to the construction and real-estate sector.

Table 3-7: Analysis of credit quality in the construction and real-estate sectors in Israel

	Balance as at		Change
	December 31, 2025	December 31, 2024	
	NIS millions		
Credit risk at credit execution rating			
Non-problematic credit risk	**185,847**	165,214	12.5%
Credit risk not at credit execution rating			
Problematic accruing	**1,827**	1,648	10.9%
Non-accruing	**377**	581	(35.1%)
Problematic credit risk not at execution rating	**2,204**	2,229	(1.1%)
Non-problematic credit risk not at execution rating	**1,190**	841	41.5%
Total credit risk not at credit execution rating	**3,394**	3,070	10.6%
Total	**189,241**	168,284	12.5%

Total credit risk not at credit execution rating increased by 10.6% in 2025. Total credit risk not at credit execution rating as a percentage of total credit risk decreased from 1.82% at the end of 2024 to 1.79% as at December 31, 2025; problematic credit risk as a percentage of total credit risk decreased from 1.32% at the end of 2024 to 1.16% as at December 31, 2025; Non-accruing credit risk as a percentage of total credit risk decreased from 0.35% at the end of 2024 to 0.20% as at December 31, 2025.

Table 3-8: Credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity[1]

	Balance as at December 31, 2025				
	Land	Real estate under construction[2]	Completed properties	Other	Total
	NIS millions				
Financing rate (LTV)[3]					
Up to 45%	**3,655**	**-**	**7,154**	**-**	**10,809**
Over 45% up to 65%	**6,379**	**-**	**10,974**	**-**	**17,353**
Over 65% up to 80%	**20,337**	**-**	**7,750**	**-**	**28,087**
Over 80%	**356**	**-**	**237**	**-**	**593**
Absorption capacity[4]					
Up to 25%	**-**	**2,174**	**-**	**-**	**2,174**
Over 25% up to 50%	**-**	**31,530**	**-**	**-**	**31,530**
Over 50% up to 75%	**-**	**9,617**	**-**	**-**	**9,617**
Over 75%	**-**	**18,750**	**-**	**-**	**18,750**
Projects not yet started	**-**	**19,558**	**-**	**-**	**19,558**
Other[5]	**-**	**-**	**-**	**38,242**	**38,242**
Total Corporate Banking Division credit risk	**30,727**	**81,629**	**26,115**	**38,242**	**176,713**

(1) Segmentation was performed according to an analysis of the source of repayment of each credit, as presented and approved during the underwriting process.
(2) "Real estate in construction processes" includes all projects under construction in the various segments (residential, offices, commerce, etc.), including construction of properties designated for rental. This segment includes purchasing groups; projects for which a financing agreement has been signed, but financing has not commenced due to non-attainment of preliminary conditions; land where development has started; and balances of Sale Law guarantees in the process of cancellation in respect of completed projects.
(3) The financing rate (LTV) is the ratio of the monetary credit at the report date to the present value of the existing collateral at the report date, before the effect of haircuts. Financing rates do not weigh in risk hedging of credit balances backed by insurance acquired from reinsurers.
(4) The absorption capacity of the projects is the maximum possible rate of decline in the value of the asset as completed without the Bank incurring losses from the projects. The absorption capacity is based on the last known report at the report date, and does not weigh in risk hedging of balances secured by insurance acquired from reinsurers, or of credit risk reduced as a result of the issuance of credit-linked notes (CLN).
(5) "Other credit" is any credit that does not meet the definitions of one of the segments listed above. This item includes, for example, financing of infrastructure projects (PPP); financing against collateral other than real estate (such as deposits, shares, floating liens, third-party guarantees, and more); current credit against financial robustness; and more.

Table 3-8: Credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity[1] (continued)

	Balance as at December 31, 2024				
	Land	Real estate under construction[2]	Completed properties	Other	Total
	NIS millions				
Financing rate (LTV)[3]					
Up to 45%	3,042	-	6,211	-	9,253
Over 45% up to 65%	7,187	-	10,114	-	17,301
Over 65% up to 80%	18,371	-	7,556	-	25,927
Over 80%	729	-	178	-	907
Absorption capacity[4]					
Up to 25%	-	946	-	-	946
Over 25% up to 50%	-	20,001	-	-	20,001
Over 50% up to 75%	-	9,634	-	-	9,634
Over 75%	-	23,696	-	-	23,696
Projects not yet started	-	18,082	-	-	18,082
Other[5]	-	-	-	30,902	30,902
Total Corporate Banking Division credit risk	29,329	72,359	24,059	30,902	156,649

(1) Segmentation was performed according to an analysis of the source of repayment of each credit, as presented and approved during the underwriting process.
(2) "Real estate in construction processes" includes all projects under construction in the various segments (residential, offices, commerce, etc.), including construction of properties designated for rental. This segment includes purchasing groups; projects for which a financing agreement has been signed, but financing has not commenced due to non-attainment of preliminary conditions; land where development has started; and balances of Sale Law guarantees in the process of cancellation in respect of completed projects.
(3) The financing rate (LTV) is the ratio of the monetary credit at the report date to the present value of the existing collateral at the report date, before the effect of haircuts. Financing rates do not weigh in risk hedging of credit balances backed by insurance acquired from reinsurers.
(4) The absorption capacity of the projects is the maximum possible rate of decline in the value of the asset as completed without the Bank incurring losses from the projects. The absorption capacity is based on the last known report at the report date, and does not weigh in risk hedging of balances secured by insurance acquired from reinsurers, or of credit risk reduced as a result of the issuance of credit-linked notes.
(5) "Other credit" is any credit that does not meet the definitions of one of the segments listed above. This item includes, for example, financing of infrastructure projects (PPP); financing against collateral other than real estate (such as deposits, shares, floating liens, third-party guarantees, and more); current credit against financial robustness; and more.

As at December 31, 2025, credit for land with financing rates higher than 80% constitutes approximately 1.2% of the total balance of land at the Corporate Banking Division, compared with 2.5% as at December 31, 2024. Credit for completed properties with financing rates higher than 80% constitutes approximately 0.9% of the total balance of completed properties as at December 31, 2025, compared with 0.7% as at December 31, 2024. Credit with absorption capacity of up to 25% for real estate in construction processes increased, and constitutes approximately 2.7% of the total balance of real estate in construction processes at the Corporate Banking Division as at December 31, 2025, compared with 1.3% as at December 31, 2024. Most of the exposure at this level is to large projects and leading developers.

Management of credit risk in the construction and real-estate sectors

Exposure to the area of construction and real estate constitutes a substantial portion of the Bank's credit portfolio. The Bank monitors developments in credit to the construction and real-estate sectors, and applies various measures to manage the risk. Real-estate credit risks are examined individually, based on the policies and objectives established in the risk appetite that has been set, from the level of the individual transaction to an overview of the portfolio of credit for the construction and real-estate sectors at the Bank.

The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division, in addition to the regulatory limit established by the Bank of Israel. On January 7, 2021, the Bank of Israel issued additional adjustments of Proper Conduct of Banking Business Directive 250 (Temporary Order on Coping with the Coronavirus Crisis), which also addresses Proper Conduct of Banking Business Directive 315, "Industry Indebtedness Limit." The update stated that the limit on credit for the construction and real-estate sector, excluding indebtedness for national infrastructures, would rise from 20% to 22% of total indebtedness of the public, and the limit on credit for the construction and real-estate sector would rise from 24% to 26% of total indebtedness of the public. According to an update received on October 31, 2024, the period of the relief was extended to 24 months from December 31, 2027, provided that the rate does not exceed the rate on December 31, 2027, or the rate of the industry limit as established in Proper Conduct of Banking Business Directive 315, whichever is higher.

The Bank uses tools to manage its exposure to this sector, including the use of various means of hedging that reduce the credit risk to which the Bank is exposed, such as land insurance policies that protect the Bank against credit losses in respect of the portfolio of loans granted to customers of the Corporate Banking Division of the Bank that are secured by a lien on land, insurance policies for Sale Law guarantees that protect the Bank against losses in respect of Sale Law guarantees issued in real-estate projects of customers of the Corporate Banking Division financed by the Bank, issuance of credit-linked notes that bear part of the risk of credit granted by the Bank to borrowers in the area of real estate, and other means. These means allow the Bank to reduce its exposure to the construction and real-estate sector (for further details, see Note 25.B.10 and Note 24.K to the Financial Statements). The Bank may take additional measures in the future to continue to manage this limit and the exposure to this sector.

The underwriting process for new credit in this sector is performed according to a formalized credit policy for the various types of financing in the industry, such as financing of land, financing of residential construction, and financing of construction and yield generation of income-producing properties. The policy encompasses qualitative and quantitative criteria such as rate of equity capital, maximum LTV, minimum coverage ratio, and absorption capacity. These criteria are adapted to the type of financed asset, and are used to set the boundaries of risk appetite in this sector. New credit is underwritten with the establishment of risk-adjusted profitability.

Within the monitoring of the portfolio, changes and trends in various risk indicators are examined, including in comparison to data published with regard to the banking system as a whole. The Bank tracks macroeconomic conditions and changes in general, and in the business environment of the industry in particular, including data on the inventory of unsold homes and the volume of transactions. Certain events have been defined as requiring a reexamination of policy, such as a sharp increase in the interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices. The Bank continues to examine the developments in the economy and consider adjustments accordingly.

The Bank uses a model to measure the probability of default and the expected loss in the portfolio. In addition, within stress scenario testing, the effect on credit for construction and real estate is also examined.

The allowance for credit losses in respect of the construction and real-estate sectors in Israel totaled approximately NIS 2,386 million as at December 31, 2025, compared with a total of approximately NIS 2,297 million as at December 31, 2024. The total allowance for credit losses as a percentage of credit to the public in the construction and real-estate sector in Israel as at December 31, 2025, is 2.24%, compared with 2.44% as at December 31, 2024; this decrease was mainly caused by a shorter duration of credit in the portfolio and a decrease in the allowance on an individual basis.

3.2.5. Credit exposure to foreign countries

Credit exposure to foreign countries reflects the risk that an economic, political, or other event in a foreign country may have a negative effect on the ability of debtors of the various kinds (governments, banks, and others) to meet their obligations to the Bank Group, or may impair the value of the Group's assets, including the possibility that actions taken by foreign governments may eliminate the ability to convert currency and/or transfer currency outside the country (transfer risk).

The risk of exposure to foreign countries is managed at the Bank by individually examining the risks arising from the various countries, taking into consideration the countries' ratings by the international rating agencies S&P, Moody's, and Fitch.

The total exposure to foreign countries includes balance sheet exposures in respect of balance sheet debt balances, net of local liabilities, securities, and other investments attributed to countries other than Israel. The balance sheet exposure was adjusted based on the final risk, taking into account credit reinforcements, which include guarantees, tangible and liquid collateral, insurance contracts, participations in risk, and credit derivatives.

The Bank routinely monitors and examines the macroeconomic situation in countries in which it conducts activity.

Information regarding total exposures to foreign countries and exposures to countries total exposure to each of which constitutes more than 1% of total consolidated balance sheet assets, or 20% of capital, whichever is lower, is set out below.

Table 3-9: Principal exposures to foreign countries[1]

	December 31, 2025			December 31, 2024		
	Exposure					
	Balance sheet	Off-balance sheet[2][3]	Total	Balance sheet	Off-balance sheet[2][3]	Total
	NIS millions					
Country						
United States	**39,472**	**11,586**	**51,058**	31,285	10,646	41,931
England	**9,199**	**6,904**	**16,103**	6,412	10,097	16,509
Germany	**1,734**	**6,351**	**8,085**	1,814	5,065	6,879
Others	**36,584**	**8,610**	**45,194**	35,451	7,062	42,513
Total exposures to foreign countries	**86,989**	**33,451**	**120,440**	74,962	32,870	107,832
Of which: total exposure to LDCs	**312**	**196**	**508**	195	141	336
Of which: total exposure to countries with liquidity problems*	**150**	**46**	**196**	59	99	158

The line "total LDCs" includes the total exposure to countries defined as Least Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts."

Balance sheet exposure to a foreign country includes cross-border balance sheet exposure and balance sheet exposure of the branches/subsidiaries of the banking corporation in the foreign country to local residents. Cross-border balance sheet exposure includes balance sheet exposure of the branches/subsidiaries of the banking corporation in Israel to residents of the foreign country, and balance sheet exposure of the overseas branches/subsidiaries of the banking corporation to non-residents of the country in which the branch/subsidiary is located.

Balance sheet exposure of the banking corporation's branches/subsidiaries in a foreign country to local residents includes balance sheet exposure of the branches/subsidiaries of the banking corporation in that foreign country to the residents of the country, less liabilities of those branches/subsidiaries (the deduction is performed up to the level of the exposure).

* The list of countries with liquidity problems is based on several criteria established by the Bank.

(1) Based on the final risk, after the effect of guarantees, liquid collateral, and credit derivatives qualifying for credit risk mitigation under Proper Conduct of Banking Business Directive 203.

(2) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limits on indebtedness of a borrower, according to Proper Conduct of Banking Business Directive 313.

(3) Governments, official institutions, and central banks.

The growth in exposure to foreign countries mostly resulted from an increase in balance sheet exposure to the United States due to an increase in exposure to United States government bonds, and from an increase in exposure to United States banks, due to an increase in balances of securities borrowed or purchased under resale agreements and an increase in deposits. In addition, further growth in balance sheet exposure resulted from an increase in exposure to England and Belgium, due to an increase in balances of securities borrowed or purchased under resale agreements.

The decrease in off-balance sheet exposure to England, and conversely the increase in off-balance sheet exposure to Germany, mainly resulted from changes in off-balance sheet balances of derivatives. The increase in off-balance sheet exposure to other countries resulted from an increase in balances of guarantees and credit facilities of insurers from Switzerland, Ireland, and France, due to the signing of a new insurance policy within Sale Law guarantees.

Exposure to foreign countries includes credit exposures to foreign financial institutions.

This risk arises from the range of activities conducted with the financial institutions, such as transactions carried out at the Bank's dealing rooms (deposits of foreign-currency balances and derivatives), purchases of bonds issued by such institutions, foreign-trade transactions, capital-market activity, and credit insurance through foreign insurance companies. The exposure to foreign financial institutions is influenced both by the financial robustness of each institution and by the risk in the political and economic environment in which it operates. It is emphasized that most of the credit exposures of the Bank Group are to financial institutions located in developed markets in Western Europe and North America, rated Investment Grade or higher.

In the ordinary course of its business, the Bank regularly applies monitoring and controls with respect to developments that may affect the ability of the financial institutions with which it conducts activity to meet their obligations. Concurrently, measures are applied in order to minimize credit risk.

The exposure of the Bank Group to foreign financial institutions totaled approximately NIS 46.4 billion on December 31, 2025, an increase of approximately NIS 5.5 billion, compared with approximately NIS 40.9 billion at the end of 2024. The increase in the exposure to financial institutions resulted from an increase in exposure to securities borrowed or purchased under agreements to resell.

In addition, an increase in off-balance sheet exposure was recorded due to an increase in guarantees, as a result of the signing of a new insurance policy for exposure to Sale Law guarantees.

Virtually all of the exposure is to foreign financial institutions operating in Western European countries and in the United States. In addition, virtually all of the exposure is to financial institutions rated A- or higher.

3.2.6. Risks in the housing loan portfolio

Table 3-10: Risks in the housing loan portfolio

	Balance as at	
	December 31, 2025	December 31, 2024
	NIS millions	
Credit balances		
Loans from Bank funds	**149,672**	140,139
Loans from Finance Ministry funds*	**825**	855
Grants from Finance Ministry funds*	**276**	300
Total	**150,773**	141,294

	For the year ended	
	December 31, 2025	December 31, 2024
	NIS millions	
Execution of housing loans		
Total loans from Bank funds	**24,077**	20,539
Loans from Finance Ministry funds		
Loans	**77**	79
Grants	**29**	29
Total from Finance Ministry funds	**106**	108
Total new loans	**24,183**	20,647
Old loans refinanced from Bank funds	**5,526**	2,632
Total loans granted	**29,709**	23,279

* This amount is not included in balance sheet balances to the public.

Table 3-11: Development of the percentage of problematic debt and the allowance for credit losses in housing loans

	Recorded debt balance	Problematic debt	Allowance for credit losses in respect of housing loans	Rate of allowance for credit losses in respect of housing loans	Rate of problematic debt
	NIS millions/percent				
December 31, 2025	**149,672**	**1,035**	**763**	**0.51%**	**0.69%**
December 31, 2024	140,139	844	711	0.51%	0.60%
December 31, 2023	131,650	755	632	0.48%	0.57%

As of December 31, 2025, the percentage of problematic debt has increased. The increase in the percentage of problematic debt resulted from an increase in balances with debt past due by more than 90 days, reflecting the cumulative effect of the continuation of the war along with the end of payment deferrals in the housing portfolio.

Development of housing credit balances

Table 3-12: Development of the balance in the housing credit portfolio, by linkage base and as a percentage of the balance in the credit portfolio of the Bank

	Unlinked segment				CPI-linked segment				Foreign-currency segment		Total	
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate			
	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Recorded debt balance in NIS millions	Rate of change during the period
December 31, 2025	**42,961**	**28.6%**	**64,475**	**43.1%**	**15,297**	**10.2%**	**26,886**	**18.0%**	**53**	**0.1%**	**149,672**	**6.8%**
December 31, 2024	38,009	27.1%	56,566	40.4%	15,971	11.4%	29,519	21.1%	74	0.1%	140,139	6.4%
December 31, 2023	34,441	26.2%	51,534	39.1%	14,954	11.4%	30,623	23.3%	98	0.1%	131,650	2.7%

Risk quantification and measurement – housing credit portfolio

The Bank routinely monitors developments in the housing credit portfolio, and applies various measures to manage risk. Housing credit risks are examined individually, based on the policies and objectives established in the risk appetite set for housing credit, from the level of the individual transaction to an overview of the housing credit portfolio of the Bank. The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division. The limits and monitoring of risk indicators address LTV rates, repayment capability, distribution of credit products in the portfolio, volume of problematic debt, loan durations, rate past due, etc. Most of these indicators are also monitored in comparison to the data of the banking system as a whole.

The Bank tracks conditions and changes in macroeconomic indicators in general, and in the business environment of the industry in particular. Certain events have been defined as requiring a reexamination of policy, such as a sharp increase in the floating interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices.

Data are reported on a monthly basis in a divisional risk forum headed by the Head of Retail Banking, and on a quarterly basis, as part of the report on developments in the credit portfolio and in credit risk, to the Board of Management and Board of Directors.

The Bank uses a statistical model to measure the probability of default and the expected loss in the mortgage portfolio. In addition, within stress scenario testing, the effect on the mortgage portfolio is also examined. Insurance arrangements are also in place – life insurance and building insurance.

On February 8, 2026, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 329 concerning limits on granting housing loans. The update concerns changes in the calculation of the financing rate of a reduced-price asset, permanent establishment of the relief granted during the war for housing loans other than for the purpose of acquiring an interest in land, and changes in the calculation of the payment-to-income ratio in additional credit in respect of the same asset.

The volume of purchases of new homes in the last year is considerably lower than the increase in the number of households resulting from population growth over time. The cooling demand was likely influenced by the political uncertainty, the high interest rate, and possibly also broader expectations of further decreases in prices, in view of the increase in the inventory of unsold homes. The update of Proper Conduct of Banking Business Directive 203, which increases the capital allocation in respect of projects with a percentage of purchases in non-linear payments above the threshold established in the directive, also contributed to the decrease in sales.

Table 3-13: Developments in housing credit balances, last five years

	2025	2024	2023	2022	2021
	NIS millions/percent				
Year-end balances	**149,672**	140,139	131,650	128,177	115,166
Annual change in balances	**6.8%**	6.4%	2.7%	11.3%	15.8%
Execution of new loans	**24,183**	20,647	14,723	25,032	28,809

Housing loan data – percentage of total new loans executed

Table 3-14: Characteristics of housing credit granted by the Bank

	For the year ended		
	December 31, 2025	December 31, 2024	December 31, 2023
Characteristics			
Financing rate over 60%	**45.3%**	43.1%	41.9%
Ratio of repayment to income greater than 40% (for purchases of homes and in monthly payments)	**0.8%**	0.7%	0.9%
Percentage with floating rates	**55.4%**	52.7%	55.3%

The percentage of loans with financing rates higher than 60% and the percentage of loans with floating interest rates increased in 2025, while the percentage of loans with payment-to-income ratios greater than 40% increased slightly in comparison to 2024.

The weighted average financing rate (LTV) in the housing-loan portfolio of the Bank as at December 31, 2025, is approximately 45.2%, similar to the financing rate as at December 31, 2024 (based on the financing rate when the loan was granted). The effective financing rate is even lower than the foregoing figure, due to regular repayments since the credit was granted and an increase in the value of the pledged assets in respect of a vast majority of the assets in the portfolio.

For details regarding the benefits granted by the Bank to its customers to help cope with the impacts of the war, see the Corporate Governance Report, Housing Loan Segment.

3.2.7. Credit to private customers (excluding housing)

Credit is granted to private customers in accordance with the credit policy and credit and collateral procedures, including examination of the purpose of the credit and its suitability to the customer's needs, as well as the amount of credit requested and its consistency with the customer's repayment capability. Credit applications of private customers in the Retail Banking Division, which are approved at the branches, are processed using automated systems, models, and tools that support decision-making by the authorized personnel. Credit applications of private customers are submitted and examined at the level of risk groups, as required in the directives of the Bank of Israel. Credit applications are examined with an emphasis on the matters noted above.

Private customers in the Retail Banking Division are offered, among other things, online credit through an automated underwriting model. The maximum amount of the loan that a customer can receive and the terms of the loan are determined based on various criteria, according to data regarding the customer and the customer's accounts and risk characteristics.

Proactive proposals to grant credit to private customers are directed to specified population segments, following the application of relevant screening criteria, in accordance with rules concerning fairness, compliance, and consumer protection. Lending is matched to the customer's needs and repayment capability, and is executed only after providing the customer with due disclosure regarding the terms and data of the loan.

The Bank's growth plans with regard to banking products, including in the area of credit, are based on examination of aspects of growth potential as well as risk aspects, including the expected growth of the economy, expected adjustments of the interest rate, customers' repayment capability, the expected volume of repayments, and more. The Bank routinely monitors credit execution and the risk level.

The Retail Banking Division applies measures to manage credit risk in respect of private individuals, based on the credit risk management principles of the Bank, through measurement and control tools used to monitor the credit portfolio and the quality, risk level, and compliance with policy limits of the credit portfolio, including the following: a statistical model for rating the credit risk of private borrowers, risk-appetite indicators, credit policies and procedures, a hierarchy of authority, and credit-risk control processes.

The economic environment in which the Bank operates is mixed: on the one hand, unemployment remains low, inflation has slowed, the interest rate has been lowered, and further interest-rate reductions are expected; on the other hand, price gains and the increase in the interest rate in previous periods, as well as the effects of the war and the consequent government deficit, have impaired households' resilience to some extent, and may continue to affect the portfolio of credit to private individuals going forward.

Despite expectations of economic improvement in view of the continued halt of fighting and the progress of the ceasefire agreement, there is uncertainty regarding the stability of the security and economic situation. The Bank is continuing to monitor the various developments in the economy and routinely examines their effects on the credit portfolio. The forecasts of the Bank continue to reflect the high uncertainty through the collective allowance in respect of credit exposures to private individuals.

Table 3-15: Balance of credit to private individuals

	Balance as at		Change	
	December 31, 2025	December 31, 2024		
	NIS millions			
Balance sheet				
Negative balance in current accounts	**2,647**	2,509	138	5.5%
Loans[1]	**29,579**	25,676	3,903	15.2%
Of which: bullet and balloon loans	**27**	38	(11)	(28.9%)
Credit for purchases of motor vehicles[2]	**1,873**	2,077	(204)	(9.8%)
Debtors in respect of credit-card activity	**5,597**	5,338	259	4.9%
Total balance sheet credit	**39,696**	35,600	4,096	11.5%
Off-balance sheet				
Off-balance sheet credit risk	**26,017**	24,309	1,708	7.0%
Total credit risk	**65,713**	59,909	5,804	9.7%

(1) Excluding loans for purchases of motor vehicles.
(2) Including loans granted for the purchase of motor vehicles or with a lien on a motor vehicle.

The balance of loans to private individuals in Israel increased as at December 31, 2025, and the balance of credit for the purchase of motor vehicles decreased, in comparison to December 31, 2024. Total balance sheet credit increased by approximately 11.5%, and total off-balance sheet credit risk increased by approximately 7.0%.

Table 3-16: Distribution of balance sheet credit to private individuals, by average income[1] and borrower size

	December 31, 2025					December 31, 2024				
	Average account income				Total	Average account income				Total
	Accounts without regular income	Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand		Accounts without regular income	Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand	
	NIS millions									
Credit per borrower in NIS thousands										
Up to 20	**49**	**1,144**	**1,172**	**1,463**	**3,828**	51	1,151	1,150	1,401	3,753
20 to 40	**61**	**706**	**827**	**1,293**	**2,887**	82	760	816	1,209	2,867
40 to 80	**184**	**1,212**	**1,774**	**1,932**	**5,102**	210	1,356	1,857	1,871	5,294
80 to 150	**288**	**1,419**	**3,224**	**3,651**	**8,582**	334	1,488	3,301	3,441	8,564
150 to 300	**178**	**831**	**3,980**	**7,575**	**12,564**	189	742	3,417	6,646	10,994
Over 300	**49**	**147**	**600**	**5,937**	**6,733**	34	90	359	3,645	4,128
Total	**809**	**5,459**	**11,577**	**21,851**	**39,696**	900	5,587	10,900	18,213	35,600

(1) Account income was calculated based on the average income over a period of twelve months.

Table 3-17: Distribution of balance sheet credit to private individuals, by borrowers' financial asset portfolio balance

	December 31, 2025	December 31, 2024
	Balance sheet credit	
	NIS millions	
Size of financial asset portfolio, in NIS thousands		
Up to 10	**20,684**	18,977
10 to 50	**7,620**	6,843
50 to 200	**5,718**	5,231
200 to 500	**2,296**	2,170
Over 500	**3,378**	2,379
Total	**39,696**	35,600

Table 3-18: Distribution of balance sheet credit to private individuals, by type of interest and remaining repayment period

	December 31, 2025			December 31, 2024		
	Loans at floating interest rates	Loans at fixed interest rates	Total	Loans at floating interest rates	Loans at fixed interest rates	Total
	NIS millions					
Repayment period						
Up to 1 year	**3,326**	**7,153**	**10,479**	3,013	6,030	9,043
1 to 3 years	**5,132**	**81**	**5,213**	5,247	71	5,318
3 to 5 years	**8,027**	**96**	**8,123**	8,443	81	8,524
Over 5 years	**15,694**	**187**	**15,881**	12,558	157	12,715
Total	**32,179**	**7,517**	**39,696**	29,261	6,339	35,600

For details regarding problematic debts in respect of private individuals in Israel, see Note 29 to the Financial Statements.

3.2.8. Leveraged financing

The Bank provides leveraged financing to its customers from time to time. Leveraged financing is managed and defined at the Bank in accordance with the directives of the Bank of Israel, and in particular, with Proper Conduct of Banking Business Directive 311 (Credit Risk Management), Proper Conduct of Banking Business Directive 323 (Limits on Financing of Equity Transactions), and Proper Conduct of Banking Business Directive 327 (Management of Leveraged Loans).

Among other matters, leveraged financing includes exposures in respect of equity transactions (transactions for the acquisition of an equity interest in another corporation, acquisition of all or a significant part of the assets of another corporation, buybacks of issued shareholders' equity, or capital distribution – payment of a dividend, or another transaction aimed at increasing value for shareholders, as defined in Proper Conduct of Banking Business Directive 323), as well as financing for borrowers in various segments of specified economic sectors characterized by exceptional levels of certain parameters, relative to the accepted norms in the economic sectors, such as a high financing rate that deviates from the policy for the sector or financing of substandard mezzanine debt.

The Bank has set an internal limit on leveraged financing as a percentage of the Tier 1 capital of the Bank. Developments in leveraged financing and compliance with the established limit are monitored and reported each quarter to the Board of Management and the Board of Directors of the Bank, for the purpose of monitoring of the risks inherent in this type of financing.

Data regarding credit risks in respect of leveraged financing follow. The disclosure focuses on exposures in respect of leveraged borrowers or leveraged transactions the credit balance in respect of which exceeds the amount of 0.5% of Tier 1 capital.

Table 3-19: Exposures of the Bank in respect of leveraged financing, by economic sector of the borrower*

	December 31, 2025			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate – construction	**1**	**562**	**3**	**565**
Construction and real estate – real-estate activities	**3**	**991**	**971**	**1,962**
Information and communications	**1**	**332**	**333**	**665**
Total	**5**	**1,885**	**1,307**	**3,192**

	December 31, 2024			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate – real-estate activities	1	563	-	563
Financial services and insurance services	1	286	-	286
Total	2	849	-	849

* Net of charge-offs and allowances for credit losses calculated on an individual basis, if any.

3.2.9. Credit risk in respect of exposure to major borrowers

Table 3-20: Balances of balance sheet credit risk and off-balance sheet credit risk to borrowers whose indebtedness exceeds NIS 1,200 million, by sector of the economy

	December 31, 2025			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector of the borrower				
Electricity supply	**2**	**1,729**	**1,465**	**3,194**
Construction and real estate – construction	**9**	**7,049**	**8,956**	**16,005**
Construction and real estate – real-estate activities	**1**	**752**	**637**	**1,389**
Construction and real estate – civil engineering	**4**	**2,806**	**7,982**	**10,788**
Financial services	**23**	**36,137**	**13,010**	**49,147**
Industry	**5**	**2,219**	**4,881**	**7,100**
Motor-vehicle trading	**3**	**3,323**	**954**	**4,277**
Total	**47**	**54,015**	**37,885**	**91,900**

	December 31, 2024			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector of the borrower				
Electricity supply	1	518	1,112	1,630
Construction and real estate – construction	10	7,023	8,543	15,566
Construction and real estate – real-estate activities	2	1,936	1,530	3,466
Construction and real estate – civil engineering	3	2,279	4,072	6,351
Information and communications	1	1,160	72	1,232
Financial services	17	20,867	17,577	38,444
Industry	3	793	4,875	5,668
Motor-vehicle trading	2	2,300	582	2,882
Total	39	36,876	38,363	75,239

3.2.10. Credit risk in respect of exposure to borrower groups

As at December 31, 2025, there is one group of borrowers whose net indebtedness on a consolidated basis, in accordance with Proper Conduct of Banking Business Directive 313, "Limits on the Indebtedness of Borrowers and Groups of Borrowers" (hereinafter: "Directive 313"), exceeds 15% of the capital of the banking corporation (as defined in Directive 313).

The Bank conducts monitoring and control processes in order to examine compliance with the limits set forth in Directive 313 with regard to exposure to the indebtedness of borrower groups. As at the date of the report, the Bank is in compliance with the limits.

On February 4, 2025, the Bank of Israel issued a circular containing an update of Proper Conduct of Banking Business Directive 313, "Supervisory Framework for the Measurement and Control of Large Exposures," the essence of which is a change in the manner of calculation of indebtedness in respect of large exposures. The changes in the new directive include, among other matters, adjustments of the rates of limits on counterparties and counterparty groups, establishment of an eased limit on a counterparty in the category of insurer or highly rated overseas bank or licensed stable payment service provider (25% instead of 15%), changes in the method of measurement of the exposure, full recognition of credit risk mitigators pursuant to Proper Conduct of Banking Business Directive 203, and a concurrent requirement to recognize the mitigated amount as an exposure to the provider of the protection. The inception date of the directive is July 1, 2026. The Bank is preparing to implement the new rules.

Table 3-21: Credit risk balances[1] for each group of borrowers whose net indebtedness on a consolidated basis exceeds 15% of the capital of the banking corporation (as defined in Directive 313)

	December 31, 2025						
	Balance sheet credit risk	Off-balance sheet credit risk	Of which: off-balance sheet credit risk in respect of derivative instruments[2]	Gross indebtedness[3]	Deductions[4]	Net indebtedness[1]	Percentage of regulatory capital
	NIS millions						
Borrower group A	**4,064**	**6,133**	**4,708**	**11,371**	**1,164**	**10,207**	**16.03%**

	December 31, 2024						
	NIS millions						
Borrower group A	4,615	5,898	4,623	11,469	834	10,635	18.59%

(1) The data presented below represent exposure to borrower groups, and are stated after the permitted deductions pursuant to Directive 313. These data are not comparable with data regarding borrowers' indebtedness provided in other disclosures in the report.
(2) Off-balance sheet credit risk in respect of derivative instruments, as calculated for the purposes of the limits on indebtedness of borrowers and of borrower groups.
(3) This amount includes third-party guarantees outside the group.
(4) Deductions permitted under Directive 313, mainly including deposits deposited at the Bank, bonds issued by the State of Israel, and deductible indemnity letters of the State of Israel or financial institutions.

3.3. Market risk

Market risk is the risk of loss or decline in value as a result of change in the economic value of a financial instrument, or of a portfolio of assets/instruments, due to changes in prices, rates, yields, spreads, and other market parameters.

This includes:

- **Interest-rate risk –** The risk of loss or decline in value as a result of changes in interest rates in the various currencies;
- **Currency risk –** The risk of loss as a result of changes in exchange rates;
- **Inflation risk –** The risk of loss as a result of changes in the curve of CPI expectations and in actual inflation;
- **Share price risk –** The risk of loss as a result of changes in stock prices or in stock indices;
- **Credit spread risk –** The risk of loss as a result of change in the spread between the yield to maturity of corporate bonds traded in the markets and the relevant risk-free interest rate;
- **Volatility risk –** The risk of loss as a result of changes in the volatility rates quoted in the market;
- **Basis spread risk –** The risk of loss as a result of changes in the spreads between different interest-rate curves or different interest bases.

3.3.1. Management of market risks

Market risks are managed based on a global view of the Bank's activity in Israel and at its New York branch, taking into account the activity of subsidiaries with significant exposures for the Group. The Board of Management and the Board of Directors approve areas of activity and risk limits. Market risk management policy is aimed at increasing expected profits while maintaining approved, controlled risk levels.

Market-risk management at the Bank differentiates between exposures that arise in the course of routine management of the Bank's assets and liabilities, hereinafter referred to as the banking book (non-trading exposures), and exposures in the trading book (primarily managed in the dealing rooms).

Global management is under the responsibility and direction of the Head of Financial Markets. Routine management and supervision of asset and liability management in the banking book and in the trading book are under the responsibility of managers in the Asset and Liability Management Area and in the Dealing Rooms and Brokerage Area, respectively, of the Financial Markets Division in Tel Aviv, and in the Asset and Liability Management Unit and the dealing room at the Bank's New York branch. The branch is professionally subordinate in these matters to the Head of Financial Markets. With regard to the management of investment risk in the nostro portfolio, see the section "Share price and credit spread risk," below.

Policies are guided and controlled by the Board of Management Asset and Liability Management Committee, the Board of Management Nostro Committee, and the Board of Management Investment Committee. Policies, including the established limits and objectives, are submitted for discussion and approval to the committees of the Board of Management, the committees of the Board of Directors, and/or the plenum of the Board of Directors, as relevant.

Ongoing activity is conducted by subcommittees, with the participation of senior officers of the Bank.

Market risks are managed separately by each subsidiary in the Bank Group, according to policy established by each company's board of directors and in accordance with Group policy. Market risks and investment risks are assessed and controlled based on a uniform methodology at the Group level, under the direction of the Risk Management Division, taking into account the size of capital and the unique characteristics of the activity of each subsidiary. Exposures to market risks and investment risks of the subsidiaries are examined by the Market and Liquidity Risk Management Department in the Risk Management Division, and reported to the Board of Management and the Board of Directors of the Bank at an appropriate frequency based on the risk level. For additional information regarding risk management, assessment, and control, see the Report on Risks.

3.3.2. Interest-rate risk

Interest-rate risk is the risk of loss or decline in value due to changes in yield curves in the various currencies. This risk also includes the following risk factors:

- **Repricing risk –** Risk arising from timing differences in terms to maturity and interest-rate renewal dates (for floating interest rates).
- **Yield curve risk –** Risk arising from different changes in yield curves, reflected in changes in the curve, a parallel increase/decrease, the slope of the curve (steepening or flattening), or its shape (twist).
- **Basis risk –** The risk of loss as a result of changes in the spreads between different interest-rate curves or different interest bases.
- **Optionality risk –** Risk arising from different exercise rights inherent in assets and liabilities (for example, the right to withdraw funds at any time, sometimes without penalties).

The Bank, like banks worldwide, is exposed to interest-rate risk both in the banking book and in the trading book. Interest-rate risk is inherent in banking activity. Most of the exposures to this risk arise from the management of the banking book. Interest-rate risk management is part of the management of exposures to market risks.

Interest-rate risk in the banking book – Refers to the potential effect of changes in the various yield curves on the economic value of financial capital and/or on accounting income and accounting capital. The risk emerges during the routine and proactive banking activity of the Bank, as a result of the provision of routine services to the general public and to the business and financial sectors, and from other activities; this includes interest-rate exposure arising from the management of investment portfolios. The risk arises from differences in the structure of assets and liabilities – gaps between linkage segments, durations, interest-rate bases, interest-rate renewal dates, and more.

The exposure to this risk is measured on two main levels: (a) value exposure – an estimate of the change in the economic value of the banking book as a result of a change in the yield curve; (b) accounting income sensitivity – the expected changes in accounting income from the banking book as a result of changes in the yield curve (assuming a fixed level of balances in each product). Income exposure is also measured on two levels: income sensitivity of the entire banking book in the next twelve months, and immediate income sensitivity of the instruments measured in accounting based on fair value. Additional sensitivities are also measured and managed.

Limits apply at the Bank to economic value sensitivity, income sensitivity, and the sensitivity of accounting capital to scenarios of change in the shekel and CPI-linked yield curves and in yield curves in other currencies (including financial subsidiaries under the Bank's management and subsidiaries with exposure significant for the Group, if any). In order to calculate the sensitivity of economic value to changes in interest rates, the Bank refers to all financial assets and liabilities, while treating part of the balances of current-account deposits of the public as a long-term liability spread over several years, in accordance with a model approved periodically by management and the Board of Directors. Current accounts are spread over a period of ten years; current-account layouts and durations are detailed in the Report on Risks. Assumptions regarding prepayments of mortgages are also used. The Bank does not operate a behavioral model for savings plans, since the effects of routine depositing and early withdrawals in savings plans were examined, and it was found that the net effect is small.

Income sensitivity differs from value sensitivity, mainly in that it does not include changes in the discounted value of long-term assets and liabilities that are not measured in the profit and loss report on a fair-value basis, and instead includes the change in income arising from changes in interest rates, both as a result of a change in interest rates of products at variable rates and as a result of renewal of the product (maintaining a fixed level of balances in each product) at the interest rates of the scenario. Interest-rate risk management policy is aimed, in congruence with the objectives of the Bank, at achieving the desired structure of exposures in each segment (unlinked shekel; CPI-linked shekel; foreign currency and foreign-currency-linked), in accordance with estimates concerning market variables, and subject to limits. Sensitivity to interest rates is measured, in a controlled manner, at least once each month, with more frequent measurements for exposure management purposes. In general, the goal of interest-rate risk management in the Group is to allow service to customers and maximize the profitability of the Bank, while taking controlled risks.

Derivatives not used for accounting hedges affect the capital of the Bank directly, through the profit and loss account. The Bank examines the value sensitivity of derivatives not used for accounting hedges against designated sensitivity limits that are separate from the overall limits. The Bank uses derivatives to hedge part of the interest-rate sensitivity of long-term bonds and liabilities in foreign currency, applying hedge accounting rules. The Bank also uses derivatives to hedge interest-rate sensitivities in the banking book, as well as for activity in the trading book. These sensitivities are included in the value sensitivity presented below.

Quantitative information about interest-rate risk – sensitivity analysis

Table 3-22: Adjusted[1] net fair value of the financial instruments of the Bank and its consolidated companies

	December 31, 2025			December 31, 2024		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Net balance sheet balance[1]	**54,737**	**(2,029)**	**52,708**	49,614	(1,590)	48,024
Adjusted net fair value[1]	**66,667**	**1,548**	**68,215**	62,983	3,026	66,009
Of which: banking book	**66,284**	**1,749**	**68,033**	61,833	3,240	65,073
Of which: effect of distribution over periods of non-maturity deposits from the public	**14,682**	**3,772**	**18,454**	17,053	4,924	21,977
Of which: effect of prepayments of housing loans	**(92)**	**-**	**(92)**	(13)	-	(13)

(1) Balance sheet balance and net fair value of the financial instruments, plus employee benefit liabilities and layout of positive balances in current accounts over periods according to a model, excluding non-monetary items (such as fixed assets, investments in equity-accounted investees, investments in shares, deferred taxes, and more).
The term 'net' refers to assets net of liabilities, rather than to the derived tax effects.

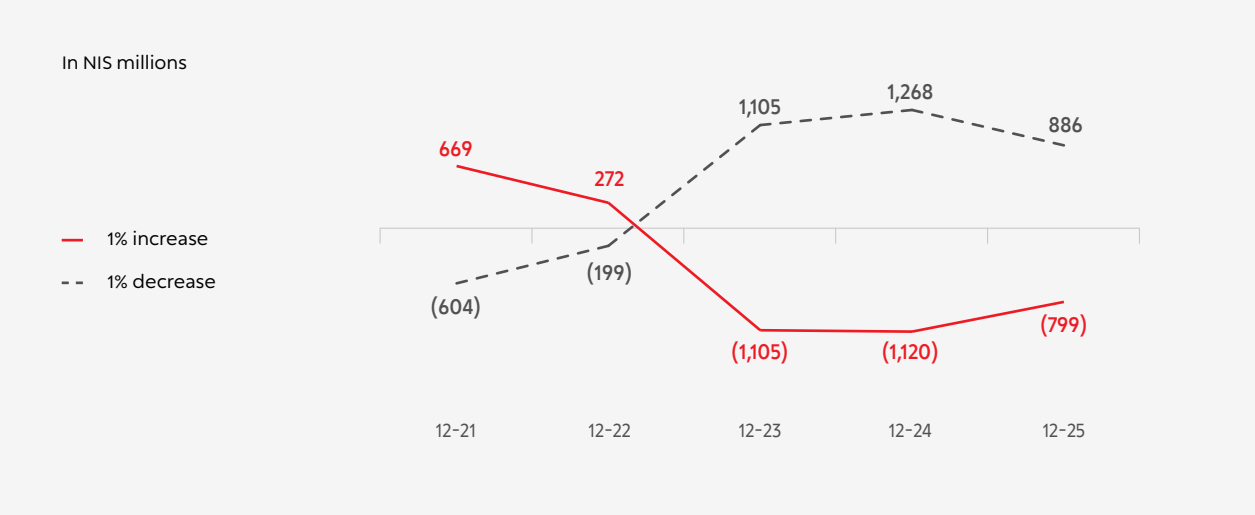
Table 3-23: Effect of scenarios of changes in interest rates on the adjusted[1] net fair value of the Bank and its consolidated companies

This table presents the change in the adjusted net fair value of all of the financial instruments under the assumption that the noted change applies to all interest rates in the various linkage segments.

	December 31, 2025			December 31, 2024		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Parallel changes						
1% parallel increase	**(618)**	**(181)**	**(799)**	(1,050)	(70)	(1,120)
Of which: banking book	**(581)**	**(189)**	**(770)**	(1,024)	(66)	(1,090)
Of which: effect of attribution to periods of non-maturity deposits	**3,105**	**685**	**3,790**	3,049	782	3,831
Of which: effect of prepayments of housing loans	**355**	**-**	**355**	248	-	248
1% parallel decrease	**666**	**220**	**886**	1,215	53	1,268
Of which: banking book	**602**	**235**	**837**	1,147	50	1,197
Of which: attribution of on-demand deposits to periods	**(3,323)**	**(731)**	**(4,054)**	(3,267)	(837)	(4,104)
Of which: effect of prepayments of housing loans	**(516)**	**-**	**(516)**	(346)	-	(346)

(1) Net fair value of the financial instruments, plus employee benefit liabilities and layout of positive balances in current accounts over periods according to a model, excluding non-monetary items.

Diagram 3-1: Quarterly development of the sensitivity of adjusted net fair value to parallel changes of 1% in the interest rate (in NIS millions)



The sensitivity decreased in 2025, mainly influenced by the linked segment, primarily due to bond issuance by the Bank.

Table 3-24: Effect of scenarios of changes in interest rates on net interest income and on non-interest financing income (for a one-year period)

	December 31, 2025			December 31, 2024		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	NIS millions					
Parallel changes						
1% parallel increase	**511**	**43**	**554**	559	(150)	409
Of which: banking book	**511**	**65**	**576**	559	(118)	441
1% parallel decrease	**(822)**	**(9)**	**(831)**	(919)	192	(727)
Of which: banking book	**(822)**	**(65)**	**(887)**	(919)	121	(798)
Maximum	**(822)**	**(9)**	**(831)**	(919)	192	(727)
Of which: banking book	**(822)**	**(65)**	**(887)**	(919)	121	(798)

Income sensitivity in the table above was calculated by shifting yield curves, using behavioral assumptions regarding changes in deposit spreads, and regarding the transfer of funds from current accounts to interest-bearing deposits in the case of an increase in the interest rate. The assumptions are examined and updated periodically, according to developments in the interest-rate environment.

Table 3-25: Effect of scenarios of changes in interest rates on shareholders' equity (net after tax)

	December 31, 2025	December 31, 2024
	NIS millions	
1% parallel increase	**(1,084)**	(932)
1% parallel decrease	**1,119**	969

3.3.3. Exchange-rate risk

Currency risks (also known as linkage-base exposure) include exposure to exchange rates of the various currencies against the shekel, and exposure to the consumer price index, at the Bank as a whole.

The Bank operates in currency markets through spot and forward transactions, as well as through options, both on its own behalf and on behalf of its customers. Consequently, the Bank has activity in tradable currencies in developed markets as well as developing markets.

Currency exposure management, including the use of hedging instruments, is part of the management of exposures to market risks, as described above, and is applied both in activity in the banking book and in trading activity in the dealing rooms. Ongoing management is conducted within the limits set by the Board of Directors on exposures to foreign currency and to the CPI and on overall exposures, main points of which appear in the summary of limits in the Report on Risks.

Table 3-26: Assets and liabilities by linkage base*

	December 31, 2025						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
	NIS millions						
Total assets	**538,236**	**66,833**	**116,137**	**16,151**	**6,775**	**22,533**	**766,665**
Total liabilities	**481,353**	**37,652**	**153,596**	**14,292**	**5,404**	**9,691**	**701,988**
Surplus assets (liabilities)	**56,883**	**29,181**	**(37,459)**	**1,859**	**1,371**	**12,842**	**64,677**
Derivative instruments	**(30,064)**	**(720)**	**35,111**	**(1,888)**	**(1,462)**	**(977)**	**-**
Overall total	**26,819**	**28,461**	**(2,348)**	**(29)**	**(91)**	**11,865**	**64,677**

	December 31, 2024						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
	NIS millions						
Total assets	510,096	66,795	108,283	10,886	6,725	18,059	720,844
Total liabilities	451,083	29,442	156,775	13,684	4,683	7,027	662,694
Surplus assets (liabilities)	59,013	37,353	(48,492)	(2,798)	2,042	11,032	58,150
Derivative instruments	(42,457)	(4,673)	46,835	2,652	(2,326)	(31)	-
Overall total	16,556	32,680	(1,657)	(146)	(284)	11,001	58,150

* Including derivative instruments whose underlying asset refers to a non-monetary item, and non-monetary items exposed to changes in foreign-currency exchange rates.

(1) Including linked to foreign currency.

Non-monetary items include, among other things, shares in foreign currency, which are primarily exposed to changes in the dollar. It is noted that changes in exchange rates affect the value of non-monetary items (such as securities) denominated in foreign currency, and the position in dollars is therefore significantly lower than the position presented in the table.

For further details, see Notes 30 and 31 to the Financial Statements.

Table 3-27: Sensitivity of economic value to changes in the exchange rates of foreign currencies with a significant volume of activity and to changes in the consumer price index

	December 31, 2025		December 31, 2024	
	10% increase	10% decrease	10% increase	10% decrease
	NIS millions			
USD	**(206)**	**204**	(140)	209
EUR	**8**	**6**	(18)	31

	3% increase	3% decrease	3% increase	3% decrease
CPI	**764**	**(947)**	819	*(956)

* Restated.

The table above presents an analysis of the sensitivity of the economic value of the Bank to changes in exchange rates, based on revaluation of all balance sheet and off-balance sheet instruments in the risk-management system, using prevalent models for revaluation of each instrument and using representative rates as the baseline exchange rate. For the purposes of the calculation, the portfolio is revalued at an exchange rate reflecting an increase/decrease at the presented rate, with no additional assumptions. Changes in exchange rates also have some effect on total risk-weighted assets, and correspondingly on capital ratios. It is further noted that changes in exchange rates affect the value of non-monetary items (such as securities) denominated in foreign currency, which were not taken into account in the sensitivity analysis. Sensitivity to the consumer price index is calculated according to the exposure of the Bank to the index, as detailed in Note 30 to the Financial Statements, plus the effect of the CPI floor on the expected accounting profit, including the effect of CPI option deposits according to the leading track in the scenario.

3.3.4. Share price and credit spread risk: investment risk

Investment risk is defined at the Bank as risk arising from exposure to the stock market, to credit spreads, and to credit risk in the bond and stock markets in the banking book of the Group. Holding these instruments may also expose the Bank to interest-rate, currency, and liquidity risks; however, these risks are managed in a separate designated framework. In the management of the investment portfolio, the Bank is exposed to credit risks and credit spreads, in its investments in bonds of companies and of foreign governments. According to the definition at the Bank, Israeli government bonds in NIS and in foreign currency and government bonds of the country in which a branch/subsidiary operates, held by the branch/subsidiary, do not bear investment risk, and are therefore not included in the measurement of investment risk at the Bank.

Investment risk at the Bank Group mainly arises in three frameworks:

1. An investment portfolio managed under the responsibility of the Financial Markets Division. In general, these investments are performed through tradable securities. For details and more extensive information, see the Report on Risks.
2. Non-tradable investments, usually performed through the subsidiary Poalim Equity, according to policy established periodically by the board of directors of the company, in conformity with the policy of the Group. The risk appetite limit for this activity was raised over the last few years, within a multi-year investment trajectory approved by the Board of Directors of the Bank. For details, see the section "Principal companies" in the Report of the Board of Directors and Board of Management.
3. Affiliates: strategic holdings in shares of affiliated companies.

The Group holds shares and bonds, primarily for investment purposes, a decrease in the value of which may harm the profit and loss of the Bank and/or the capital of the Bank.

Table 3-28: Details of the Bank Group's investment in shares, by balance sheet classification

	December 31, 2025				December 31, 2024			
	Balance sheet value	Fair value	Of which: traded on a stock exchange	Of which: without a readily determinable fair value	Balance sheet value	Fair value	Of which: traded on a stock exchange	Of which: without a readily determinable fair value
	NIS millions							
Investments classified into the trading book*	**976**	**976**	**976**	**-**	-	-	-	-
Investments in shares not held for trading	**5,995**	**5,995**	**2,333**	**3,662**	4,867	4,867	1,606	3,261
Investment in equity-accounted investees	**989**	**1,023**	**196**	**793**	1,460	1,510	223	1,237
Total investments in shares	**7,960**	**7,994**	**3,505**	**4,455**	6,327	6,377	1,829	4,498

* The balance is not exposed to changes in market prices due to full hedging by means of derivatives.

For additional information regarding investments, see Notes 12 and 15 to the Financial Statements.
For details and more extensive information regarding market risks, including interest-rate risk, exchange-rate risk, and investment risk (share and credit spread risk), see the Report on Risks.

3.4. Liquidity and refinancing risk

Liquidity risk – Liquidity risk is defined as present or future risk to the stability and profits of the Bank arising from an inability to meet its obligations. Liquidity risk at the Bank is examined from a broader perspective, encompassing the ability to repay liabilities on schedule, including during times of stress, without damage to routine operations within the work plans of the Bank and without incurring exceptional losses.

Refinancing risk – The risk of inability to raise new resources to replace resources that have matured, or the risk that the reissue may be performed at durations and terms that significantly impair the Bank's net interest income. This risk is managed as part of liquidity risk.

3.4.1. Management of the risk

Liquidity and refinancing risks are managed based on a global view of the Bank's activity in Israel and at the New York branch. The Bank manages routine liquidity and liquidity risk on several levels. The first level is routine liquidity management at the Asset and Liability Management (hereinafter: "ALM") Area, through the NIS and foreign-currency liquidity units, in accordance with the needs of the Bank and its customers. The second level is the management of the Bank's liquidity risk. Liquidity risk at the Bank, in foreign currency and in NIS, is managed and controlled routinely, in accordance with regulatory directives and Group policy, with the aim of ensuring the ability of the Bank to meet its future obligations and cope competitively even in exceptional supply and demand situations in the financial markets.

As a rule, in view of the nature of banking activity, the Bank has a surplus of liabilities (deposits) over assets in the short terms, as detailed in Note 31 to the Financial Statements, in the amount of NIS 234.9 billion for a period of one day and NIS 221.2 billion for a cumulative period of 30 days, compared with approximately NIS 237.0 billion and approximately NIS 222.3 billion, respectively, in the same period of the preceding year. However, in the ordinary course of business, rollover rates of deposits, particularly of retail deposits, are very high; this stability is proven over time, and is also treated in this way by regulation. The liquid asset balance described above allows the Bank flexibility in managing the cash-flow needs arising from its routine operations. The average balance of liquid assets of the Bank, used to manage liquidity risk, was NIS 154.7 billion in the fourth quarter of 2025, compared with approximately NIS 175.9 billion in the same period of the preceding year. The decrease mainly resulted from an increase in credit beyond the increase in sources. This balance is calculated in accordance with the requirements of Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," and is aimed at ensuring that the Bank has sufficient liquid assets to comply with the scenario in the directive. It is further noted that the Bank routinely examines stress scenarios in relation to the balance sheet and holds adequate liquid assets against such scenarios. In addition, the Bank applies additional scenarios to examine its stable financing sources in relation to financing needs, in accordance with the directives of Proper Conduct of Banking Business Directive 222, "Net Stable Financing Ratio" (NSFR). In the course of its annual financial planning, during which the Bank examines its financing capability according to the work plans, based on the planned growth rates of liabilities and assets, the Bank's financing capability is examined, including the activity required to meet the regulatory and internal limits, in order to manage liquidity and liquidity risk. Within this process and routinely, the Bank ensures that the actual and planned growth of sources generates liquidity at a rate that supports the growth of uses, while maintaining appropriate liquidity ratios. In accordance with Proper Conduct of Banking Business Directive 342, "Liquidity Risk Management," the Bank operates an internal model for the assessment of liquidity risk, in addition to the regulatory model. The internal model reflects the approach of the Board of Management with regard to the behavioral characteristics of financial assets and liabilities. This model is based on the proven stability of deposits at the Bank over long periods, and includes different scenarios with respect to rollover and maturity rates of assets and liabilities. As noted, while in the ordinary course of business the Bank assumes very high rollover of deposits and credit, in stress scenarios the Bank assumes an outflow of deposits, according to types of customers and deposits; utilization of credit lines beyond the usual levels; declines in value of assets; and additional factors. The scenarios applied in the internal model refer both to business-as-usual situations and to various stress situations, and in particular to a specific scenario of the Bank, a system scenario, and a combined scenario, so that even if these scenarios materialized the Bank would be able to continue its operations, including in terms of its routine liquidity needs. The scenarios differ primarily in the assumptions with regard to rollover of deposits, by type of customer, and haircuts for liquid assets. For example, the severe scenario for liquidity management in shekels is a stress scenario of a negative event specific to the Bank, which includes, among other things, assumptions regarding heightened outflow of retail, business, and financial deposits of up to one month. The severe scenario in foreign currency is, in most cases, a stress scenario of the Israeli system as a whole, which includes, among other things, assumptions regarding heightened outflow of deposits of all customers, exercise of credit facilities, and increased collateral requirements. The assumptions of the model (the rate of outflow of deposits by customer type, haircuts of the bond portfolio, increase in collateral, increase in utilization of credit lines, and more) are examined annually by the Board of Management and Board of Directors of the Bank. In each scenario, the worst liquidity ratio is calculated based on the liquidity gap for a period of up to one month against liquid assets. The limits of the Board of Directors on the internal ratio are stricter than the requirements of the directive, in order to ensure that the volume of liquid assets is sufficient in times of crisis. The Bank is in compliance with the liquidity requirements both of the regulatory model (Proper Conduct of Banking Business Directives 221 and 222) and according to the internal models. The Bank also applies models similar to the LCR model for longer and shorter periods; examines liquidity effects in stress scenarios, including the uniform stress scenario issued by the Bank of Israel; examines depositor concentration indices; limits the use of less-stable financing sources; applies limits to the composition of liquid assets; and more. Some of these indicators are subject to internal and/or regulatory limits.

In accordance with Proper Conduct of Banking Business Directive 221, the Bank calculates its stand-alone liquidity coverage ratio on a daily basis, divided into total currencies and foreign currency. The Bank tracks this ratio at the subsidiaries (which are required to comply with internal liquidity limits adjusted to the nature of their operations), and calculates the consolidated ratio on a daily basis. The calculation of the consolidated ratio takes into consideration limits that may apply to the transfer of liquidity from some of the subsidiaries during a crisis. The stand-alone ratio of the banking corporation and the consolidated ratio are reported in this report as the quarterly average of daily observations.

The Board of Directors of the Bank has adopted internal limits stricter than the regulatory requirements, as detailed below:

- Liquidity coverage ratio for the stand-alone banking corporation and consolidated – a limit of 105% in all currencies and 110% in foreign currency, versus the regulatory limit of 100%.
- Net stable financing ratio – a limit of 105%, versus the regulatory limit of 100%.

In addition, limits of the Board of Management and targets for routine management have been established at levels stricter than those noted above, to maintain safety margins.

The Bank maintains a liquidity buffer for stress situations; maintains a balance sheet structure, and in particular a resource structure, that brings liquidity risk to the preferred level; operates an early-warning system to identify stress situations in the liquidity environment as early as possible; and maintains a contingency plan for crisis situations, which includes the convening of committees, reporting requirements, and a series of steps for coping with a possible crisis, according to the scenario.

The Bank is in compliance with all regulatory and internal liquidity risk limits, including, among others, the liquidity coverage ratio (LCR) according to Proper Conduct of Banking Business Directive 221; the internal LCR model for 30 days according to Proper Conduct of Banking Business Directive 342, and for shorter and longer ranges under scenarios as noted above; the NSFR (net stable financing ratio) model, in accordance with Proper Conduct of Banking Business Directive 222; the limit on depositor concentration; and more.

Refinancing risk is managed at the Bank as part of liquidity risk. The Bank has varied sources of financing, primarily deposits from the public, mostly from private customers. As noted below, these sources create low liquidity and refinancing risk, relative to other resources. No material changes occurred in liquidity risk management policy and in resource raising policy in 2025.

3.4.2. Regulatory liquidity ratios

Table 3-29: Liquidity coverage ratio (LCR)*

	For the three months ended December 31, 2025	For the three months ended December 31, 2024
	%	
a. Consolidated data		
Liquidity coverage ratio	**130%**	131%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%
b. Bank data		
Liquidity coverage ratio	**130%**	131%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%

* The consolidated ratio and the stand-alone ratio for the banking corporation are calculated daily, and reported as an average of the daily observations.

The liquidity coverage ratio in Proper Conduct of Banking Business Directive 221 is the result of the division of the volume of liquid assets available to the Bank, after the application of haircuts, by the net outflow in a stress scenario according to the directive, for 30 days, such that a ratio greater than 100% means that the Bank is able to withstand the scenario in the directive. In accordance with the directive, every type of customer and every product at the Bank has a predicted factor of expected inflow/outflow of monies and/or a haircut factor in a stress scenario in the coming 30 days. As at December 31, 2025, the average quarterly liquidity coverage ratio stood at 130%, higher than the regulatory requirement (100%). The average ratio in the fourth quarter of 2025 remained at a similar level to the liquidity coverage ratio in the fourth quarter of 2024.

The net outflow (the outflow net of inflow) in the calculation of the LCR is calculated, in accordance with Proper Conduct of Banking Business Directive 221, by multiplying the amounts of deposits and credit at the Bank by the outflow and inflow factors established in the directive, according to maturity dates. Additional components that create liquidity pressures are added, such as utilization of credit facilities, liquidity needs arising from activity in derivatives, and more, as detailed in the directive. The average net outflow during the fourth quarter of 2025 totaled approximately NIS 118.8 billion, a decrease of NIS 15.3 billion compared with the average net outflow during the fourth quarter of 2024, which totaled NIS 134.1 billion. The average outflow (weighted value after multiplication by factors) in the fourth quarter of 2025 decreased in comparison to the average outflow in the fourth quarter of 2024, by approximately NIS 4.5 billion. The decrease mainly resulted from a decrease in wholesale deposits, partly offset by an increase in unutilized credit and liquidity lines. The average inflow increased by approximately NIS 10.9 billion, mainly due to an increase in the flow of credit repaid on schedule. As noted, and as detailed below, the Bank holds liquid assets at a higher volume than the net outflow, in order to be prepared to cope with a crisis event as described in the directive.

Table 3-30: Net stable financing ratio (NSFR)

	December 31, 2025	December 31, 2024
	%	
Consolidated data		
Net stable financing ratio	**116%**	125%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

The net stable financing ratio examines the stability of the structure of the balance sheet of the Bank, in terms of liquidity, in a range longer than 30 days. The net stable financing ratio is the result of the division of two components: available stable financing items – sources (the numerator) and required stable financing items – uses (the denominator). "Available stable financing" includes capital and liabilities expected to be reliable. The amount of stable funding is a function of the liquidity characteristics and residual maturities of the various assets held by the corporation, as well as those of its off-balance sheet exposures; these amounts are determined according to the type of asset and type of customer, based on the segmentations and rollover factors established in Proper Conduct of Banking Business Directive 222. As at December 31, 2025, the net stable financing ratio stood at 116%, higher than the regulatory requirement (100%). The net stable financing ratio decreased in comparison to the ratio on December 31, 2024, due to growth of credit beyond the increase in stable financing sources (mainly a decrease in retail deposits).

3.4.3. Financing sources

The Bank has varied sources of financing, primarily deposits from the public. The deposits are taken from a very large number of depositors, with no dependence on any single depositor or group of depositors. Most of the Bank's sources are raised from the general public in Israel; private customers account for approximately 35% of all deposits. Sources in unlinked NIS mainly derive from these customers, though also to some extent from large institutional and business clients (some of which work directly with the Financial Management Segment). Note that in general, deposits from large institutional and corporate clients, which constitute approximately 36%, are more volatile than retail deposits, and accordingly (both in reference to Proper Conduct of Banking Business Directive 221 and in internal models) a larger volume of liquid assets is maintained in relation thereto. Sources in linked NIS are raised both from the general public and from institutional clients. Sources in foreign currency include, among other things, deposits from private customers and corporate clients in Israel, foreign residents, and Israeli companies abroad; repurchase (repo) transactions; issues of CDs; other instruments secured by the FDIC in the United States; and issues outside Israel. The Bank also raises resources through the issuance of bonds, commercial securities, and subordinated notes (Tier 2 capital). The Bank accords high importance to raising resources that are stable and highly diversified, and monitors the concentration of its financing sources in various segmentations, in both Israeli and foreign currency. Due to the nature of its activity, the Bank has broad geographical diversification covering many economic sectors; accordingly, the emphasis in deposit concentration is on concentration by deposit size, so that a small group of depositors does not hold a significant percentage of the volume of deposits or liquid assets. The Bank is in compliance with the internal limits in this area, and maintains a balance sheet structure, and particularly a structure of sources, that brings liquidity risk to the desired level. The Bank does not rely on funding from the capital market as a major funding source. The rate of issues as a percentage of total sources (deposits and issues of bonds and subordinated notes (CoCo), including CLN) is approximately 5.5%. In addition, the Bank can receive loans from the central banks – the Bank of Israel and the Federal Reserve – against a pledge of assets in its possession, particularly bonds of the Israeli and United States governments.

According to Proper Conduct of Banking Business Directive 221, operational deposits formed in the course of clearing, custody, and cash-management activities can be assigned a lower withdrawal rate under certain conditions. The Bank implements the methodology approved by the Bank of Israel for the recognition of some institutional deposits as operational deposits, and applies comprehensive controls in this area. The volume of recognized operational deposits contributed approximately 8.9% on average to the liquidity coverage ratio in all currencies in the last quarter. No breach in the parameters requiring adjustments of the model was observed during the quarter.

Total deposits increased in 2025, with an increase in deposits from the segments of large businesses and institutional and financial entities, partly offset by a decrease in retail deposits and deposits from mid-sized businesses. The change in the composition of deposits mainly resulted from retail customers' transition to activity in the capital market. In 2025, the Bank issued commercial securities, bonds, and subordinated notes (CoCo) at a volume of NIS 16.5 billion. In January 2026, the Bank issued bonds in international markets at a volume of USD 2 billion. Bond issues were expanded to support the pace of expansion of the credit portfolio and to diversify funding sources.

The average interest rate paid by the Bank on deposits decreased in 2025. The decrease reflects the decrease in interest rates at central banks, in Israel and globally, and the change in the composition of deposits, except in the institutional entities and financial management segment, where the interest rate decreased at a higher rate due to types of deposits unique to this segment.

For details of the balance of deposits (average and end of period) by operating segment and interest rates paid on the deposits, and additional financing sources other than deposits from the public, and for details of the balance of deposits of the three largest groups of depositors, see the tables below.

Table 3-31: Balance of deposits from the public and average interest rate by supervisory operating segment[1]

	December 31, 2025			December 31, 2024		
	Balance of deposits from the public	Average balance of deposits from the public	Average interest rate	Balance of deposits from the public	Average balance of deposits from the public	Average interest rate
	NIS millions			NIS millions		
Private individuals	**209,390**	**210,831**	**2.21%**	215,048	216,854	2.31%
Small businesses and microbusinesses	**104,352**	**102,474**	**2.25%**	106,360	100,733	2.46%
Mid-sized businesses	**33,425**	**31,495**	**3.33%**	35,246	33,062	3.43%
Large businesses	**102,939**	**85,543**	**3.99%**	79,505	70,879	3.98%
Institutional entities and financial management	**111,704**	**108,657**	**3.30%**	106,547	99,573	3.70%
Activity outside Israel	**30,866**	**31,740**	**3.99%**	31,579	31,858	4.82%
Total	**592,676**	**570,740**	**2.85%**	574,285	552,959	3.02%

(1) Includes non-interest-bearing deposits.

Table 3-32: Additional financing sources other than deposits from the public

	December 31, 2025			December 31, 2024		
	Balance	Average balance	Rate of interest expenses*	Balance	Average balance	Rate of interest expenses*
	NIS millions			NIS millions		
Securities lent or sold under agreements to repurchase	**17,413**	**19,125**	**4.69%**	18,201	9,685	5.93%
Bonds and subordinated notes	**35,896**	**26,637**	**4.07%**	20,190	20,647	4.05%
Of which: commercial securities	**3,614**	**2,458**	**4.52%**	-	-	-

* Rates of expenses include the effects of the CPI. On January 14, 2026, the Bank completed the issuance of two bond series on the international market at a volume of approximately USD 2 billion. For further details, see Note 20.C.

Borrowing or selling through repurchase transactions, as detailed in the table above, as well as issuances of commercial securities constitute short-term financing sources, generally for a period of up to one year, whereas issuance of bonds and subordinated notes generally serves as a longer-term source. The Bank issues bonds according to its financing and liquidity needs. Repo activity is conducted for short-term financing needs and for financing needs in various currencies, as well as for other business reasons.

Note that borrowing or selling via repurchase transactions is secured by securities collateral. In addition, balances of bonds and subordinated notes include the issuance of CLNs, the payment of which is contingent on collection of the credit securing the notes.

Table 3-33: Balance of total deposits of the three largest groups* of depositors**

	Balance as at	
	December 31, 2025	December 31, 2024
	NIS millions	
Group A	**23,071**	15,224
Group B	**12,457**	12,874
Group C	**11,634**	12,284

* "Group" – A depositor, including a controlling party thereof (including others under its control), and a party under its control.
** The three largest groups of depositors at that report date.

The rate of the deposits of the three largest groups of depositors, as a percentage of total deposits from the public as at December 31, 2025, is approximately 8.0%, compared with approximately 7.0% in the same period of the preceding year. This rate is an indication of the broad diversification of resources of the Bank.

3.4.4. Liquid assets

As at December 31, 2025, the Bank (consolidated) holds liquid assets (primarily deposits with central banks, tradable securities of governments and central banks, and coins and bills) for times of crisis in the amount of NIS 149.2 billion, after the application of haircuts in accordance with Proper Conduct of Banking Business Directive 221, in addition to liquid bonds and shares not recognized for the purposes of the calculation of liquid assets. The volume of liquid assets as at December 31, 2025, decreased in comparison to December 31, 2024, by approximately NIS 21 billion. The decrease primarily resulted from an increase in credit, beyond the increase in sources, while the ratio was maintained at a level higher than both the regulatory requirement and the internal limits. Note that the haircuts in the internal models may differ from the haircuts established in the directive; however, management is performed based on the assets according to the factors established in the directive. For example, according to the directive bonds of foreign banks cannot be recognized as a liquid asset, whereas the internal model assumes that the damage to the value of foreign bonds during a crisis in Israel is minor.

Part of the liquid assets are held by the Bank, and part are held by the subsidiaries. The Bank takes into consideration possible restrictions on the transfer of liquidity between some subsidiaries and the Bank itself. These assets can be realized rapidly, and/or repo transactions can be applied to them, or loans from the central banks (the Bank of Israel and the Federal Reserve) can be received against a pledge of part of the assets, particularly a pledge of Israeli and United States government bonds. In light of the assumptions regarding rollover of deposits in the ordinary course of business, and other assumptions, the Bank does not foresee liquidity problems that would necessitate significant use of the liquid assets; however, it is prepared for the required scenarios. For details of the liquid assets, including reference to pledged assets, see the section "Liquidity risk" in the Report on Risks.

Table 3-34: Pledged and unpledged assets

	Balance as at December 31, 2025			
	Pledged assets	Assets serving as collateral for a central bank	Unpledged assets	Total
	NIS millions			
Cash and deposits with banks	**2,977**	**-**	**68,915**	**71,892**
Credit to the public	**7,517**	**8,636**	**486,728**	**502,881**
Israeli government bonds	**19,248**	**496**	**78,687**	**98,431**
Foreign government bonds	**4,551**	**-**	**22,600**	**27,151**
Bonds of financial institutions in Israel	**-**	**-**	**812**	**812**
Bonds of foreign financial institutions	**5,190**	**-**	**4,478**	**9,668**
Bonds of others in Israel	**-**	**-**	**-**	**-**
Bonds of foreign others	**281**	**-**	**931**	**1,212**
Shares of others	**-**	**-**	**6,971**	**6,971**
Total securities	**29,270**	**496**	**114,479**	**144,245**

	Balance as at December 31, 2024			
	Pledged assets	Assets serving as collateral for a central bank	Unpledged assets	Total
	NIS millions			
Cash and deposits with banks	3,003	-	114,050	117,053
Credit to the public	4,310	1,100	438,073	443,483
Israeli government bonds	11,026	2,932	66,187	80,145
Foreign government bonds	8,463	-	12,656	21,119
Bonds of financial institutions in Israel	-	-	732	732
Bonds of foreign financial institutions	6,146	2,421	4,606	13,173
Bonds of others in Israel	-	-	-	-
Bonds of foreign others	741	90	971	1,802
Shares of others	-	-	4,867	4,867
Total securities	26,376	5,443	90,019	121,838

For further details, see Note 26 to the Financial Statements.

The Bank pledges financial assets for the purposes of various activities. Most of the pledged assets are against intermediation activities of the Bank for its customers in securities and derivatives, against some of which the customers transfer assets, and against "repo" activities of the Bank. In addition, beginning in the fourth quarter of 2025, the Bank pledged a small part of its mortgage portfolio to the Bank of Israel against loans provided to it, as a substitute for a pledge of government bonds. The volume of these loans is approximately NIS 7.5 billion.

In general, pledged assets are not taken into account within liquid assets. The Bank has the option to receive immediate credit from the Bank of Israel against a pledge of deposits of the Bank at the Bank of Israel and bonds of the Israeli government, and against securities held at the Euroclear clearing house that are categorized as qualifying by the Bank of Israel. The credit is granted for a period of one day, at an interest rate determined as the Bank of Israel plus 0.5%. The amount of the credit is limited to the volume of assets recognized as qualifying by the Bank of Israel after haircut factors determined by the Bank of Israel, plus the volume of the deposits. The Bank did not take credit from the Bank of Israel during the period of the report.

The Bank has a system of indicators to provide an alert of pressures on its liquidity position. The purpose of the system is to provide advance warning of the potential formation of a liquidity crisis, to monitor liquidity problems in various scenarios, and provide signals regarding liquidity problems at various levels as they emerge. In addition, an action plan has been established that presents courses of action according to the risk level. In an emergency, the Bank can take additional measures, beyond the sources that can be received from the Bank of Israel; for example, issuance on the capital market; realization of bonds/shares not recognized in liquid assets; the New York branch can pledge some of its State of Israel bonds in foreign currency and additional bonds to the Federal Reserve against credit; and more.

In accordance with Proper Conduct of Banking Business Directive 222, as at December 31, 2025, the Bank, on a consolidated basis, holds stable financing sources (primarily capital, long-term deposits, and short-term deposits of private customers) in the amount of approximately NIS 453.9 billion.

3.4.5. Ratings of the Bank

Due to the war, the credit rating agencies Moody's, Fitch, and S&P downgraded the credit rating of the state, some by several notches, including a negative rating outlook at all of the agencies. The ratings of the Israeli banks, including the Bank, are influenced by the rating of the State of Israel. Further to the downgrades of the rating of the State of Israel, the agencies downgraded the credit rating and rating outlook of the Bank. In May and October 2025, S&P and Fitch raised the rating outlook of the Bank from negative to stable again, and in November S&P raised the rating outlook of the State of Israel to stable. For details regarding the rating of the Bank, see the section "Ratings of the Bank" in the Corporate Governance Report. Downgrades of the rating of the banks that have occurred and that may occur in the future may affect the activities of foreign financial institutions with Israeli banks and international banking activities. We emphasize that the financing sources of the Bank are primarily from the Israeli economy, and their cost was not influenced by these changes in ratings.

For details and more extensive information regarding liquidity risk, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks.

3.5. Operational risk

Operational risk is defined as the risk of loss that may be caused by failed or faulty internal processes, human actions, system malfunctions, or external events. The definition includes legal risk, but does not include strategic risk or reputational risk. Failures related to one of the aforesaid factors may cause damage to profitability. The Bank operates control units and/or procedures and systems in areas related to banking activity, including units for information systems security and cyber defense, business continuity management, security, the Chief Compliance Officer, management of human resources, process controls, and more.

Over the last two years, during the period that began on October 7, 2023, the Bank applied a series of processes and means to continue to operate optimally under the circumstances, including the activation of the Bank's business continuity plans as early as the first day of the war. Among other things, measures included convening emergency teams; the transition of headquarters employees to remote work as needed; closure of a few branches in conflict zones, and redirection of customers and employees to remote activity and other facilities of the Bank; adaptations of activity at other branches; operation of mobile branches; and continuous guidance to strengthen preparedness, with no substantial impairment of operations. Later, during Operation Rising Lion, which began on June 13, 2025, and during periods of escalation of the security situation, the emergency plans of the Bank were operated throughout the days of the operation and in accordance with changing needs. Measures included, among other matters, frequently convening emergency committees to assess the situation and provide guidelines; increasing remote work and work at core branches, during the early part of the operation, with later expansion of in-person activities; and more, with no material impairment of routine operations. The Bank routinely examines the situation and the relevant operational risks and adapts its activity, convening emergency committees as necessary and preparing for additional scenarios of continuation of the war. At the date of the report, the effect of the war on the operational activity of the Bank is insignificant.

In terms of information security and cyber risk, during the war, the cyber threat to targets in Israel, including the Bank, has grown, and the scope of fraud attempts against the Bank and its customers has increased, with no damage to the activity of the Bank to date. The Bank is taking action to mitigate this risk.

Labor dispute – Following a labor dispute declared in September 2025 by the employee union of the Bank, several days of strikes were announced during the third and fourth quarters. Preparations for the strike days that were held, and for possible further strikes and disruptions, were performed according to the overall business continuity plan of the Bank, with preparation for work in a limited format, to maintain continuous service to the extent possible, with an emphasis on full activity in the digital channels, execution of essential actions by employees exempted from the strike, and informing customers of the availability of services in the various channels. At the date of publication of the financial statements, negotiations between the parties are ongoing. In addition, a proceeding is underway between the parties at the Regional Labor Tribunal, initiated by the Histadrut and the employee union, with regard to the payment of the annual bonus to employees of the Bank in respect of 2025. Recently, the employee union has also raised contentions on additional matters.

3.5.1. Management of operational risks

Operational risk management strategy is aimed at supporting the achievement of the Group's strategic objectives and maximizing business value, while taking into consideration the costs in terms of risk, by all responsible parties at all levels of the organization. The managerial process is oriented towards execution based on the designation of risk ownership. The goal is for communication and rational treatment of operational risks to contribute to managerial decision-making, based on considerations of business value versus cost in terms of risk, both at the level of the management of the organization and at the level of the various units.

The goals of operational risk management are:

- To ensure effective supervision and management of operational risks in all units of the Group, including risk ownership and decision-making based on cost-benefit considerations.

- To ensure effective identification and communication of operational risks in all substantial business operations of the Group and the supporting units, with the aim of establishing operational risk appetite congruent with the approved strategic objectives of each unit in the Group.
- To establish an internal control structure promoting appropriate values of a culture of awareness, transparency, and efficiency with respect to operational risks within the Group.
- To allocate capital in relation to operational risks.

Responsibility for routine management of operational risk and for activities aimed at mitigating the risk lies with the division heads and the managers of the subsidiaries and New York branches in the Bank Group. These activities are overseen by the Operational and Market Risk Management Unit in the Risk Management Division. Routine activity is conducted in the Bank's units and in the Group by a network of operational risk controllers, based on the matrix management principle; controllers report organizationally to division heads or CEOs of subsidiaries, and receive methodology guidance from the Operational Risk Management Department.

Operational risk management activity is supervised and directed by three forums: the Board of Directors' Committee on Risk Management and Control, the Board of Management Committee on Risk Management and Compliance, and the Subcommittee on Operational Risk Management.

The operational risk management policy was approved by the Board of Management and the Board of Directors of the Bank. The policy document serves as a framework for operational risk management within the Group, in accordance with uniform principles and reporting duties aimed at complying with the Basel 2 Sound Practices standards. The Bank's activity in this area is conducted according to the rules of Proper Conduct of Banking Business Directive 206, "Capital Measurement and Adequacy – Operational Risk," which refers, among other matters, to regulatory capital allocation in respect of operational risks (pursuant to the update of Proper Conduct of Banking Business Directive 206, these rules changed as of January 1, 2026), and the rules for reporting on operational losses, as well as the rules of Proper Conduct of Banking Business Directive 350, "Operational Risk Management," which is congruent with the guidelines in the Basel document of June 2011 on sound practice for operational risk management.

The Bank operates in accordance with the Basel 2 standardized approach and the corresponding requirements of the Proper Conduct of Banking Business Directives. The following projects and activities, among others, are underway as part of this plan:

- Collection of information regarding operational events in the Bank Group. A database for this purpose was established in late 2002, and is used, among other things, to analyze events, trends, and patterns and to support the mapping and assessment of operational risks to which the Group is exposed. The Bank has updated the rules on the collection of information in accordance with the update of Proper Conduct of Banking Business Directive 206.
- Analysis of risk scenarios in activities and processes from a forward-looking perspective.
- Key risk indicators (KRIs) for operational risks have been specified, as part of the development of a monitoring and control infrastructure, with respect to products, processes, or institutional risks. A KRI is a metric that can be measured in quantitative terms, and may also include qualitative information indicating the presence of a particular factor or trend. Thresholds have been set for follow-up, escalation, and treatment, as relevant.
- Lessons-learned processes applied to operational events; relevant information shared among units; organizational learning.
- Quarterly reports are submitted to the Subcommittee on Operational Risk Management, the Board of Management Committee on Risk Management and Compliance, the Board of Directors' Committee on Risk Management and Control, and the plenum of the Board of Directors. The reports include updates on work plans, the status of projects in progress, information about operational events, assessments of potential risks, trends, changes in the risk profile, and comparative external information.

Additional related activities:

- An automated operational risk management system has been implemented at the units of the Group. The system operates in the areas of collection of information regarding operational events, mapping and assessment of risks and controls, collection of KRIs (key risk indicators), action items, lessons learned, and reports.
- Formulation and implementation of a comprehensive framework of principles and standards for a uniform control concept within the Bank Group. Within this framework, control forums convene and a periodic process is conducted to evaluate the effectiveness of controls.
- Launches of new products and activities, in accordance with the defined policy for the launch of a new product in the Bank Group, are accompanied by examination and analysis of the relevant operational risks involved in the product or activity.
- Establishment of methodological infrastructure for operational risk management in material IT processes and cloud applications.
- Outsourcing of activities with due attention to the risks unique to outsourcing, in accordance with the guidelines of the dedicated policy on this matter.
- Special attention, including the formulation of a dedicated policy, has been devoted to the management of digital banking risks, in accordance with the guidelines in Proper Conduct of Banking Business Directive 367, "E-Banking."

Routine procedures are performed to identify, map, and assess operational risks and controls at the units of the Bank and the Group, including mapping of the risk of embezzlement and fraud. This activity is conducted based on a uniform methodology, in line with the requirements of the Basel Committee and the directives of the Bank of Israel on this matter, including monitoring of the implementation of the recommendations. A comprehensive mapping process of operational risks in all units of the Group is performed every three years. Subsequently, the findings are maintained, updated, and expanded through additional analyses, and risk analysis of new products and activities and of material contractual engagements for outsourcing of activities and processes.

The goal of this activity is to identify material risk centers, define risk ownership, assess risks (average and extreme), assess the existing controls, and differentiate low risks from material risks that require additional examination and action, based on cost-benefit considerations, according to the following main ways of coping with risks: minimization of the risk through the application of additional controls; transfer of the risk to a third party (e.g. insurance, outsourcing); absorption of the risk, with quantification thereof; and reduction of the activity that creates the risk.

The operational risk profile is monitored periodically in relation to the operational risk appetite established in the policy, using various parameters, at the level of the Group as a whole and at the level of specific units and processes. The Bank allocates capital in respect of operational risk assets, on the basis of a standardized model defined by the Bank of Israel. Reports on compliance with risk-appetite limits are submitted on a quarterly basis, within the consolidated risk document. The Bank uses quantitative measures of operational risk appetite that refer to the following parameters: extent of operational damages relative to gross income; rate of increase in damages from year to year; risk scenarios rated at a very high risk level at the level of the Bank Group; and assessment of stress scenarios.

A heightened trend of external fraud continued in 2025, particularly fraud based on the "Russian sting" pattern, targeting immigrants from the former USSR, and fraud based on the phishing pattern (phishing is the attempted theft of sensitive information via impersonation on the internet). A dedicated committee established for this issue convenes routinely; rules for monitoring and business controls were expanded, to prevent or provide an alert of unusual activity, with frequent updates; and controls were increased, in coordination among the various functions at the Bank that deal with fraud prevention. The policy on compensating customers for fraud damages has been updated, in light of the requirements of the Bank of Israel on expanding entitlement to compensation for customers under various circumstances; a legislative initiative in this area also exists. For details, see the section "Regulatory initiatives" in the Corporate Governance Report.

3.5.2. Information technology risks

The Bank is dependent upon IT systems and infrastructures for its various activities. Information-technology risk is the risk of damage to the normal activity of the Bank and to customer service, loss, or damage to reputation, due to inadequacy or failure of the IT systems and infrastructures of the Bank. In general, the Bank maintains its information systems and infrastructures, adopts new technologies, and routinely acts to provide technological infrastructures in order to allow the operation of its business and the promotion of strategic initiatives at the various divisions, in accordance with the information-technology management policy of the Bank. Dedicated policy documents exist at the Bank regulating its conduct in the areas of managing information-technology risks, information security, and cybersecurity; principles for backup and recovery in cases of malfunction or disaster; outsourcing; cloud computing; and rules for the realization of new technologies within digital banking. These documents are based on regulatory guidelines in the relevant fields.

IT risks are examined routinely, based on accepted methodologies, on the level of material IT processes conducted at the Bank as well as on the level of the information systems and infrastructures used by the Bank. Risks arising from material IT processes are addressed as part of the control approach implemented at the Information Technology Division, by several dedicated professional units reporting to the management of the division. These units act in accordance with the various regulatory guidelines; the units include Information Systems Security and Cyber Defense, SM (Service Management) Process Management, and the IT Risk Management Department.

The Bank is preparing to implement Proper Conduct of Banking Business Directive 364 ("Management of Information Technology Risks, Information Security, and Cyber Defense"), which takes effect in May 2026, replacing Proper Conduct of Banking Business Directives 357, 361, and 363.

3.5.3. Information security and cyber risks

Cyber risk is the risk of damage, including disruption, interruption, shutdown of operations, theft of property, information leak, collection of intelligence, or damage to reputation or the confidence of the public, as a result of a cyber event. Cyber activity is conducted as required in the directives of the Bank of Israel, including Proper Conduct of Banking Business Directive 361, "Cyber Defense Management"; Proper Conduct of Banking Business Directive 363, "Supply Chain"; the Protection of Privacy Law, 1981; and other laws, as relevant, with the aim of protecting the information-technology system and minimizing risks. The Bank is preparing to implement Proper Conduct of Banking Business Directive 364, which is expected to replace Directives 361 and 363 on cybersecurity aspects as of May 2026. The directive includes a single, up-to-date regulatory framework for the management of information-technology risks, information security, and cyber defense, instead of the separate directives. Its goal is appropriate and effective management of information technology, while minimizing events of the materialization of technological risk and impairment of the confidentiality, integrity, or availability of information assets. Information security and cyber risks at the Bank are managed by the Information Security and Cyber Defense Unit in the Information Technology Division.

The sophistication and severity of cyber attacks on the global financial sector have escalated in recent years. Technological development trends such as cloud computing, openness to external interfaces, and the expansion of digital services, on one hand, and the advanced tools available to attackers, on the other hand, have led to higher exposure to cyber risks. The banking sector in Israel, including the Bank, regularly experiences cyber attacks, such as DDoS (distributed denial of service – attacks designed to shut down a computer system by overloading its resources), phishing (attempts to steal sensitive information through impersonation on the Internet), attempted deepfakes, etc. The attacks target government and financial sector institutions, in an attempt to damage their reputation, as well as targeting supply chains (attacks on organizations through a supplier or product that they use). The Bank acts continually to draw conclusions and update its preparations accordingly. Over the last year, particularly in view of the Swords of Iron War, the quantity of fraud attempts has grown, with an emphasis on fraud based on a social engineering pattern, as noted above. In addition, the number of cyber attacks on targets in Israel, including the Bank, has increased, with no damage to its activity to date. The Bank is taking action to mitigate this risk. No material cyber events with an effect on the financial statements were discovered at the Bank in 2025.

The Bank is investing extensive resources (both human and technological) in strengthening its information security and cyber defense system, in order to cope with the development of these threats. The Bank's defense framework consists of layers of protection using advanced technologies. The Bank operates cyber defense processes in order to minimize the risk of penetration, unauthorized access to information systems, and materialization of attacks, and to ensure the soundness, availability, and confidentiality of its databases. Concurrently, the Bank operates processes to discover and identify cyber events, at all times, including the operation of the Information Security Event Center. The Bank also prepares to contain cyber events and minimize damage to the assets of the Bank and its customers. The Bank continually works to identify targets to defend, threats, risks, and the effectiveness of defenses, and to build work plans for improvement of the defensive framework accordingly. The Bank also maintains continual dialogue with the Israel National Cyber Directorate and other relevant parties.

The Bank routinely updates its risk assessment in view of insights from cyber events in Israel and worldwide relevant to the systems and business of the Bank, updates its cyber risk assessment in accordance with the development of threats, and takes comprehensive action to reduce the risk, particularly in view of employees' significant use of remote work, the expanded use of cloud computing, developments in the area of artificial intelligence, mapping of future threats such as quantum computing, and more. The Bank also accords high importance to maintaining an organizational culture of risk management, and therefore takes various actions (such as lectures, messaging, and exercises at various levels) to raise employee awareness of cyber risks.

The Cyber Risk Management Unit in the Risk Management Division establishes indices and methodologies for the evaluation of the maturity of defenses, analyzes the business implications of cyber scenarios, challenges the defense system, and examines developments in the area of cyber risk relevant to the technological and business systems of the Bank.

As noted, the Bank invests substantial efforts, applies various means of protection, and performs cybersecurity risk assessments weighing in the maturity and effectiveness of the cybersecurity controls, including maturity of the cloud landing zone, in accordance with international standards.

3.5.4. Cloud computing risks

The Bank operates in accordance with Proper Conduct of Banking Business Directive 362. The Bank continues to apply cloud computing in certain areas, and is examining additional uses, with appropriate attention to the derived operational risks, and in accordance with regulatory guidelines, with the aim of allowing realization of the business advantages of the use of cloud-computing services while prudently managing the risks and complying with regulatory requirements.

3.5.5. Emergency preparedness

The Bank maintains and implements a continuous plan to ensure business continuity (BCMP – business continuity management plan), recovery, and operational resilience, in accordance with the policy of the Bank and the Bank of Israel's Directive 355 ("Business Continuity Management"), Directive 357 ("Information Technology Management"), and more. The Bank is also preparing to implement Proper Conduct of Banking Business Directive 364 ("Management of Information Technology Risks, Information Security, and Cyber Defense"), which takes effect in May 2026. The Bank's preparations are based on orderly, available, flexible work methods for activation upon the occurrence of a real event. The preparations are managed according to an orderly policy, in relation to threats in various reference scenarios and challenges of failures at varying intensities and combinations. The preparations rely on the policy, within which detailed, orderly, available, flexible action plans are managed, for activation upon the occurrence of a real event. The preparations include prioritization of processes/services and all of the resources required to recover them (BIA), supply chain management, a designated command and control system, procedures, and more. In addition, the Bank holds periodic tests and drills covering complex operational, technological, and business scenarios, with the participation of the various units, from branches, head-office units, and divisions to the Board of Management of the Bank. The Bank operates an computing architecture based on several data center (DC) sites, to ensure availability and shielding of information systems and the information itself, in addition to additional backups, cloud technologies, and more. The Bank is certified under the international business continuity management standard ISO 22301.

The Bank's preparations for emergencies are led by the Business Continuity Management Department, which is the professional body that guides and challenges all of the functions within the Bank and is responsible for reviews and discussions on this subject for the Board of Management and the Board of Directors (reviews given annually and in the case of real events, material changes in preparations, and more). The department reports to the Head of Business Continuity of the Bank and to the member of management who oversees the Emergency Committee of the Bank (the Head of Finance). The activity plan involves all divisions of the Bank, through divisional business continuity officers and designated teams; each division head is responsible for all aspects of business continuity plans in that division during routine times, including building, maintaining, and regularly updating the plan, and, in emergencies, is responsible for operating the division while maintaining critical business processes. Coping with real events and activating emergency plans, including convening and operating an emergency banking committee, occur when a potential emergency is identified and during the event until its conclusion. The Risk Management Division serves as the second line of defense in the area of business continuity risks and emergency preparedness.

Within its preparations for business continuity, the Bank prepares to address a range of possible emergency scenarios that may cause it to incur significant financial damage. Red-alert systems are monitored, and detailed contingency plans are in place. Stress scenarios are reviewed and discussed periodically by the Committee on Stress Scenarios and Risk Concentrations. The activation of a contingency plan is under the responsibility of the Board of Management or of the designated Board of Management committee responsible for the financial aspects of crisis situations; a charter for the establishment of such a committee is also part of the contingency plans.

Throughout 2025, the Bank operated in an "emergency routine," with continual examination of the situation. This allowed it to respond immediately and effectively at the outbreak of Operation Rising Lion, with the activation of the preparatory plans during all of the days of the operation and according to changing needs. Measures included, among other matters, frequently convening emergency committees to assess the situation and provide guidelines; increasing remote work and work at core branches, during the early part of the operation, with later expansion of in-person activities; and more, with no material impairment of routine operations.

The Bank is continuing to examine the situation and adapt its activity, convening emergency committees as necessary, and preparing for additional scenarios of continuation of the war. At the date of the report, the effect of the security situation on the operational activity of the Bank is insignificant.

3.5.6. Insurance

The Bank has a banking insurance policy to hedge operational risks, which includes: (1) banking insurance to cover damages to the Bank that may arise from embezzlement by employees, loss of documents, forged documents, etc.; this policy includes coverage for damages due to computer crimes caused to the Bank and/or its customers as a result of penetration of the computer systems of the Bank by an unauthorized third party, (2) professional liability insurance, to protect against claims filed by customers regarding damage caused by negligent banking actions. These insurance policies are subject to exclusions common in insurance policies of banking corporations in Israel (including an exclusion of damage arising from violation of the directives related to money laundering and terrorism financing).

In addition, the insurance structure of the Bank also includes property insurance, third-party insurance, employers' liability insurance, directors' and officers' liability insurance, and additional insurance policies.

The liability limits and insurance amounts in the policies were established by the Bank based on an assessment of the risk involved in the activity of the Group, as part of its overall risk-management policy, in coordination between the Risk Management Division and the unit that handles insurance.

For details regarding the settlement agreement with the insurers in connection with the investigation of the Bank Group's business with American customers and the FIFA affair, see Note 25 to the Financial Statements.

3.6. Compliance risk

Compliance risk is the risk of imposition of a legal or regulatory sanction, material financial loss, or reputational damage which the banking corporation may suffer as a result of a failure to comply with the compliance directives, as defined in Proper Conduct of Banking Business Directive 308.

Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including with respect to tax laws), provision of advice to customers, securities enforcement, protection of privacy (excluding information-technology aspects), the legislation in Israel for implementation of the FATCA and CRS directives, and taxation aspects relevant to products or services for customers, or directives of a similar nature. We note that compliance risks arising from legislation on consumer protection, service, and fairness have increased. The Bank has approved plans and is working to improve and promote service and fairness, and developing mechanisms for control, implementation, and training, to comply with high standards, in accordance with the law, customers' expectations, and regulatory requirements.

Compliance risk also includes the risk of a breach of international sanctions and lists of designated parties. Addressing this risk involves monitoring, analyzing, and applying international sanctions and lists of designated parties, monitoring international money transfers, and monitoring the opening of customer accounts and banking activity in the accounts. The Bank applies sanctions in accordance with the established policy. Compliance risk also includes the reputational risk that accompanies failure to comply with such directives.

Compliance risk also encompasses risk related to the activity of the Bank with banks located in the Palestinian Authority, which requires the fulfillment of various regulatory requirements, in particular in connection with the prevention of money laundering and terrorism financing, and involves monitoring of fund transfers to and from residents of the Palestinian Authority.

The Bank terminated its activity with banks and branches located in the Gaza Strip at the beginning of 2009, after the government declared Gaza a hostile entity. Over the years, the Bank repeatedly notified the Bank of Israel and the Ministry of Finance that in view of the problems involved in the provision of banking services to Palestinian banks, the Bank wished to cease providing correspondent services to these banks.

In January 2018, the Bank received signed letters of immunity and indemnity from the Attorney General and the Ministry of Finance (respectively). The letter of immunity protects the Bank, its officers, and its employees from indictment in Israel for certain offenses related to money laundering and the prevention of terrorism financing in relation to services granted, or to be granted, by the Bank to Palestinian banks. Further to the letter of immunity, in January 2018, the Bank received a letter from the Supervisor of Banks stating that no enforcement measures would be taken in all matters related to actions of the Bank in connection with the provision of correspondent services to which the letter of immunity applies. In the letter of indemnity, the State of Israel made a commitment to indemnify the Bank for expenses (liability according to a verdict and legal expenses) borne by the Bank, within civil proceedings or criminal proceedings that do not end in a conviction, prosecuted against the Bank or an officer or employee thereof in connection with the provision of the correspondent services during the immunity and indemnity period. The immunity and indemnity commitments granted to the Bank, as noted, are subject to reservations stated therein and to conditions that the Bank must fulfill.

The letters of indemnity and immunity were extended from time to time, and their amounts were updated. The letters of indemnity and immunity have been extended until March 14, 2026. The Bank notified the representatives of the Palestinian banks that the extension had been granted and that the discontinuation of the services, as announced by the Bank, would therefore be postponed to the aforesaid date. The Bank is preparing for a scenario of discontinuation of the services, if required, and the risks associated with this scenario.

The Swords of Iron War, and later also the war with Iran, intensified compliance risks arising from terrorism financing and money laundering. The compliance function at the Bank assessed the risks and adapted its activity to the state of war, through a series of measures focused, among other matters, on the risks arising from this situation.

Compliance risk includes the risk of failure to comply with consumer protection legislation. Consumer protection legislation is developing and is frequently updated, requiring adaptations of technological systems, products for customers, processes, and practices. Compliance with consumer protection legislation is a regulatory focus area. Errors in adaptation to consumer protection legislation, or incomplete updates, may be considered failure to comply with consumer protection legislation.

The Bank applies a policy of compliance with all legal and regulatory directives, and works to instill this policy at its units and among its employees. For the purposes of risk management, the key compliance risks against which the Bank seeks to defend itself can be described as the following:

- The risk of material damage arising from a regulatory order of any government agency due to noncompliance of the Bank, or of any of its employees, with directives concerning the prohibition of money laundering and terrorism financing, or deficiencies in processes designed to ensure such compliance, or the absence of such processes.
- The risk of material damage arising from failure to uphold international sanctions, due to a deficiency or error in the completeness of data or in the interpretation of the sanctions or the scope thereof.
- The risk of material damage arising from a regulatory order of a regulatory agency due to improper, unfair, irresponsible, or unethical activity of the Bank or of any of its employees in relation to customers of the Bank or with regard to tax issues, or noncompliance with legal directives in these contexts.
- The risk of material damage arising from a regulatory order of a regulatory agency due to noncompliance of the Bank or of any of its employees with securities laws.
- The risk of material damage arising from a class-action suit due to noncompliance with directives that regulate the bank-customer relationship.
- The risk of material damage arising from claims or regulatory orders due to inappropriate, irresponsible, unethical, or unworthy conduct of any of the employees of the Bank.
- The risk of a criminal suit against the Bank or against its senior executives due to noncompliance with the law.
- The risk of material damage due to noncompliance with or breach of the agreements of the Bank with the United States authorities of April 30, 2020, which include additional designated actions and commitments in this area, as detailed in Note 25.D concerning contingent liabilities and special commitments and on the website of the Bank.

Risk indicators are used, among other means, to identify key areas of compliance risk and to monitor their development. The key risk areas and the intensity of the risks arising from these areas may change in accordance with changes in regulation, enforcement, the activity of the Bank and of its customers, market developments, etc. The Bank uses quantitative and qualitative indicators to measure this risk. These include developments in regulation and enforcement, changes in customers and in certain products, findings of controls and audits, gap surveys, and more.

The Chief Compliance Officer of the Bank serves in this position, pursuant to Proper Conduct of Banking Business Directive 308, among other matters, as the officer responsible for the duties set forth in the Prohibition of Money Laundering and Prevention of Terrorism Financing Law; as the supervisor of securities enforcement, pursuant to the Law for More Efficient Enforcement Procedures at the Israel Securities Authority; as the responsible officer pursuant to FATCA and QI; and as the data protection officer (DPO) at the Bank. The Chief Compliance Officer and Securities Enforcement Unit consists of the Anti-Money Laundering and Terrorism Financing Unit; the Securities Enforcement Unit; the International Compliance Unit; the International Taxation Compliance and Fairness Unit; the Privacy Protection, Competition, and Prevention of Conflicts of Interest, Discrimination, Bribery, and Corruption Unit; the Hetz Center Expert Unit; and the Coordination and Monitoring Unit.

The mission of the Chief Compliance Officer Unit is to support the achievement of the Group's strategic and business objectives, while minimizing exposure to compliance and reputational risks. The objectives of the Chief Compliance Officer Unit are:

- To lead a policy of full implementation of legislation at all units of the Bank, in Israel and worldwide, with an understanding of the needs of the business units and support for their activity;
- To use a risk-based approach to identify, document, and actively assess compliance risks inherent in the business operations of the Bank;
- To monitor and examine compliance in the Bank Group through sample testing, and to report the findings to the organs of the Bank.

The responsibility for routine management of the compliance aspects of risk at the Bank and for the execution of activities aimed at minimizing this risk lies with the division heads and the managers of subsidiaries in the Bank Group. Professional responsibility in this field, as a second line of defense, rests with the Chief Compliance Officer Unit in the Risk Management Division. Routine activity is conducted at the Bank's units and in the Group by a network of compliance officers, based on the matrix management principle, with organizational subordination to division heads or CEOs of subsidiaries and professional subordination to the Chief Compliance Officer Unit.

The activity of the Chief Compliance Officer and Securities Enforcement Unit is supervised within corporate governance, through:

- The Board of Directors' Committee on Risk Management and Control;
- The Board of Management of the Bank, headed by the CEO;
- Quarterly reports to senior management and to the Board of Directors on compliance issues.

The compliance policy of the Group sets rules regarding all of the component areas of the compliance issues described above. This policy includes rules regarding corporate governance and the interaction with subsidiaries and the New York branch, and is based on legislation and regulation in Israel and in the relevant locations. The Bank Group has established infrastructure to oversee the disclosure requirements with respect to individuals and corporations in the context of FATCA, and is continuing the process of automating the requirements arising from this legislation and from the Israeli regulation in this area. Similarly, the Bank Group has established infrastructure to address disclosure requirements with respect to individuals and corporations in the area of CRS. Israeli law requires financial institutions in Israel to report financial accounts of customers with foreign tax residency, within the CRS information exchange treaty signed by Israel. The Bank has also established an overall policy of declared funds, including with regard to foreign-resident customers, aimed at reducing exposure to the presence of unreported funds in the accounts of foreign residents throughout the Bank Group.

The activity of the branch in New York is subject to supervision by United States financial regulatory agencies (primarily the FDIC, Federal Reserve, and NYDFS), which have extensive authority to conduct periodic audits and apply various public and non-public enforcement measures in various cases, including in cases of findings pertaining to operational, compliance, or corporate-governance deficiencies, or in the case of a regulatory breach (see also Note 25.D to the Financial Statements). In addition, there are rules and limits imposed by the Bank of Israel on the international activity of the Bank Group, under the power of legislation and regulations, as well as other directives of the law.
With regard to the resolutions with the United States authorities in connection with the tax investigation and the FIFA affair, see Note 25.D to the Financial Statements.

3.7. Legal risk

Legal risk includes, among other matters, legal claims, rulings, inability to enforce contracts, and exposure to fines, penalties, or enforcement measures as a result of supervisory actions and private settlements that may disrupt or adversely affect the activity of the Bank Group. The Group is assisted by internal and external legal counsel in order to contend with this risk.
The Bank takes a broad approach to legal risks, such that these risks encompass risks arising from primary and secondary legislation and regulatory directives, including risks arising from a lack of knowledge regarding the directives of local or foreign law applicable to the activity of the Bank or of the Group, or misinterpretation thereof; rulings of courts, tribunals, and other entities with quasi-judicial authority; actions that are not backed by legal counsel; flawed legal counsel; and risks arising from legal proceedings.
Legal risk is managed in accordance with the legal risk exposure management policy document, which is updated and applied on the level of the Group.
Each quarter, legal counsel submits various reports to the Board of Management and Board of Directors regarding legal risks, including statistical information with regard to the various types of legal proceedings opened or concluded during the relevant period.
For additional information regarding contingent liabilities and special commitments, see Note 25 to the Financial Statements.

3.8. Reputational risk

Reputational risk is defined as present or future risk of damage to income or capital as a result of a negative image in the eyes of relevant stakeholders, such as customers, parties to transactions, shareholders, investors, or regulatory agencies. This risk, which usually accompanies other activities and other risks, may materialize in various ways, such as loss of customers, new regulation, and more.
The reputational risk management policy of the Bank Group has been approved by the Board of Management and the Board of Directors, and is implemented by the units of the Group.
The reputational risk management strategy of the Bank Group states that reputational risks should be prevented, minimized, and controlled. Accordingly, group-wide goals have been set with respect to reputational risk – specifically, ensuring effective supervision and management of reputational risk and establishing a framework of internal control. The Marketing and Advertising Administration is the overseeing function in the first line of defense, and the Risk Management Division is the second line of defense in this area, with the aim of promoting a culture and values of awareness, transparency, and efficiency in addressing reputational risks.

The framework for the management of reputational risk includes, among other matters, mapping, monitoring, and addressing material risk centers by the Reputational Risk Committee, which convenes periodically; monitoring KRIs, including internal data, external surveys, and more; and an annual dedicated discussion. The Board of Directors and the Board of Management are responsible for promoting high standards of ethics and integrity and for establishing a culture that emphasizes the importance of internal controls.

Note that the materialization of the risk of failure to comply or errors in adaptation to legislation on consumer protection and in the area of fairness and service may cause reputational damage to the Bank in relation to its customers and other stakeholders. The Bank accords high importance to fair conduct, has made fairness and service part of its strategic focus areas for the coming years, and is taking action to improve banking service and applying additional measures, striving for continual improvement in its activities.

3.9. Regulatory risk

Regulatory risk refers to regulatory directives that are not yet in effect, and is reflected in two main aspects:

- Lack of preparation for the implementation of a directive, or partial preparation for the implementation of a binding regulatory directive.
- A heavier regulatory burden that may impair the ability of the Bank to meet its obligations, realize and maximize its business objectives, or offer and deliver certain banking services, and/or may require preparation for complex and lengthy implementation and resource-intensive technological and other investments involving significant costs.

The Bank estimates that since the beginning of 2025, the risks arising from the interpretation of competition law by the Competition Authority have intensified, combined with the apparent policy of the Competition Authority of imposing high sanctions against companies in the Israeli economy.

Regulation and supervision of the activity of the banking corporation

The Bank operates within a complex regulatory environment, characterized by frequent changes and uncertainty. The Banking Ordinance, the various banking laws, and the Proper Conduct of Banking Business Directives issued from time to time by the Banking Supervision Department constitute the central legal foundation for the Bank Group's activity. Among other matters, they specify the regulatory requirements applicable to the activity of the Bank and to the subsidiaries and affiliates of the Bank Group.

The activity of the Bank is also subject to regulatory requirements of additional regulators in specific areas of activity, such as the Israel Securities Authority; the Capital Market, Insurance, and Savings Authority; the Privacy Protection Authority; the Money Laundering Prohibition Authority; the Competition Authority; etc.

The Bank and its subsidiaries operate and manage ordered, dedicated work processes to map and identify all regulatory amendments that are expected to apply to them, and to adapt their operations to all relevant laws.

Regulatory risk management methods

The Regulation Unit assesses and manages regulatory risks by monitoring, identifying, collecting information, assessing, reporting, conducting follow-ups, and applying controls with respect to regulatory developments, as they emerge. The unit serves as the liaison between the internal units of the Bank and the regulator during the formulation of legislation, with the aim of giving voice to and reflecting the opinion of the relevant professionals, prior to the formulation of the regulatory directive. The unit also supplies opinions, as relevant, with regard to the effect of forthcoming regulation on the expected business conduct of the various units of the Bank. The unit operates in full cooperation with the relevant professional units of the Bank, and with the subsidiaries and offices in Israel and overseas, in order to ensure that all regulatory requirements are implemented fully and optimally. With regard to compliance with regulatory directives from the inception of the regulation, see the section "Compliance risk," above.

The Regulation Unit also conducts procedures to routinely monitor significant amendments of international regulation in areas that may affect the activity of the Bank in Israel, and to examine the need for the Bank, its subsidiaries, and/or its overseas offices to implement such amendments.
For details regarding the development of this risk, see the section "Top and emerging risks," above.
For details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see the Corporate Governance Report.

3.10. Economic risk

Risk factors in the economic environment are identified by the Economics Department, which tracks economic, financial, and other data in Israel and worldwide and professionally evaluates the implications of the data. The department maps potential risks in the economy and in the financial markets, and reports to the relevant teams and committees.
Concurrently, the department prepares a set of stress scenarios with a possible but low probability of future materialization, which in its opinion may have significant economic and financial consequences for the economy and for the Bank. The stress scenarios are updated quarterly, according to the risk map, and approved by the authorized parties, in accordance with procedures. The Economics Department also examines a series of warning indicators that may signal an increase in the probability of a stress scenario. Warning indicators are reported routinely to the Board of Management Committee on Risk Management.
The Bank translates the market conditions in the scenarios into the impact on its business activity, according to the various risk areas; examines the effect on its profitability, capital, and capital adequacy, while monitoring risks and segments that may be affected by economic changes in Israel and worldwide; and adapts its policies and control activities as necessary. Among other factors, the Bank examines its investments in securities in the investment portfolio in Israel and overseas, its exposure to foreign financial institutions, and risk centers in the credit portfolio that may be influenced by such developments, and routinely complies with the liquidity requirements, as required by the supervisory directives.
For details regarding conditions in the Israeli and global economy, see the section "Economic and financial review," above.

3.11. Strategic risk

Strategic risk is the risk of material present and/or future change in profits, capital, reputation, status, and/or other material aspects as a result of a combination of one or more of the following factors: changes in the business environment; faulty business decisions; strategy and strategic goals misaligned with the organization and the environment in which it operates; improper implementation of strategy; failure to respond to changes in the industry, economy, or technology; and other factors that generate this risk.
Strategic risk is a function of the congruence (or non-congruence) of the organization's strategic goals with the environment in which it operates, the adaptation of the business plans developed to achieve these goals, the resource allocation established, and the quality of implementation. As such, this risk constitutes forward-looking information.
The strategic plan of the Bank is a multi-annual plan approved by the Board of Management and the Board of Directors, and reviewed and adjusted annually to changes in the business environment in Israel and globally, changes in the competitive environment, changes in the regulatory environment in which the Bank operates, and changes in the Bank's objectives. The process of formulating the strategic plan encompasses a general examination of the corporation's business and the relevant strategic risks, and a comprehensive planning process. Within the annual planning process, the Board of Management of the Bank examines the future competitive landscape, and builds strategic plans accordingly, in order to respond by preparing as necessary for this future.

The annual strategic planning process consists of three main stages, each of which addresses a different aspect of strategic risk management and assessment:

Stage 1 – Identification of the strategic risks to the Bank in its competitive environment. Examination of the factors influencing the Bank's competitive ability and future growth potential, including an examination of global and local trends and the current situation at the Bank. In this stage, according to the findings, the Board of Management and the Board of Directors establish the key strategic objectives, as well as additional emphases to be addressed during the preparation of the strategic plans.

Stage 2 – Formulation and approval of the strategic plan, in accordance with the strategic emphases established, synchronized with the financial objectives, while taking risk aspects into consideration.

Stage 3 – Implementation of strategic planning and embedding the strategy of the Bank, according to the BSC (Balanced Score Card) methodology and measurable objectives derived from the strategic goals, with the aim of motivating the behavior and performance of the various units, while monitoring the implementation of the strategic plan.

In late 2022, the Bank formulated a comprehensive strategic plan for the period through 2026. In the second half of 2024, the strategic focus areas of the Bank for 2025–2028 were reviewed and adjusted, and approved by the Board of Management and the Board of Directors of the Bank. The strategic focus areas formulated within the update pertain to sales, service and fairness, digital services, data, operational efficiency, and supporting infrastructures and platforms. The Bank has started to advance a strategic evaluation process, which also addresses the focus areas established, and the formulation of a comprehensive strategy document.

3.12. Climate and environmental risks

Environmental risks

Environmental risks emerge as a result of the exposure of a financial institution and/or the financial sector to activities that have the potential to cause environmental degradation, such as air and water pollution, ground pollution, loss of biodiversity, deforestation, and loss of ecosystems, or to be affected by such degradation.

- Environmental risks may have financial and non-financial impacts on banking corporations, and may take a form linked to the various other risks which the banking corporations manage routinely, such as credit risk. Such risks may be realized in various ways; for example, if the Bank bears direct responsibility for an environmental hazard, including the possibility that the Bank may be required to remove an environmental hazard, or may be liable to a third party in respect of an environmental hazard. This risk may also materialize indirectly, as a result of deterioration of the financial condition of a borrower or an investment due to environmental costs arising from compliance with directives related to the protection of the environment, or damages due to the breach of such directives. Reputational risk may also materialize as a result of the attribution to the Bank of a direct or indirect connection with the cause of an environmental hazard in the course of its business operations.
- Environmental risk management is part of the management of overall credit and investment risks at the Bank. The management of these risks has been integrated into the management of climate risks, as part of the implementation of Proper Conduct of Banking Business Directive 345, "Principles for Effective Management of Climate-Related Financial Risks."
- The Bank, or any senior officer of the Bank, was not a party, during the reported period, to any material legal or administrative proceedings related to the protection of the environment.

Climate risks

The climate crisis is occupying an ever-growing position on the global agenda. Climate change creates harmful effects and risks referred to as climate risks. While there is some connection and overlap between climate risks and environmental risks, they are not identical.

- Climate risks for a financial institution are risks arising from its exposure to risks caused by or related to climate change:
  - Physical risks – Risks resulting from acute climate events (extreme events), such as floods, storms, heat/cold waves, and wildfires, and/or chronic processes with gradual development over time, such as rising temperatures, decreasing precipitation and desertification, rising sea levels, and others.
  - Transition risks – Risks that arise due to disruptions caused in the process of transforming and adapting the global economy as required, according to scientific consensus and the Paris Agreement of 2016, to fight the sources of climate change, from an economy based on carbon dioxide and other greenhouse-gas emission intensive activities to a low/zero emissions economy. Factors driving this process are changes in regulation, legislation, and government policies; technological changes; market changes and changes in consumer preferences; changes in the area of litigation; and more.
- Climate risks may be reflected in the various traditional financial risks accompanying the routine operations of the Bank, such as credit risk, market risk, operational risk, liquidity risk, and other risks, through various micro- and macroeconomic transmission channels, which may have an adverse effect on the financial robustness of businesses, households, and the economy in general, as well as other risks to the Bank such as reputational risk, regulatory risk, legal risk, and more. Climate risk is considered a complex and evolving field, in that it comprises, among other matters, systemic risk on a broad, unprecedented global scale; the period in which it may materialize is far longer than the usual range of business planning for banks; and it is characterized by material uncertainty.
- The Bank includes environmental risk, with an emphasis on climate risk, in its list of emerging risks; however, at this stage, in relation to the other risks to which the Bank is exposed, the risk is not classified as material. See the section "Top and emerging risks," above. At this stage, it is too early to estimate the potential long-term effect of climate risks on the Bank. With regard to risks in the short term, the initial assessment of the Bank is that it does not have material financial exposures derived from the materialization of physical risks or transition risks, and that its principal exposure in this range is concentrated in the area of reputational risk incidental to its exposure to transition risk in the corporate credit portfolio. In terms of the identification and assessment of exposure to climate risks, the Bank is currently operating based on the estimate that in the financial planning time horizon (1-3 years), the financial exposure is primarily in the context of transition risk in the credit portfolio. Although Israel is located in a climate hotspot, the Bank has had very limited experience up to this point with vulnerability to acute physical risks; moreover, this risk may materialize without warning. With respect to chronic physical risks, the approach is that the range for materialization of these risks is longer, rather than imminent.
- In connection with the assessment of transition risk in the corporate credit portfolio, the Bank has performed a process to identify and classify focus areas of economic activity, based on economic sectors exposed to heightened inherent transition risk, due to potential disruptions of their business model and consequent impacts on their financial robustness resulting from the process of transition to a low/zero carbon emissions economy. The following table presents economic sectors classified as having heightened inherent financial exposure to transition risks as a percentage of total credit risk balances at the Bank.

Table 3-35: Credit risk in economic sectors with heightened inherent risk in the transition to a low/zero carbon emissions economy (transition risk) – Bank[1]

	Fossil fuel sector	Electricity and gas supply	Transportation and shipping	Chemical industries, rubber and plastic, cement, and steel	Total credit risk in economic sectors with heightened transition risk
	Percentage of total credit risk in and outside Israel				
December 31, 2025	**0.55%**	**1.09%**	**3.01%**	**1.08%**	**5.73%**
December 31, 2024	0.75%	1.13%	3.17%	0.94%	5.99%
December 31, 2023	0.85%	1.22%	3.01%	0.96%	6.04%

(1) The data are based on the classification of customers into economic sectors at the Bank. This classification does not unequivocally identify areas with relevance to the conceptual field of climate risk, or transition risk specifically. For example, the activity of companies in the area of cement, steel, electric vehicles, or electricity production based on renewable energies is not specifically identified in the economic sectors. The data presented are therefore skewed upward to a certain extent. The data do not express a risk assessment with regard to specific borrowers or investments. The Bank does not expect risk in the focus areas of heightened transition risk exposure to materialize in the immediate term to a material extent, and does not believe that the materialization of this risk, if it occurs, would occur simultaneously across sectors.

For information about the profile of inherent exposure of the credit portfolio in the Corporate Banking Division to climate risks (physical risks and transition risks), in a breakdown by business segment, see the "Environment" chapter in the Environmental, Social, and Governance (ESG) Report.

Proper Conduct of Banking Business Directive 345, "Principles for Effective Management of Climate-Related Financial Risks," will take effect in June 2026. The Bank is working to implement the directive, based on an outline of a work plan that individually addresses climate-risk aspects in relation to the "traditional" risks to which it is exposed in the course of its operations, as well as other elements of the directive. Cross-risk and bank-wide processes established within the implementation of the Proper Conduct of Banking Business Directive on management of the risk, and responsibilities of the various lines of defense and supporting corporate governance, from a cross-risk and bank-wide perspective, were formalized in designated policy document in 2025.

For further information regarding climate risk and the management thereof, see the "Environment" section in the Environment, Social, and Governance (ESG) Report.

3.13. Model risk

Model risk is the risk of adverse consequences, which may take the form of monetary loss or non-financial impacts (incorrect business and/or strategic decisions, damage to the firm's reputation, etc.), resulting from decisions based on incorrect model outputs or inappropriate use of model outputs. The sources of this risk are possible deficiencies in input data, development methodology, technological implementation, and business use.

As of August 2025, the Bank has operated in accordance with the directive of the Bank of Israel on the subject of model risk management, Proper Conduct of Banking Business Directive 369, which establishes a binding framework for the effective management of this risk. This risk is managed within the Group by a dedicated independent unit, which serves as the second line of defense. The Group policy establishes principles for the management of model risk. Model risk management encompasses independent validation, an annual review, monitoring of risk-mitigation activities conducted by the various units, specification of roles, definition of risk appetite, and assessment of aggregate risk.

In recent years and in 2025, changes took place in the economic and regulatory environment: exceptional volatility in interest rates, increases in inflation, geopolitical pressures, and deceleration of global trade. These changes influence macroeconomic parameters and customers' behavior, and therefore also the models based on historical data, increasing the risk of deviations in forecasts and estimates. As a result, an increase in model risk is expected, both at the level of the individual models and at the aggregate level.

In addition, the Bank is seeking to increase its use of advanced models, including models based on artificial intelligence and generative artificial intelligence (GenAI), as part of its strategic work plan. This trend is expected to increase the Bank's reliance on models and present new challenges in the areas of model risk, particularly behavioral risks such as discrimination, as well as risks of transparency, information security, and compliance with regulatory requirements. Accordingly, the Bank has included the implementation of advanced control mechanisms, periodic monitoring, and a governance framework in its work plan, in order to ensure optimal management of model risks.

3.14. Severity of risk factors

Pursuant to the directive of the Bank of Israel, the principal risk factors to which the Group is exposed have been mapped. The risk factors and the estimates of the Board of Management regarding the severity of risk of each factor are listed in the following table. The severity of risk factors is examined based on quantitative analysis of scenarios and estimates of the extent of the effect on profitability and/or on capital, and based on a qualitative evaluation, taking into consideration data regarding the capital and profitability of the Bank at the date of the report and expected in the coming years. Definitions of the severity levels of the risk factors consist of five severity levels for each risk factor: low, low-medium, medium, medium-high, and high.

In order to quantify the effect of the risk factors on the Bank's profit and capital ratio, systemic stress scenarios and single-risk-factor scenarios are examined for most of the risks, and the scenario with the more severe effect is used as the basis for determining the level of the effect of the risk factor, in combination with a qualitative assessment.

Each risk factor listed in the table below was tested in its own right, under an assumption of independence of each risk factor relative to the other risk factors listed in the table. However, for the risk factors "condition of the global economy" and "condition of the Israeli economy" in the table, systemic scenarios were tested to estimate the effect on profit and on the capital ratio of the combination of a number of risk factors. It is emphasized that the risk scenarios simulate a situation in which unexpected damages materialize beyond the expected level of damage events in the regular course of the Group's business.

At this stage there is still great uncertainty in both the security aspect and other aspects, such as global increases in tariffs, dealing with the government deficit following the war, and the political tensions in Israel.

Table 3-36: Severity of risk factors

	Risk factor	Risk effect
	Financial risks	
1.	Credit risk (including counterparty risk)	Medium-High
1.1.	Of which: risk in respect of the quality of borrowers and/or collateral	Medium-High
1.2.	Of which: risk in respect of sector concentration/exposure to credit in the construction and real-estate sectors	Medium-High
1.3.	Of which: risk in respect of concentration of borrowers/borrower groups	Medium
2.	Market risk	Low-Medium
2.1.	Of which: interest-rate risk	Low-Medium
2.2.	Of which: inflation risk/exchange-rate risk	Low
3.	Share price and credit spread risk	Low-Medium
4.	Liquidity risk	Low-Medium
	Operational and legal risks	
5.	Operational risk	Medium
5.1.	Of which: cyber risk	Medium
5.2.	Of which: IT risk	Medium
6.	Legal risk	Low-Medium
	Other risks	
7.	Reputational risk	Low-Medium
8.	Strategic and competitive risk	Medium
9.	Regulatory and legislative risk	Medium
10.	Economic risk – condition of the Israeli economy	Medium-High
11.	Economic risk – condition of the global economy	Medium
12.	Compliance risk	Medium
13.	Model risk	Medium



4. Critical accounting policies and estimates; controls and procedures

4.1. Critical accounting policies and estimates

The financial statements of the Bank are prepared in accordance with accounting principles and rules, the main points of which are described in Note 1 to the Annual Financial Statements as at December 31, 2025. In implementing the accounting principles, the Board of Management of the Bank uses various assumptions, estimates, and evaluations that affect the reported amounts of assets and liabilities (including contingent liabilities) and the results reported by the Bank. Actual future results may differ from such estimates and evaluations made when preparing the financial statements.
Some of these estimates and evaluations involve a considerable degree of uncertainty, and can be affected by possible future changes. Such estimates and evaluations in which changes may have a material effect on the financial results presented in the financial statements are considered by the Bank to be estimates and evaluations on "critical" matters.
The Bank's Board of Management is of the opinion that the estimates and evaluations applied during the preparation of the financial statements are fair, and were made to the best of its knowledge and professional judgment.

Details of estimates and evaluations deemed critical by the Bank:

Allowance for credit losses

The Bank applies United States generally accepted accounting principles concerning current expected credit losses (ASC 326). Following the implementation of these principles, the allowance for credit losses is calculated based on the expected loss over the lifetime of the credit. In addition, the estimate of the allowance for credit losses involves significant use of forward-looking information, which reflects reasonable, supported forecasts of future economic events. Orderly work processes are used at the Bank to determine the appropriateness of classifications and allowances, and decisions are made according to approved authorizations.
The allowance for credit losses is calculated for loans and off-balance sheet credit exposures, and also for bonds held to maturity and other financial assets measured at amortized cost.
In general, the calculation of the allowance for expected credit losses is assessed on a collective basis when the assets have similar risk characteristics. These characteristics include, at the level of the customer and the transaction, among others: (1) internal or external credit ratings; (2) the extent and types of collateral allocated to the transaction; (3) the lifetime of the credit; (4) the type of financial asset. For housing credit, the time since the date of origination of the transaction is also taken into account.
The Bank estimates expected credit losses using an advanced method based on an economic estimate of the lifetime expected loss, through an estimate of the components of the credit loss: probability of default (PD), loss given default (LGD), and the balance of credit, taking into account repayments and future utilization of off-balance sheet credit facilities and guarantees (exposure at default – EAD), including macroeconomic adjustments and adjustments in respect of qualitative factors.
Data in this method are primarily based on existing internal information at the Bank; in cases of information limitations, expert evaluations were included.
Macroeconomic adjustments are based on forecasts of the Bank regarding macroeconomic parameters including unemployment rates, the consumer price index, the housing price index, gross national product, use of credit cards, and the real interest rate. In addition, macroeconomic adjustments were performed due to the effects of the security situation.

For further details, see the section "Credit risk," above.

Adjustments to the model in respect of qualitative factors refer, among other matters, to political and environmental attributes; exceptional growth in credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and additional factors.

Each quarter, a process is conducted to identify customers with problematic potential, based on defined criteria, and all borrowers on watch lists and/or classified as problematic are examined individually.

When the Bank finds that a financial asset does not have shared risk characteristics similar to the risk characteristics of other financial assets, the Bank assesses the allowance for credit losses in respect of such assets on an individual basis. These financial assets primarily include non-accruing commercial credit with a contractual balance greater than NIS 1 million. The individual allowance for credit losses is made on the basis of the Board of Management's estimate of the losses inherent in the credit portfolio, including off-balance sheet items. The Board of Management bases the evaluation process on numerous considerations and estimates.

The individual examination addresses the condition of the borrower's business, cash flows from the borrower's business, the value and expected realization date of existing collateral, the value and realization date of third-party guarantees, etc. The recoverable amount is assessed according to this examination, and a determination is made, accordingly, regarding the appropriate classification of the debt and the individual allowance for credit losses, which constitutes the difference between the amount of credit given to the borrower and the total amount that can be collected from the borrower, discounted by the original interest rate of the debt, or the net fair value of the collateral provided against the debt, at every reporting date.

In addition, the Bank is required to estimate the volume of debt that cannot be collected via prolonged collection efforts (defined in most cases as a period exceeding two years), and record charge-offs in respect of such debt.

Some of the data that form the foundation for the individual examination are based on estimates and evaluations, and dependent upon economic variables that are not under the Bank's control, such as the condition of the Israeli economy and global markets, markets for companies' operations and products, interest rates, conditions in the capital market, prices of real estate and other assets, demand in the industry in Israel and worldwide, and more. The recoverable amount is determined by applying safety margins aimed at addressing situations of uncertainty regarding the ability to repay the debt and the value of collateral. However, because economic and other variables are involved, there is no certainty that the amounts actually received will be identical to the estimates established.

In this context, note that the Bank applies the directive of the Bank of Israel regarding the primary source of repayment, pursuant to which the determination of the appropriate classification for a debt, until default occurs, or until the probability of expected default becomes high, is based on the expected strength of the primary source of repayment of the debt (a current cash-flow based, stable, separate source that is under the borrower's control), notwithstanding the support of secondary and tertiary sources of repayment.

Fair value measurements

Some of the financial instruments in which the Bank operates, including bonds in the available-for-sale portfolio, securities in the held-for-trading portfolio, shares not held for trading with readily determinable fair value, and derivative financial instruments, are measured in the financial statements at fair value. The fair value of a financial instrument is defined as the price that would be obtained from the sale of an asset, or that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date, i.e. in a transaction that is not a forced sale or a sale in the course of liquidation. Maximum use is made of observable inputs in assessing fair value. Observable inputs represent information available in the market and received from independent sources. When no observable inputs are available for the measurement of fair value, unobservable inputs are used. These data reflect the assumptions of the Bank, and include models that take the risk inherent in the financial instrument into consideration (market risk, credit risk, etc.).

These types of inputs form the following fair-value hierarchy:

- Level 1 data: Prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2 data: Directly or indirectly observable inputs regarding an asset or liability other than quoted prices included in Level 1.
- Level 3 data: Unobservable inputs regarding an asset or liability.

The hierarchy requires the use of observable market inputs when such information is available. When the inputs used to measure fair value are classified into different levels of the fair-value hierarchy, the Bank classifies the overall fair-value measurement at the lowest level of an input significant for the overall measurement.

The Bank exercises appropriate professional judgment in establishing fair values. Towards that end, the Bank has formulated a plan according to which a structured, ordered process is being established for determining fair value. The process encompasses four independent functions:

1. The business function – The party responsible for the management of the financial instrument.
2. The validation function – The party responsible for validating the models for the fair-value calculation and validating the data and assumptions used in the calculation.
3. The control function – The party responsible for applying routine controls to the process of establishing fair value.
4. The supervision function – The party responsible for supervising the proper implementation of the process of establishing fair value.

The Bank has also established a limit according to which the Bank shall not enter into a new type of financial instrument in a material amount, or increase the amount of an existing type, if no structured procedure exists for establishing its fair value at a reasonable degree of confidence (hereinafter: "Exceptional Instruments"). It was further established that in cases in which the volume of the Exceptional Instruments reaches 75% of the limit that has been set, the Board of Directors and the Board of Management Committee on Risk Management shall be notified, and the committee shall formulate a plan to reduce the volume of the Exceptional Instruments.

The fair value of bonds traded overseas is based on price quotes from international price suppliers, which are independent of the issuing corporations and governments. These suppliers are leading international companies that provide quoting and revaluation services to leading financial institutions worldwide.

For further details, see Note 32 to the Financial Statements.

Employee benefit liabilities

Some of the provisions for the Bank's liabilities in connection with employee-employer relationships are based on actuarial calculations, among other factors. These provisions include pension liabilities with respect to payments for employees who retire before legal retirement age, as well as pension liabilities with respect to payments for active employees expected to retire with preferred terms before the legal retirement age, and liabilities for severance pay. Also included are long-term liabilities during the period of employment, such as a 25-year service grant, and retirement and post-retirement employee benefits.

The liabilities, calculated based on actuarial estimates of the Bank as at December 31, 2025, amounted to a total of approximately NIS 4,709 million. The liabilities are discounted at a real factor of 2.38% per annum, based on the yield of CPI-linked government bonds in Israel, plus a margin equal to the difference between rates of yield to maturity, by maturity period, of corporate bonds rated AA or higher in the United States, and rates of yield to maturity for the same maturity periods of US government bonds, at the reporting date, as determined by the Banking Supervision Department.

Actuarial calculations are mainly based on assumptions and estimates, which are based on the evaluations and resolutions of the Board of Management, past experience, and various statistics, such as mortality tables, employee departure rates, the rate of real change in wages over time, etc. These estimates and assumptions are reviewed regularly.

Changes in the various actuarial parameters would lead to different results from those obtained today. For example, a 1% increase in the discount rate would cause a reduction of the liabilities by a total of approximately NIS 307 million, and a 1% decrease in the discount rate would cause these liabilities to grow by a total of approximately NIS 359 million. An increase of 1% in the estimated annual rate of increase in wages would also cause an increase of the aforesaid liabilities by a total of approximately NIS 215 million, and a decrease of 1% in the estimated annual rate of increase in wages would cause the aforesaid liabilities to decrease by a total of approximately NIS 185 million. An increase of 1% in the annual estimate of rates of departure for early retirement would cause an increase of the liabilities by a total of approximately NIS 242 million, and a decrease of 1% in the annual estimated rate of departure for early retirement would cause the liabilities to decrease by a total of approximately NIS 258 million.

The actuary estimate for the period ended December 31, 2025, in respect of employee benefit liabilities is attached to this report.

Contingent liabilities and legal proceedings

The Bank Group is a party to legal proceedings taken against it by customers, by former customers, and by various third parties who believe they have suffered harm or damages resulting from the Bank Group's activity.

The Bank's Board of Management has included sufficient provisions in the financial statements to cover the expected damages, based on legal opinions. In most legal proceedings, opinions are obtained from legal advisors external to the Bank Group, and reviewed by legal counsels employed by the Bank.

These evaluations are based on the best judgment of the legal advisors, taking into consideration the stage at which the proceedings are at present and the legal experience accumulated on these matters in Israel and worldwide.

The preparation of estimates regarding provisions for legal proceedings involves judgment, at a very high level in comparison to other types of provisions. When such proceedings are in initial stages, the determination whether the Bank has any liability, the establishment of a range of estimates, and the determination of the probability that the Bank may incur costs as a result of such liability entail significant uncertainty; in the case of matters with respect to which no judicial proceeding is underway at the reporting date (including arguments or threats to file a legal claim), the uncertainty increases further.

As the proceedings progress, the Board of Management of the Bank and its legal advisors evaluate, each quarter, whether it is necessary to include or update provisions in respect of the proceedings, updating the estimate performed in the preceding reporting period. The precision of the estimates increases as the proceedings advance, but the amount of the provision remains sensitive to changes in assumptions. The Bank Group may also have exposure to the threat of legal claims that have not yet been filed. In assessing risk in respect of these exposures, the Bank Group relies on estimates of the Board of Management and of the functions that handle the exposure, taking into account the materiality and tangibility of the threat, the prospects of success of a legal claim (if filed), and the possible outcomes thereof.

In most cases, there is a wide range of possible outcomes for every legal proceeding. In addition, it should be taken into account that in most cases, no "certain" or "near certain" assessments can be made with regard to legal matters, not only in the initial stages of a claim or of other proceedings, but until the verdict is handed down or other proceedings are concluded. Accordingly, the outcome of such proceedings may differ, sometimes to a material extent, from the estimates established.

The Bank and its legal advisors face greater difficulty than usual when estimating the outcome of legal proceedings involving class-action suits, most notably during the stage in which the court has not yet decided whether to accept or deny the petition to recognize the claim as a class action.

Taking the foregoing into consideration, and taking into consideration the material amounts stated in class-action suits and the significant uncertainty involved in the estimates, the progress of the hearings in such proceedings may, from time to time, have a material adverse effect on the results of the Bank Group in the quarterly or annual reporting period in which the proceedings are resolved.

Income in respect of a gain contingency is recognized when the income has been realized or is realizable. To make this determination, the Bank takes the full range of facts and circumstances into consideration, including legal opinions, to the extent relevant.

Impairment of securities and revaluation to fair value of shares without a readily determinable fair value

Impairment and allowance for credit losses in respect of bonds available for sale

Each reporting period, the Board of Management of the Bank determines whether impairment or credit loss is required to be recognized in respect of bonds available for sale whose fair value is lower than their amortized cost (in a loss position).

1. Impairment of bonds available for sale is required to be recognized when the Bank intends to sell the bonds, or when it is probable that the Bank will be required to sell the bonds before their value is recovered. In such case, the amortized cost is written down to the fair value.
2. A credit loss is required to be recognized when the fair value of bonds available for sale is lower than the amortized cost, and the impairment is due to a credit loss. To determine whether credit loss exists in respect of the bonds, the Bank performs a qualitative examination of whether there are indications of the existence of credit loss, including the issuer rating, the rate of decline in value below the amortized cost, and worsening of the condition of the issuer's business. If the result of the qualitative examination is that credit loss exists, an allowance for credit losses is calculated by discounting cash flows expected from the bonds. It is emphasized that in any event, the allowance for credit losses recognized shall not be greater than the difference between the amortized cost and the fair value.

Revaluation to fair value and impairment of shares without a readily determinable fair value

Shares without a readily available fair value are measured at cost net of impairment, if any, plus or minus observable price changes in ordinary transactions for identical or similar investments of the same issuer. Unrealized profits or losses from adjustments to such observable price changes are recorded to the statement of profit and loss.

Further to the foregoing, the Bank examines, in each reporting period, whether transactions relevant to shares without a readily determinable fair value were executed regarding which an update of the carrying value of the shares held by the Bank is required. To the extent relevant, the value of the investment in such shares is updated in accordance with the accounting principles. In addition, each reporting period, the Bank performs a qualitative assessment, taking impairment indicators into consideration, in order to assess whether impairment has occurred in investments in shares without a readily determinable fair value. If impairment of the investment in the shares has occurred according to this assessment, the Bank assesses the fair value of the investment in the shares, in order to determine the amount of loss from the impairment.

4.2. Controls and procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, which apply the provisions of Sections 302 and 404 of the law known as the "Sarbanes-Oxley Act," enacted in the United States, to banking corporations in Israel, the Chief Executive Officer and the Chief Accountant of the Bank have each separately signed a declaration regarding their responsibility for the establishment and application of controls and procedures concerning disclosure and the Bank's internal control over financial reporting, including an assessment of the effectiveness of these controls.

As part of the implementation of the directives, the Bank established procedures for complying with the disclosure directives pursuant to Directive 302, on a quarterly basis, and, for the implementation of Directive 404, the Bank mapped and documented all material control processes, based on the directives of the SEC (the Securities and Exchange Commission in the United States), using the prevalent methodologies, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

In addition, for the purpose of implementation of the directive and pursuant to the requirements, the Bank updated the documentation of the material control processes for 2025, as in every year, according to the prevalent methodologies, and examined the effectiveness of the procedures for internal control over financial reporting, through a renewed examination in practice of the effectiveness of the main controls for the current year.

Evaluation of controls and procedures concerning disclosure

The Board of Management of the Bank, in cooperation with the Chief Executive Officer and the Chief Accountant of the Bank, has assessed the effectiveness of the controls and procedures concerning disclosure at the Bank as at December 31, 2025. Based on this assessment, they have concluded that, as at the end of this period, the controls and procedures concerning disclosure at the Bank are effective in order to record, process, summarize, and report the information that the Bank is required to disclose in its financial statement, in accordance with the Public Reporting Directives of the Supervisor of Banks, on the date stipulated in these directives.

Changes in internal control

During the quarter ended on December 31, 2025, no material change occurred in the internal control over financial reporting that had a material impact, or could reasonably be expected to have a material impact, on the internal control over financial reporting.

Noam Hanegbi
Chairperson of the Board of Directors

Yadin Antebi
President and Chief Executive Officer

Tel-Aviv, March 4, 2026

Bank Hapoalim

Declarations of Internal Control Over Financial Reporting



Report of the Board of Directors and the Board of Management on internal control over financial reporting

The Board of Directors and the Board of Management of Bank Hapoalim B.M. (hereinafter: the "Bank") are responsible for the establishment and application of adequate internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"). The system of internal control at the Bank was designed to provide a reasonable degree of assurance to the Board of Directors and the Board of Management of the Bank with regard to the adequate preparation and presentation of financial reports published in accordance with the directives and guidelines of the Supervisor of Banks. These directives primarily adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the Financial Statements. Regardless of the quality of planning of the internal control systems, any such system has inherent limitations. Thus, even if these systems are found to be effective, such systems can provide only a reasonable degree of assurance with regard to the preparation and presentation of the financial reports.

The Board of Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with the Board of Management's authorizations, that assets are protected, and that accounting records are reliable. In addition, the Board of Management, under the supervision of the Board of Directors, applies measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Board of Management of the Bank, under the supervision of the Board of Directors, assessed the effectiveness of the Bank's internal control over financial reporting as at December 31, 2025, based on the criteria established in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on this assessment, the Board of Management believes that as at December 31, 2025, the Bank's internal control over financial reporting is effective.

The effectiveness of the Bank's internal control over financial reporting as at December 31, 2025, was audited by the Bank's external auditors, Ziv Haft Certified Public Accountants (Isr.) and Somekh Chaikin Certified Public Accountants (Isr.), as noted in their report on page 149. The auditors' report includes an unqualified opinion with regard to the effectiveness of the Bank's internal control over financial reporting as at December 31, 2025.

Noam Hanegbi
Chairperson of the
Board of Directors

Yadin Antebi
President and
Chief Executive Officer

Guy Kalif
Deputy CEO,
Chief Accountant

Tel-Aviv, March 4, 2026

CEO Declaration

I, Yadin Antebi, declare that:

1. I have reviewed the annual report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the year 2025 (hereinafter: the "Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect the financial position, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report;
   B. We have established such internal control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes in accordance with the directives and guidelines of the Supervisor of Banks, which primarily adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the Financial Statements;
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure in the Report, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during this quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees who have a significant role in the internal control over financial reporting at the Bank were involved.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Yadin Antebi
President and Chief Executive Officer

Tel-Aviv, March 4, 2026

Chief Accountant Declaration

I, Guy Kalif, declare that:

1. I have reviewed the annual report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the year 2025 (hereinafter: the "Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect the financial position, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report;
   B. We have established such internal control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes in accordance with the directives and guidelines of the Supervisor of Banks, which primarily adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the Financial Statements;
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure in the Report, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during this quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees who have a significant role in the internal control over financial reporting at the Bank were involved.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Guy Kalif
Deputy CEO, Chief Accountant

Tel-Aviv, March 4, 2026

Bank Hapoalim

Financial Statements

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Auditors' Report to the Shareholders of Bank Hapoalim B.M. According to the Public Reporting Directives of the Supervisor of Banks Regarding Internal Control Over Financial Reporting

We have audited the internal control over financial reporting of Bank Hapoalim B.M. and its subsidiaries (hereinafter together – "the Bank") as of December 31, 2025, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting, as included in the accompanying Report of the Board of Directors and Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the USA regarding audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material aspects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the planning and operation of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and in accordance with directives and guidelines of the Supervisor of Banks. The internal control over financial reporting of a bank includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and transfers of the assets of the bank (including their removal from its possession); (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statement in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and in accordance with directives and guidelines of the Supervisor of Banks, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition (including removal from its possession) of the bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Also, future conclusions based on any current effectiveness assessment are exposed to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in the Internal Control – Integrated Framework issued by COSO.

We also audited, in accordance with accepted auditing standards in Israel and certain auditing standards applicable in the audit of banking corporations as determined by directives and guidelines of the Supervisor of Banks, the consolidated financial statements of the Bank as of December 31, 2025, and for the year then ended, and our report dated March 4, 2026 expressed an unqualified opinion on those financial statements and included an emphasis-of-matter paragraph relating to exposure to class-action lawsuits filed against the Bank Group.

Somekh Chaikin
Certified Public Accountants (Isr)

Ziv Haft
Certified Public Accountants (Isr)

Tel Aviv, March 4, 2026

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Independent Auditors' Report to the Shareholders of Bank Hapoalim B.M.

Opinion

We have audited the consolidated balance sheet of Bank Hapoalim B.M (hereinafter: "the Bank"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position as at December 31, 2025, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with the instructions and guidelines of the Supervisor of Banks (hereinafter - 'the Supervisor of Banks' instructions').

As described in Note 1 in the financial statements, the instructions primarily adopt the Generally Accepted Accounting Principles in the United States (US GAAP).

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973, and certain auditing standards whose application in the audit of banking corporations was prescribed in directives and guidelines of the Supervisor of Banks. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its consolidated companies in accordance with the applicable laws in Israel regarding independence and prevention of conflicts of interest for auditors in Israel. We have also fulfilled our other ethical responsibilities in accordance with the Accountants Law, 1955, and regulations thereunder. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the statements in Note 25C(b) regarding exposures to class actions filed against the Bank Group. Our opinion is not modified with respect to this matter.

Key Audit Matters

The key audit matters detailed below are those matters that were communicated, or were required to be communicated, to the Bank's Board of Directors and which, in our professional judgment, were of most significance in the audit of consolidated financial statements of the current period. These matters include, among others, any matter that: (1) relates, or may relate to accounts or disclosures that are material to the consolidated financial statements, and (2) involved especially challenging, subjective, or complex auditor judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of these matters below does not alter our opinion on the consolidated financial statements as a whole, and we do not provide a separate opinion on these matters or on the items or disclosures to which they relate.

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Allowance for credit losses

The basis for our determination that this matter constitutes a key audit matter

As described in Notes 1, 13, and 29 to the Consolidated Financial Statements, the allowance for credit losses of the Bank in respect of balance sheet and off-balance sheet credit to the public in the consolidated statements of the Bank amounts to a total of NIS 8.8 billion as at December 31, 2025, and includes an allowance on an individual basis and an allowance on a collective basis in respect of the risk of credit to the public.

In the process of estimating the allowance for credit losses, the Bank assesses the loss expected in the credit portfolio. The loss assessment process is based on significant estimates that involve uncertainty, and on subjective evaluations, both at the stage of determining the required classification of the debts and at the stage of measuring the allowance for credit losses.

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) (ASC 326). In the calculation of the allowance on a collective basis, the expected losses over the lifetime of the credit are estimated according to methodology and models based on risk rating (such as the probability of default and the loss given default), in which the amount of the expected loss in the event of occurrence of default is estimated. The models are based, among other matters, on historical data and additional adjustments used to predict the expected credit losses.

The classification of customers' debt as nonproblematic or problematic debt also influences the level of the allowance for credit losses. In addition, the Bank includes an allowance for credit losses calculated on an individual basis in respect of certain debts, in accordance with its policy, based on assessments of the expected recovery from the borrower.

Principal estimates used as the basis for calculation of the allowance for credit losses:

- Establishing estimates in the models, including the methodology, assumptions, and data, and the establishment of additional adjustments involves significant judgment in the choice and design thereof.
- When identifying and classifying debts, judgment is exercised to find problematic debts according to specified criteria that may indicate that a debt has become problematic, an estimate of the potential or existing damage to the primary repayment source of the borrower (i.e. a current cash-flow based, stable source under the borrower's control), the existence of expected cash flow of the borrower for full and timely repayment of the debt, and an assessment of other financial data of the borrower that may indicate existing or potential weaknesses of the borrower. As noted, the classification of a debt as problematic also affects the level of the allowance in respect of that debt.
- In the calculation of the allowance on an individual basis, judgment is exercised in determining the recoverable amount, i.e. in determining the expected future cash flows to service the debt from the business activity of the borrower and/or the value of realization of collateral and guarantees.

We identified the aforesaid estimates used as the basis for calculation of the allowance for credit losses as a key audit matter. Any change in these estimates or evaluations may have a significant effect on the allowance for credit losses stated in the financial statements of the Bank.

Auditing the allowance for credit losses requires the judgment of the auditor, as well as knowledge and experience in order to examine the reasonableness of the use of the models, calculations, and adjustments used by management to determine the adequacy of debt classifications and the estimated allowance for credit losses.

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Audit procedures performed in response to the key audit matter:

The following are the principal procedures we performed in connection with this key matter within our audit: We examined the work processes for the calculation of the allowance for credit losses and the effectiveness of the planning and operation of controls over financial reporting related to the determination of the estimated allowance, including controls on the following subjects:

- Examination of the adequacy of the methodology used to determine the allowance for credit losses;
- Examination of the adequacy of the underlying data used to calculate the allowance for credit losses;
- Identification of debts with potential characteristics of problematic debts, according to criteria established by the Bank;
- Classification of the debts according to the procedures of the Bank;
- Analysis of the reasonableness of the allowance for credit losses measured on a collective basis.

We carried out substantive procedures to examine the allowance for credit losses, based on representations we received. These procedures included, among other matters:

- Examination of the methodology for determining the allowance and an examination of whether it is consistent with the accounting principles applicable to the Bank;
- Sample testing of calculations performed by the Bank to determine the appropriateness of the use of the various models;
- Examination of the adequacy of classifications and allowances for a sample of debts;
- Examination of reasonableness of adequacy of the allowance for credit losses.

Responsibilities of the Board of Directors and Management for the Consolidated Financial Statements

The Board of Directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Supervisor of Bank's instructions, which primarily adopt the Generally Accepted Accounting Principles in the United States (US GAAP); they are also responsible for such internal control as the Board of Directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and management are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Israel will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit performed, in accordance with generally accepted auditing standards in Israel including certain auditing standards whose application to audits of banking corporations is prescribed by the directives and guidelines of the Supervisor of Banks, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and management.
- Conclude on the appropriateness of the Board of Directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and management with a statement that we have complied with relevant ethical requirements regarding our independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and management, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter.

Cross-reference Paragraph

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the United States regarding the Audit 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, 2025, based on the criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 4, 2026 included an unqualified opinion on the effective maintenance of those components.

The engagement partner on the audit resulting in this independent auditor's report is Itay Corem from Somekh Chaikin and Zvi Shif from Ziv Haft.

Somekh Chaikin
Certified Public Accountants (Isr)
We have served as the auditors
of the Bank since 1998

Ziv Haft
Certified Public Accountants (Isr)
The firm Haft & Haft, which merged into Ziv Haft in 2000,
began serving as the external auditor of the Bank in 1921

Tel Aviv, March 4, 2026

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Consolidated Statement of Profit and Loss
for the year ended December 31, 2025

NIS millions

	Note	2025	2024	2023
Interest income	2	**36,788**	35,495	32,971
Interest expenses	2	**(18,685)**	(18,545)	(16,886)
Net interest income		**18,103**	16,950	16,085
Provision for credit losses	13	**1,299**	693	1,879
Net interest income after provision for credit losses		**16,804**	16,257	14,206
Non-interest income				
Non-interest financing income	3	**1,518**	959	1,267
Fees	4	**4,431**	3,980	3,892
Other income	5	**504**	71	138
Total non-interest income		**6,453**	5,010	5,297
Operating and other expenses				
Salaries and related expenses	6	**4,671**	4,486	(1)4,577
Maintenance and depreciation of buildings and equipment		**1,446**	1,445	(1)1,477
Other expenses	7	**2,287**	3,076	(1)2,177
Total operating and other expenses		**8,404**	9,007	8,231
Profit before taxes		**14,853**	12,260	11,272
Provision for taxes on profit	8	**5,093**	4,559	3,930
Profit after taxes		**9,760**	7,701	7,342
The Bank's share in profits (losses) of equity-basis investees, after taxes	15(B)	**42**	(66)	18
Net profit				
Attributed to shareholders of the Bank		**9,802**	7,635	7,360
Earnings per ordinary share in NIS	9			
Basic earnings				
Net profit attributed to shareholders of the Bank		**7.43**	5.72	5.50
Diluted earnings				
Net profit attributed to shareholders of the Bank		**7.42**	5.72	5.50

(1) Reclassified.

The accompanying notes are an integral part of the financial statements.

Noam Hanegbi
Chairperson of the
Board of Directors

Yadin Antebi
President and
Chief Executive Officer

Guy Kalif
Deputy CEO,
Chief Accountant

Tel Aviv, March 4, 2026

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2025

NIS millions

	Note	**2025**	2024	2023
Net profit attributed to shareholders of the Bank		**9,802**	7,635	7,360
Other comprehensive income before taxes:	10			
Net adjustments in respect of bonds available for sale at fair value		**1,257**	1,102	1,291
Adjustments of liabilities in respect of employee benefits[1]		**162**	173	194
Other comprehensive income before taxes		**1,419**	1,275	1,485
Effect of related tax		**(529)**	(458)	(499)
Other comprehensive income attributed to shareholders of the Bank, after taxes		**890**	817	986
Comprehensive income attributed to shareholders of the Bank		**10,692**	8,452	8,346

(1) Mainly reflects adjustments in respect of actuarial estimates, and deduction of amounts previously recorded in other comprehensive income.

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet
as at December 31, 2025

NIS millions

	Note	December 31 2025	2024
Assets			
Cash and deposits with banks	11	**71,892**	117,053
Securities[1][2]	12	**144,245**	121,838
Securities borrowed or purchased under agreements to resell		**7,419**	2,227
Credit to the public		**510,480**	450,303
Allowance for credit losses		**(7,599)**	(6,820)
Net credit to the public	13, 29	**502,881**	443,483
Credit to governments	14	**2,481**	1,870
Investments in equity-basis investees	15	**989**	1,460
Buildings and equipment	16	**4,192**	3,883
Assets in respect of derivative instruments	27	**25,049**	22,149
Other assets[1]	17	**7,517**	6,881
Total assets		**766,665**	720,844
Liabilities and capital			
Deposits from the public	18	**592,676**	574,285
Deposits from banks	19	**10,367**	10,837
Deposits from the government		**1,531**	932
Securities lent or sold under agreements to repurchase		**17,413**	18,201
Bonds and subordinated notes	20	**35,896**	20,190
Liabilities in respect of derivative instruments	27	**26,395**	20,915
Other liabilities (of which: 1,189; 1,088, respectively, allowance for credit losses in respect of off-balance sheet credit instruments(1)	21	**17,710**	17,334
Total liabilities		**701,988**	662,694
Total capital	24	**64,677**	58,150
Total liabilities and capital		**766,665**	720,844

(1) With regard to amounts measured at fair value, see Note 32.B.
(2) For details regarding securities pledged to lenders, see Note 26.

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity
for the year ended December 31, 2025

NIS millions

	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2023	8,212	16	8,228	(3,072)	41,346	46,502	1	46,503
Net profit for the year	-	-	-	-	7,360	7,360	-	7,360
Dividends	-	-	-	-	(2,431)	(2,431)	(1)	(2,432)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	13	13	-	-	13	-	13
Exercise of equity compensation into shares	13	(13)	-	-	-	-	-	-
Net other comprehensive income after tax effect	-	-	-	986	-	986	-	986
Balance as at December 31, 2023	8,225	16	8,241	(2,086)	46,275	52,430	-	52,430
Net profit for the year	-	-	-	-	7,635	7,635	-	7,635
Dividends	-	-	-	-	(2,284)	(2,284)	-	(2,284)
Buyback of shares	(463)	-	(463)	-	-	(463)	-	(463)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	15	15	-	-	15	-	15
Exercise of equity compensation into shares	13	(13)	-	-	-	-	-	-
Net other comprehensive income after tax effect	-	-	-	817	-	817	-	817
Balance as at December 31, 2024	7,775	18	7,793	(1,269)	51,626	58,150	-	58,150
Net profit for the year	**-**	**-**	**-**	**-**	**9,802**	**9,802**	**-**	**9,802**
Dividends	**-**	**-**	**-**	**-**	**(3,466)**	**(3,466)**	**-**	**(3,466)**
Buyback of shares	**(794)**	**-**	**(794)**	**-**	**-**	**(794)**	**-**	**(794)**
Issuance of shares to customers	**77**	**-**	**77**	**-**	**-**	**77**	**-**	**77**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**18**	**18**	**-**	**-**	**18**	**-**	**18**
Net other comprehensive income after tax effect	**-**	**-**	**-**	**890**	**-**	**890**	**-**	**890**
Balance as at December 31, 2025	**7,058**	**36**	**7,094**	**(379)**	**57,962**	**64,677**	**-**	**64,677**

* Balance as at December 31, 2025, excluding a balance of 24,237,442 treasury shares (December 31, 2024: excluding a balance of 11,979,229 treasury shares; December 31, 2023: excluding a balance of 109,893 treasury shares).

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended December 31, 2025

NIS millions

	2025	2024	2023
Cash flows from (for) operating activity			
Net profit for the year	**9,802**	7,635	7,360
Adjustments necessary to present cash flows from operating activity			
The Bank's share in losses (profits) of equity-basis investees	**(42)**	66	(18)
Depreciation of buildings and equipment (including impairment)	**764**	764	802
Provision for credit losses	**1,299**	693	1,879
Loss (gain) from sale and impairment of bonds available for sale	**(194)**	778	594
Realized and unrealized loss (gain) from adjustments to fair value of bonds held for trading	**(15)**	1	(25)
Realized and unrealized gain from adjustments to fair value of shares not held for trading	**(377)**	(475)	(313)
Profit from sale of shares of an investment in an affiliate	**(116)**	-	-
Gain from realization of buildings and equipment	**(23)**	(27)	(71)
Change in benefit due to share-based payment transactions	**18**	15	13
Issuance of shares to customers	**77**	-	-
Net change in liabilities in respect of employee benefits	**43**	635	70
Deferred taxes, net	**(271)**	(550)	(511)
Dividends received from equity-basis investees	**126**	86	30
Adjustments in respect of exchange-rate differences	**1,982**	(128)	-
Accumulation differentials*	**684**	929	390
Net change in current assets			
Assets in respect of derivative instruments	**(2,899)**	3,080	(3,397)
Securities held for trading	**(14,739)**	2,649	(9,058)
Other assets	**(416)**	(427)	472
Net change in current liabilities			
Liabilities in respect of derivative instruments	**5,480**	(3,325)	5,197
Other liabilities	**(250)**	714	953
Net cash from (for) operating activity	**933**	13,113	4,367

* Reclassified.

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended December 31, 2025 (continued)

NIS millions

	2025	2024	2023
Cash flows for investing activity			
Deposits with banks	**109**	95	90
Credit to the public[1]	**(53,052)**	(36,657)	(17,835)
Credit to governments	**(605)**	1,300	(1,024)
Securities borrowed or purchased under agreements to resell	**(5,192)**	2,496	(3,825)
Acquisition of bonds held to maturity	**(778)**	(5,872)	(5,314)
Proceeds from redemption of bonds held to maturity*	**2,644**	3,471	183
Acquisition of bonds available for sale and shares not held for trading	**(78,160)**	(61,528)	(66,959)
Proceeds from sale of bonds available for sale and shares not held for trading*	**44,456**	49,625	39,558
Proceeds from redemption of bonds available for sale	**18,769**	17,600	23,773
Acquisition of credit portfolios	**-**	(47)	(315)
Proceeds from sale of credit portfolios	**-**	231	942
Investment in equity-basis investees	**(118)**	(98)	(341)
Proceeds from realization of investment in equity-basis investees	**504**	42	-
Acquisition of buildings and equipment	**(1,074)**	(980)	(970)
Proceeds from realization of buildings and equipment	**24**	32	86
Net cash for investing activity	**(72,473)**	(30,290)	(31,951)
Cash flows from (for) financing activity			
Deposits from banks	**(470)**	1,752	390
Deposits from the public	**18,453**	19,563	17,918
Deposits from the government	**599**	(1,504)	(826)
Securities lent or sold under agreements to repurchase	**(788)**	11,922	(7,598)
Issuance of bonds and subordinated notes	**19,578**	1,673	384
Redemption and purchase of bonds and subordinated notes	**(4,644)**	(4,192)	(5,873)
Dividend paid to shareholders of the Bank	**(3,466)**	(2,284)	(2,431)
Buyback of shares	**(794)**	(463)	-
Dividend to holders of minority interests	**-**	-	(1)
Net cash from (for) financing activity	**28,468**	26,467	1,963
Increase (decrease) in cash	**(43,072)**	9,290	(25,621)
Balance of cash at beginning of year	**116,532**	107,114	132,735
Effect of changes in exchange rates on cash balances	**(1,982)**	128	-
Balance of cash at end of year	**71,478**	116,532	107,114
Interest and taxes paid and/or received and dividends received			
Interest received	**28,064**	28,182	26,253
Interest paid	**(16,844)**	(17,801)	(14,483)
Dividends received	**49**	28	56
Income tax paid, net of refunds received[2]	**(6,839)**	(4,854)	(3,523)

* Reclassified.
(1) Includes regular activity of receivables discounting acquisition.
(2) The amount of taxes paid (net of refunds received), divided into local and foreign tax, in 2025 totaled approximately NIS 6,694 million and approximately NIS 145 million, respectively.

The accompanying notes are an integral part of the financial statements.

Note 1 Significant Accounting Policies

A. General information

Bank Hapoalim B.M. (hereinafter: the "Bank") is a corporation incorporated in Israel.

The annual financial statements are published on a consolidated basis only. Note 34 presents the condensed stand-alone financial statements of the Bank, including the balance sheet, statement of profit and loss, and statement of cash flows.

The financial statements were approved for publication by the Board of Directors of the Bank on March 4, 2026.

B. Definitions

In these financial statements:

- GAAP at US banks – Accounting principles that American banks traded in the United States are required to implement, in accordance with the hierarchy established in Accounting Standards Codification (ASC) Topic 105-10 (FAS 168) of the Financial Accounting Standards Board and in accordance with the guidelines and position statements of the Securities and Exchange Commission and of the banking supervision agencies in the United States. In addition, according to the guidelines of the Banking Supervision Department, despite the hierarchy established in FAS 168, it was clarified that any position stated to the public by the banking supervision agencies in the United States or by the staff of the banking supervision agencies in the United States with regard to the manner of implementation of generally accepted accounting principles in the United States constitutes a generally accepted accounting principle at banks in the United States.
- The Group – The Bank and its consolidated companies.
- Consolidated companies / subsidiaries – Companies whose financial statements are consolidated in full, directly or indirectly, with the financial statements of the Bank.
- Equity-accounted investees – Companies measured using the equity method.
- Affiliates – Consolidated companies and equity-accounted investees of the Group.
- Overseas offices – Representative offices, branches, or subsidiaries of the Bank outside Israel.
- CPI – The consumer price index as published by the Central Bureau of Statistics in Israel.
- Recorded debt balance – The balance of a debt, after deducting charge-offs, but before deducting the allowance for credit losses in respect of the debt.
- Fair value – The price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

C. Basis for preparation of the financial statements

1. Reporting principles

The consolidated financial statements of the Bank are prepared in accordance with the Public Reporting Directives and guidelines of the Supervisor of Banks (hereinafter the "Supervisor of Banks Directives"). These directives primarily adopt generally accepted accounting principles in the United States (US GAAP).

2. Functional currency and presentation currency

The New Israeli Shekel (NIS) is the currency representing the primary economic environment in which the Bank operates, and therefore constitutes the functional currency of the Bank. The financial statements are presented in NIS and rounded to the nearest million, unless otherwise noted.

Note 1 Significant Accounting Policies (continued)

3. Use of estimates

The preparation of the financial statements in conformity with the directives and guidelines of the Banking Supervision Department requires the Board of Management of the Bank to exercise judgment and to use estimates, evaluations, and assumptions that affect the application of policies and the amounts of assets, liabilities, income, and expenses. It is hereby clarified that actual results may differ from such estimates.

In formulating the accounting estimates used in the preparation of the financial statements of the Bank, the Board of Management of the Bank is required to make assumptions with regard to circumstances and events that involve significant uncertainty. The Board of Management of the Bank bases its judgment in establishing these estimates on past experience, various facts, external factors, and reasonable assumptions, according to the circumstances, as appropriate for each estimate. The estimates and the underlying assumptions are reviewed routinely. Changes in accounting estimates are recognized in the period in which the estimates are amended and in every affected future period.

D. First-time implementation of accounting standards, updates of accounting standards, and directives of the Banking Supervision Department

Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures

On December 14, 2023, the Financial Accounting Standards Board (FASB) in the United States issued ASU 2023-09, "Improvements to Income Tax Disclosures" (the "Update"). The main points of the disclosure requirements added within the Update are, among other matters, expansion of the disclosure regarding the reconciliation of expected tax to reported tax (theoretical tax note), and a requirement to provide disclosure of income tax paid divided into categories of local and foreign taxes. The Update is implemented beginning with the financial statements as at December 31, 2025. The implementation had no material effect on the Bank, other than the aforesaid expansion of disclosure; for details, see the Consolidated Statement of Cash Flows, above, and Note 8.B below.

E. Accounting policies implemented in the preparation of the financial statements

1. Foreign currency and linkage

Transactions in foreign currency

Transactions in foreign currency are translated according to the exchange rate in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated according to the exchange rate in effect at that date.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency according to the exchange rate in effect on the date on which the fair value is determined. Non-monetary items denominated in foreign currency and measured at historical cost are translated according to the exchange rate in effect on the date of the transaction. Exchange-rate differences arising from translation of transactions in foreign currency are recognized in profit and loss.

In this context, note that according to the US standard applied at the Bank, exchange-rate differences in respect of bonds available for sale are classified into the capital reserve. However, the Banking Supervision Department has instructed banks in Israel to continue, until January 1, 2027, to treat exchange-rate differences in respect of bonds available for sale according to international standards, where these exchange-rate differences are classified into the statement of profit and loss.

Note 1 Significant Accounting Policies (continued)

CPI, exchange rate, and interest rates

Set out below are details regarding the consumer price index (CPI), representative exchange rates of the major currencies, and interest rates, and the rates of change thereof.

	2025	2024	2023	**2025**	2024
	Points			Change in % for the year	
CPI					
November CPI ("known")	**120.4**	117.6	113.7	**2.4%**	3.4%
	NIS				
Exchange rate as at December 31					
USD exchange rate (in NIS per 1 USD)	**3.190**	3.647	3.630	**(12.5%)**	0.5%
EUR exchange rate (in NIS per 1 EUR)	**3.746**	3.796	4.010	**(1.3%)**	(5.3%)
December 31					
Bank of Israel interest rate	**4.25%**	4.50%	4.75%		
Interest rate at end of period – US Federal Reserve	**3.50%-3.75%**	4.25%-4.50%	5.25%-5.50%		

2. Investments in affiliates

a. Consolidated financial statements and non-controlling interests

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date of attainment of control to the date of cessation of control. Mutual balances and transactions between these entities and unrealized profits or losses between the entities are eliminated in full.

b. Loss of control of a subsidiary

When control is lost, the Bank derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and other components of capital attributed to the subsidiary, including amounts previously recognized in accumulated other comprehensive income.

The difference between the consideration received and the fair value of the remaining investment in the former subsidiary, and the balances derecognized, is recognized in profit and loss.

c. Investment in equity-accounted investees

Equity-accounted investees are entities in which the Bank has material influence over financial and operational policy, but has not attained control. The assumption is that a stake of 20% to 50% in an affiliate grants material influence.

Investments in equity-accounted investees are accounted for using the equity method, and are recognized for the first time according to the cost of the investment, including transaction costs. The financial statements include the Bank's share of income and expenses, profit or loss, and other comprehensive income of affiliated entities accounted for using the equity method.

An investment in an equity-accounted investee is examined for impairment, as a whole, when events or changes in circumstances indicate that the carrying value of the investment is not recoverable. Impairment is recognized when the impairment is other than temporary.

Note 1 Significant Accounting Policies (continued)

3. Basis for recognition of income and expenses

As a rule, income and expenses are included in the statement of profit and loss on an accrual basis.

The Bank accounts for the income and expense items noted below as established in the directives and guidelines of the Banking Supervision Department:

a. Beginning on the date of classification of a debt as non-accruing, the Bank stops accruing interest income in respect of the debt (including CPI linkage differentials). In addition, upon classification of the debt as non-accruing, the Bank cancels all uncollected accrued interest income that has been recognized as income in the statement of profit and loss. The debt continues to be classified as debt not accruing interest income, as long as its classification as such is not rescinded. With regard to the restoration of non-accruing debt to accruing debt status, see Section E(4) below. Interest accrued on problematic debts classified as non-accruing debts is recognized as income on a cash basis, when there is no doubt regarding the collection of the remaining recorded balance of non-accruing debt. In such situations, the amount collected at the expense of the interest to be recognized as interest income is limited to the amount that would have accrued during the reporting period on the remaining recorded balance of the debt, at the contractual interest rate. Interest income on a cash basis is classified in the statement of profit and loss as interest income under the relevant item. When the collection of the remaining recorded balance is in doubt, all payments collected are used to reduce the principal of the loan, until the doubt is eliminated.

b. Fees charged for credit origination, with the exception of fees in respect of loans for a period of up to three months, are not recognized immediately as income in the statement of profit and loss; instead, they are deferred and recognized over the life of the loan as an adjustment of the return. Income from such fees is recorded according to the effective interest rate method, and reported as part of interest income.

c. Credit allocation fees are treated according to the probability of realization of the commitment to grant the credit. If the probability is remote, the fee is recognized on a straight-line basis over the period of the commitment. Otherwise, the recognition of income from such fees is deferred until the realization of the commitment or until it expires, whichever is earlier. If the commitment is realized, the fees are recognized by adjustment of the return over the life of the loan, as noted above. If the commitment expires without being realized, the fees are recognized at the date of expiration and reported within income from fees. For this purpose, the Bank assumes that the probability of realization of the commitment to grant credit is not remote.

d. In the case of refinancing or restructuring of debts, it is necessary to determine whether the modification in the terms of the loan is material or otherwise. In cases where the modification is material (not minor), all unamortized fees as well as prepayment fees collected from the customer in respect of modification of the terms of the credit are recognized in profit and loss. Otherwise, the aforesaid fees are included as part of the net investment in the new loan, and recognized as an adjustment of return, as noted above. For this purpose, the Bank assumes that the modifications of the terms of the debt are not material (are minor).

e. Prepayment fees are recognized immediately within interest income.

f. Income from fees in respect of the delivery of services (e.g. from activity in securities and derivative instruments, credit cards, account management, conversion differences, and foreign trade) is recognized in profit and loss when the Bank gains the entitlement to receive it. Certain fees, such as fees in respect of guarantees and certain fees in respect of project financing, are recognized proportionally over the period of the transaction.

g. Securities – see Section E(5) below.

h. Derivative financial instruments – see Section E(6) below.

Note 1 Significant Accounting Policies (continued)

i. Benefits granted to customers, including due to the Swords of Iron War and Operation Rising Lion, and in accordance with the outline of the Bank of Israel of February 2025, were recorded to profit and loss when exercised by the customers. The following are the main points of the accounting treatment, according to the types of benefits:

- Reduced interest on negative balances in current accounts and a current account netting mechanism (automatic offsets of negative balances and positive balances during the month, as defined in the outline) – The cost of the benefit was recognized as a reduction of interest income.
- Monetary grants for customers in selected population groups, according to their financial activity at the date of publication of the outline – The cost of the benefit was recognized as non-interest financing expenses.
- Gift Shares program – The cost of the shares and the cost of the cash benefit were recognized within non-interest financing expenses. In addition, an increase in capital was recorded in respect of the awarded shares.
- Waiver of principal and interest payments on loans – The amounts waived, at the level of the amounts that were to have been paid, were recognized within non-interest financing expenses.
- Loan payment deferral without interest, and interest-free or reduced-interest loans – The benefit was calculated based on discounted cash flows and deducted from interest income.
- Waiver of fees – The amount waived was deducted from fee income.

4. Non-accruing debts, credit risk, and allowance for credit losses

Identification and classification of non-accruing debts

The Bank has established procedures for the identification of problematic credit and for the classification of debts, to differentiate debts classified as problematic, including non-accruing debts, from nonproblematic debts. In accordance with these procedures, the Bank classifies all of its problematic debts and off-balance sheet credit items into the categories special mention, substandard, or non-accruing. Debt is classified as non-accruing when, based on current information and events, it is expected that the Bank will be unable to collect the full amounts owed to it according to the original contractual terms of the debt. Usually, a debt of a borrower experiencing financial difficulty the terms of which have been modified had already been identified as a non-accruing debt prior to the formal modification of terms of the debt, as this condition was fulfilled before the formal modification of the terms of the debt was executed.

Until December 31, 2023, the Bank implemented the accounting principles concerning troubled debt restructuring, according to which, in general, debts the terms of which were modified in troubled debt restructuring were classified as non-accruing debt at the date of the modification.

Debts (including bonds) are past due when the principal or interest in respect thereof has not been paid after the scheduled repayment date. In addition, current drawing accounts and current accounts are reported as debts past due by 30 days or more when the account remains continuously in deviation from the approved credit facility for 30 days or more, or if, within the credit facility, amounts credited to the account are not sufficient to cover the debt within a period of 180 days.

For the purpose of classification and treatment of problematic credit, the Bank differentiates:

Commercial credit in respect of debt with a contractual balance greater than NIS 1 million

Decisions regarding debt classification and the required allowance are based, among other factors, on the past-due status of the debt; an assessment of the financial condition and repayment capability of the borrower; assessment of the primary repayment source of the debt; the existence and condition of collateral; the financial condition of guarantors, if any, and their commitment to support the debt; and the borrower's ability to obtain third-party financing.

In any event, such commercial debt is classified as non-accruing debt when the principal or interest in respect thereof is 90 days or more past due, except if the debt is both well-secured and in collection proceedings.

As of the date of classification as a non-accruing debt, the debt is treated as a debt not accruing interest income (such debt is referred to as "non-accruing debt").

For information regarding rules for charge-offs in respect of these debts, see the section "Charge-offs," below.

Note 1 Significant Accounting Policies (continued)

Credit to private individuals, housing credit, and commercial credit in respect of debt with a contractual balance of less than NIS 1 million

Decisions regarding classification of the debt are based on the past-due status of the debt. For that purpose, the Bank monitors the days past due, determined in reference to the contractual repayment terms. Commercial credit in respect of debt with a contractual balance of less than NIS 1 million and credit to private individuals are classified as special mention when the debt is past due by more than 60 days, up to 89 days, and classified as substandard when the debt is past due by 90 days or more, without cessation of the accrual of interest income. Housing loans are classified as debts not accruing interest income when the principal or interest in respect of the loan is past due by 90 days or more.

For information regarding rules for charge-offs in respect of these debts, see the section "Charge-offs," below.

Troubled debt restructuring

To improve credit management and collection, and to prevent situations of default or seizure of pledged assets, the Bank has established and implements a policy for problematic debt modifications and changes in terms of debts not identified as problematic. Methods for changes in terms of debts may include, among other matters, deferral of payment dates, reduction of interest rates or amounts of periodic payments, changes in terms of the debt aimed at adaptation to the borrower's financing structure, reexamination of the financial covenants imposed on the borrower, and more.

Foreclosed assets

In cases in which the Bank receives assets as full or partial settlement of a debt, such as equity interests, third-party receivables, or other assets to be sold at a later date, these assets shall be recognized, at the fair value of the assets, at the date of the foreclosure. If the assets received constitute full settlement of the debt, and at the foreclosure date the recorded debt balance exceeds the fair value of the assets, the Bank recognizes an allowance for credit losses.

Restoring non-accruing debt to accruing debt status

In general, non-accruing debt is restored to accruing debt classification under one of the following two circumstances:

- There are no principal or interest components in respect of the debt that are due but have not been paid, and the Bank expects the remaining principal and interest to be repaid in full, in accordance with the terms of the contract (including amounts charged off or recorded as allowances).
- The debt is well-secured and in collection proceedings.

The debt of a borrower experiencing financial difficulty that has undergone formal modification of terms, leading to reasonable confidence that the debt will be repaid (principal and interest) and will perform according to its new terms, is not required to be classified as debt not accruing interest income, provided that the modification of terms and any charge-off of the debt performed are supported by an up-to-date and well-documented credit evaluation of the borrower's financial condition and repayment capability according to the new terms. The evaluation must be based on the historical continuous repayment performance of the debt in cash and cash-equivalent payments over a reasonable period of at least six months; the Bank is permitted to consider payments performed within a reasonable period prior to the modification of terms.

Until December 31, 2023, the Bank implemented these rules with regard to troubled debt restructuring.

Note 1 Significant Accounting Policies (continued)

Allowance for credit losses – measurement

Within the implementation of the standard, the Bank has established procedures for the classification of credit and measurement of the allowance for credit losses, in order to maintain an allowance at an appropriate level to cover current expected credit losses with respect to its credit portfolio. The Bank has also established the procedures required to maintain an allowance at an appropriate level to cover current expected credit losses related to bonds held to maturity and the portfolio of bonds available for sale, as well as certain off-balance sheet credit exposures.

The estimated allowance for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated prepayments. The contractual term in respect of extensions, renewals, and expected changes is not taken into account unless the extension or renewal options are included in the original contract, or in an updated contract at the report date, and cannot be unconditionally revoked by the Bank.

When calculating estimated expected credit losses, the Bank takes into account the effects of past events, current conditions, and reasonable and supportable forecasts of the ability to collect the financial assets.

In general, the calculation of the allowance for expected credit losses is assessed on a collective basis when the assets have similar risk characteristics. These characteristics include, at the level of the customer and the transaction, among others: (1) internal or external credit ratings; (2) the extent and types of collateral allocated to the transaction; (3) the lifetime of the credit; (4) the type of financial asset. For housing credit, the time since the date of origination of the transaction is also taken into account.

For each group of financial assets with similar risk characteristics, the Bank calculates the allowance for expected credit losses according to an advanced method based on an economic estimate of the lifetime expected loss. The projected loss at each future point in time until the contractual repayment date of the loan is obtained by multiplying the risk components in reference to that future point in time: the probability of default (PD), the loss given default (LGD), and the balance of credit, taking into account future repayments and utilization of off-balance sheet credit facilities (the exposure at default, EAD). The expected loss is calculated at the level of the debt, for each month from the cutoff date to the contractual repayment date of the debt. The cumulative loss over the lifetime of the debt is the allowance in respect thereof. The Bank believes that this approach is expected to result in the best estimate of the allowance for credit losses.

To evaluate the estimate of expected credit losses over the contractual term of assets, the Bank relies on historical information, with examination of the need to adjust the historical information to reflect the extent to which the existing conditions and the reasonable and supportable forecasts differ from the conditions that prevailed when the historical information was assessed.

To make this determination, the Bank takes into account macroeconomic variables based on forecasts for the lifetime of the financial asset in three scenarios: baseline, optimistic, and pessimistic, which are translated into adjustments of the forecast PD values for each future period until the end of the lifetime of the credit. Updates of the value of collateral, which is a key component of the LGD estimate, are performed through linkage of principal collateral asset types to a representative index or natural impairment over the lifetime of the credit. In addition, within the qualitative adjustment component, additional characteristics of the financial assets are taken into account that were not considered in the calculation of the projected loss, including qualitative factors relevant to determining expected collection ability, such as political and environmental factors; exceptional growth of credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and more.

The estimate of the allowance for credit losses also includes a component of expected recoveries, based on historical information in connection with the timing and rate of expected debt recovery after write-off of the debt, according to the time from the date of the write-off, and additional relevant characteristics. For commercial portfolio transactions, a qualitative process is performed in which the expected recovery is examined at the level of the customer.

Where uncertainty exists as a result of the need to improve calculation processes and estimates, conservative coefficients were added at the level of the risk components PD, LGD, or EAD. These matters are examined periodically and the level

Note 1 Significant Accounting Policies (continued)

of conservatism is amended according to improvements made to the estimate process.
The Bank has also established criteria and factors that are taken into account to determine that for certain exposures to governments, expected credit losses are near zero.

Allowance for credit losses – bonds available for sale

The Bank estimates expected credit losses in respect of bonds available for sale at each reporting date when the fair value is lower than the amortized cost. At each date when the fair value is lower than the amortized cost, the Bank examines whether the decline in fair value results from credit losses or from other factors. Impairment arising from credit losses is recorded within the allowance for credit losses, whereas impairment not recorded through an allowance for credit losses is recorded through other comprehensive income, net of tax.
The Bank calculates the allowance for expected credit losses in respect of bonds available for sale, individually, using the discounted cash flow method. This allowance is recorded against a provision for credit losses, to reflect the credit loss component of the fair value falling below the amortized cost. The allowance for credit losses in respect of bonds available for sale is limited such that its amount cannot exceed the amount of the difference between the amortized cost and the lower fair value, referred to as the fair value floor. If the fair value of the security rises over time, any allowance for credit losses not charged off is eliminated by reducing the provision for credit losses.

Allowance for credit losses – credit evaluated on an individual basis

In accordance with the guidelines established in the standard, when the Bank finds that a financial asset does not have shared risk characteristics similar to the risk characteristics of other financial assets, the Bank assesses the allowance for credit losses in respect of such assets on an individual basis. These financial assets primarily include non-accruing commercial credit with a contractual balance greater than NIS 1 million. In these cases, the allowance is calculated on an individual basis using the discounted cash flow method and/or based on the value of collateral for collateral-dependent loans. The foregoing does not refer to modification of terms of small retail debts of borrowers experiencing financial difficulty with similar risk characteristics, the allowance for which is calculated on a collective basis.

Charge-offs

The Bank performs charge-offs for any debt or part of a debt thought to be uncollectible and of such low value that its retention as an asset is unjustified, or debt in respect of which the Bank has carried out prolonged collection efforts (defined in most cases as a period exceeding two years). With regard to collateral-dependent debt, the Bank performs an immediate charge-off against the allowance for credit losses of the part of the recorded debt balance that exceeds the fair value of the collateral.
With regard to commercial credit in respect of debt with a contractual balance of less than NIS 1 million, and non-housing credit to private individuals, the Bank performs a charge-off when they become debts past due by 150 days or more. In this context, note that if the debt is secured by collateral other than a residence, and the seizure of the collateral has commenced and is ensured, the Bank charges off only the part of the recorded balance that exceeds the value of the collateral (net of selling costs).
With regard to housing loans secured by a residential property, the Bank performs a current evaluation of the value of the collateral, no later than the date when the debt becomes a debt past due by 180 days or more, and charges off the part of the recorded debt balance that exceeds the current value of the collateral (net of selling costs).
It is hereby clarified that accounting charge-offs do not entail a legal waiver, and serve to reduce the reported balance of the debt for accounting purposes only, while creating a new cost base for the debt in the Bank's books.
The balance of a debt recorded in the books is defined as the debt balance, after deducting charge-offs, but before deducting the allowance for credit losses in respect of the debt.

Note 1 Significant Accounting Policies (continued)

5. Securities

a. Investments in bonds are classified upon acquisition into one of three portfolios: bonds held to maturity, bonds available for sale, and securities held for trading. Investments in shares are classified upon acquisition into one of two portfolios: held for trading and not held for trading.

- **Bonds held to maturity –** Bonds which the Bank has the intention and ability to hold until their maturity date.
- Bonds held to maturity are stated in the balance sheet at cost, plus interest and accrued linkage and exchange-rate differentials, taking into account the proportional part of the premium or discount.
- **Bonds available for sale –** Bonds not classified as bonds held to maturity or as securities held for trading. The bonds are included in the balance sheet at their fair value on the reporting date. Unrealized profits or losses from adjustments to fair value are reported net of an appropriate reserve for tax, in a separate item of equity within accumulated other comprehensive income. Realized profits or losses are stated in the item of non-interest financing income from non-trading activity.
- **Securities held for trading –** Securities acquired and held with the aim of selling them in the near future, and securities which the Bank has chosen to measure at fair value through profit and loss, using the fair-value option. Securities held for trading are stated in the balance sheet at fair value on the reporting date. Profits and losses from adjustments to fair value are recorded to the statement of profit and loss, in the item of non-interest financing income from trading activity.
- **Shares not held for trading:**
  - Shares with a readily available fair value – Measured at fair value on the reporting date; profits and losses from adjustments to fair value are recorded to the statement of profit and loss.
  - Shares without a readily available fair value – Measured at cost net of impairment, if any, plus or minus observable price changes in ordinary transactions for identical or similar investments of the same issuer. Unrealized profits or losses from adjustments to such observable price changes are recorded to the statement of profit and loss.

b. Income from dividends, interest accrual, linkage and exchange-rate differentials, premium reduction or discounts (according to the effective interest-rate method), and losses from other-than-temporary impairment are recorded to the statement of profit and loss.

c. The cost of realized securities is calculated on an average basis.

d. With regard to the treatment of impairments, see Section E.8 below.

e. Fair value designation – The directives of the Banking Supervision Department allow a choice, at specified dates, to measure financial instruments at fair value, such that unrealized profits and losses in respect of the changes in fair value of the items for which the fair-value option is selected are reported in the statement of profit and loss in every subsequent reporting period. In addition, prepaid costs and fees related to items for which the fair-value option has been selected are recognized in profit and loss as incurred. The choice to apply the fair-value option is performed instrument by instrument and irrevocably.

6. Derivative financial instruments, including hedge accounting

a. The Bank holds derivative financial instruments for the purpose of hedging foreign-currency risks and interest-rate risks, as well as derivatives not used for hedging.

b. At the date of creation of the hedge, the Bank formally documents the hedging relationship between the hedging instrument and the hedged item, including the risk-management goal and strategy of the Bank in performing the hedge, and the manner in which the Bank plans to assess the effectiveness of the hedging relationship. The Bank assesses the effectiveness of the hedging relationship both at the inception of the hedge and on an ongoing basis, in accordance with its risk-management policy.

Note 1 Significant Accounting Policies (continued)

c. Fair-value hedges

Changes in the fair value of a derivative financial instrument designated for hedging fair value are recorded to the statement of profit and loss. The hedged item is also stated at fair value, with reference to the hedged risks, and the changes in fair value are recorded to the statement of profit and loss. The full changes in the fair value of derivatives designated and qualifying for fair-value hedges are classified into the interest income/expense line, consistently with the classification of the income/expense in respect of the hedged item.

If the hedged instrument no longer complies with the criteria for an accounting hedge, or if it expires or is sold, canceled, or realized, or the Bank cancels the designation of the fair-value hedge, hedge accounting is discontinued.

d. Economic hedges

Hedge accounting is not applied to derivative instruments used as part of the asset and liability management (ALM) system of the Bank. Changes in the fair value of these derivatives are recognized in profit and loss as they arise.

e. Derivatives not used for hedging

Changes in the fair value of derivatives not used for hedging are recorded immediately to profit and loss.

f. Embedded derivatives

Embedded derivative instruments are separated from the host contract and treated separately if: (a) there is no clear and close connection between the economic characteristics and risks of the host contract and of the embedded derivative instrument, including credit risks arising from certain embedded credit derivatives; (b) a separate instrument with the same terms as the embedded derivative instrument would comply with the definition of a derivative; and (c) the hybrid instrument is not measured at fair value through profit and loss.

An embedded derivative that has been separated is presented in the balance sheet together with the host contract. Changes in the fair value of embedded derivatives that have been separated are recorded immediately to profit and loss.

7. Establishing the fair value of financial instruments

Pursuant to ASC 820-10, fair value is defined as the price that would be obtained from the sale of an asset, or that would be paid to transfer a liability, in an ordinary transaction between market participants at the date of measurement. In order to assess fair value, the standard requires the maximum possible use of observable inputs, and minimum use of unobservable inputs. Observable inputs represent information available in the market and received from independent sources, whereas unobservable inputs reflect the assumptions of the Bank. ASC 820-10 specifies a hierarchy of measurement techniques, based on whether the inputs used to establish fair value are observable or unobservable. These types of inputs form the following fair-value hierarchy:

- Level 1 data: Prices quoted (unadjusted) in active markets for identical assets or liabilities, accessible to the Bank at the measurement date.
- Level 2 data: Directly or indirectly observable inputs regarding the asset or liability other than quoted prices included in Level 1.
- Level 3 data: Unobservable inputs regarding the asset or liability.

The hierarchy requires the use of observable market inputs when such information is available. When the inputs used to measure fair value are classified into different levels of the fair-value hierarchy, the Bank classifies the overall fair-value measurement at the lowest level of an input significant for the overall measurement.

Note 1 Significant Accounting Policies (continued)

Securities

The fair value of securities held for trading, bonds available for sale, and shares not held for trading with a readily available fair value is determined based on market prices quoted in the principal market. When the security is traded in several markets, the evaluation is performed according to the market price quoted in the most advantageous market. If no quoted market price is available, the fair-value estimate is based on the best available information, with maximum use of observable inputs, taking into consideration the risks inherent in the financial instrument (market risk, credit risk, non-tradability, etc.).

Derivative financial instruments

Derivative financial instruments that have an active market were evaluated according to the market value established in the principal market, or in the absence of a principal market, according to the market price quoted in the most advantageous market. Derivative financial instruments that are not traded were evaluated using models that take the risks inherent in the derivative instrument into consideration (market risk, credit risk, etc.).

Assessment of credit risk and nonperformance risk

ASC 820 requires the Bank to reflect credit risk and nonperformance risk in measuring the fair value of debt, including derivative instruments, issued by the Bank and measured at fair value. Nonperformance risk includes the credit risk of the Bank, but is not limited to this risk alone.

The Bank assesses credit risk in derivative instruments in the following manner:

- When sufficient liquid collateral exists in respect of the exposure, specifically securing the derivative instrument at a high degree of legal certainty, the Bank takes such collateral into consideration in determining the credit risk.
- When exposure in respect of the counterparty is material, the Bank performs a fair-value assessment based on indications of the quality of credit of the counterparty from transactions in an active market, insofar as such indications are available with reasonable effort. The Bank derives these indications, among other matters, from prices of debt instruments of the counterparty traded in an active market, and from prices of credit derivatives the basis for which is the quality of credit of the counterparty. If no such indications exist, the Bank calculates the adjustments based on internal ratings (e.g. estimates of expected default rates and rates of credit losses in the event of default).

The calculation is performed based on an internal model that assumes various scenarios regarding the value of the transactions. For further details regarding the main methods and assumptions used to estimate the fair value of financial instruments, see Note 32 below concerning balances and fair-value estimates of financial instruments.

8. Impairment – financial assets

a. The Bank recognizes impairment of bonds available for sale when the Bank intends to sell the bonds, or when it is probable that the Bank will be required to sell the bonds before their value is recovered. In such case, the amortized cost is written down to the fair value. Also see Section E.4 above with regard to the allowance for credit losses in respect of bonds available for sale and held to maturity.

b. Shares without a readily determinable fair value:
Each reporting period, the Bank performs a qualitative assessment, taking impairment indicators into consideration, in order to assess whether impairment has occurred in investments in shares without a readily determinable fair value. If impairment of the investment in the shares has occurred according to this assessment, the Bank assesses the fair value of the investment in the shares, in order to determine the amount of loss from the impairment.

Note 1 Significant Accounting Policies (continued)

9. Offsetting financial assets and liabilities

The Bank offsets assets and liabilities arising from the same counterparty and presents the net balance thereof in the balance sheet, when the following cumulative conditions are complied with:

- A legally enforceable right exists to offset the liabilities against the assets.
- The Bank intends to settle the liability and realize the assets on a net basis or simultaneously.
- The Bank and the counterparty owe one another determinable amounts.

The Bank offsets deposits where the repayment to the depositor is contingent upon the extent of collection from credit granted from such deposits, when the Bank has no risk of loss from the credit.

In accordance with the directives of the Banking Supervision Department, the Bank does not offset assets in respect of derivative instruments against liabilities in respect of derivative instruments. The Bank therefore continues to present exposures in respect of transactions in a gross amount in its financial statements.

10. Transfers and servicing of financial assets and extinguishment of liabilities

Transfers of financial assets

Transfers of financial assets are accounted for as sales if, and only if, all of the following conditions are met: (1) the financial asset transferred is isolated from the transferring party, including in situations of bankruptcy or other receivership; (2) any recipient may pledge or exchange the assets received, and there is no condition that also restricts the recipient in exercising the right to pledge or exchange, and grants the transferring party a benefit that is greater than a trivial benefit; (3) the transferring party does not retain effective control of the financial assets transferred.

In order for the transfer of part of a financial asset to be considered a sale, the transferred part must comply with the definition of a participating interest. Participating interests meet the following criteria: the right must represent proportional rights relative to the full financial asset; all cash flows obtained from the assets are distributed among the participating interests in a manner proportional to their share of the ownership; the rights are not subordinated to other rights; there is no right of return to the transferring party or to other holders of participating interests (except in cases of the breach of representations or commitments, current contractual commitments to service a financial asset in its entirety and manage the transfer contract, and contractual commitments to share the offsets of any benefits received by any holder of participating interests); and the transferring party and the holder of participating interests have no right to pledge or exchange the financial asset in its entirety, unless all of the holders of participating interests agree to pledge or exchange the financial asset in its entirety.

If the transaction qualifies for sale accounting, the transferred financial assets or the participating interest are derecognized in the balance sheet of the Bank. The difference between the fair value of the net proceeds received and the carrying value of the financial assets sold is recognized in the statement of profit and loss. If the conditions for a sale are not met, the transfer is considered a secured debt. The sale of part of a financial asset that is not a participating interest is treated as a secured debt; i.e., the transferred assets continue to be recorded in the balance sheet of the Bank, and the consideration from the sale is recognized as a liability of the Bank.

Note 1 Significant Accounting Policies (continued)

Securities lending or borrowing transactions

The Bank implements specific directives established in the Public Reporting Directives for the treatment of securities lending or borrowing transactions in which the loan is executed against the general credit quality and the general collateral of the borrower, or when the borrower does not transfer liquid instruments, which the lender is entitled to sell or pledge, to the lender, as collateral referring specifically to the securities lending transaction. When the Bank lends securities, it derecognizes the securities loaned and recognizes credit in the amount of the market value of the transferred securities. In subsequent periods, the credit is recognized in the same manner in which the security was measured prior to the loan. At the end of the loan, the credit is derecognized and the banking corporation recognizes the security again. When the banking corporation borrows securities in an unsecured borrowing, the banking corporation recognizes the security, and recognizes a deposit against it, according to the value of the security received in the borrowing transaction. The security borrowed by the banking corporation is classified as a security in the trading portfolio until the security is sold short or lent in unsecured borrowing.

Derecognition of a liability

The Bank derecognizes liabilities only when the liability is extinguished. Extinguishment of a liability may be performed through payment to the lender or through judicial release.

11. Fixed assets

Recognition and measurement

Fixed-asset items are measured at cost, with the deduction of accrued depreciation and losses from impairment. Cost includes expenses directly attributable to the acquisition of the asset. Costs of acquired software that constitute an integral part of the operation of the related equipment are recognized as part of the cost of such equipment. In addition, pursuant to the Public Reporting Directives, the Bank classifies costs in respect of software assets acquired or costs capitalized as an asset in respect of software developed in-house for internal use under the item "buildings and equipment."

Profit or loss from the disposal of a fixed-asset item is recognized as a net amount under the item "other income" in the statement of profit and loss.

Software costs

Software acquired by the Bank is measured at cost, with the deduction of amortization and losses from impairment.

Capitalization of costs related to the development of software for in-house use begins only when the initial stage of the project has been completed, and when management with the appropriate authority has approved and has undertaken a commitment to finance the project, and it is expected that the development will be completed and that future economic benefits will arise from the software.

Overhead costs that cannot be directly attributed to the development of the software and research costs in the initial stage of the project are recognized as expenses as incurred. In addition, the Bank has implemented the guidelines of the Banking Supervision Department concerning capitalization of software costs, pursuant to which a materiality threshold has been set for capitalization. Further, for deliverables with total capitalizable costs not lower than the materiality threshold, a capitalization coefficient lower than 1 has been established, in order to take into account the potential for inefficiency and common deviations in software development projects. The rank of employees whose costs are capitalized to assets has been restricted to the level of manager of the software project. Capitalizable software development costs of all development employees are recorded through individual hour reports.

Note 1 Significant Accounting Policies (continued)

Subsequent costs

The cost of replacing part of a fixed-asset item and other subsequent costs are recognized as part of the carrying value of fixed assets, if the future economic benefits inherent therein are expected to flow to the Group, and if the cost thereof is reliably measurable. The carrying value of the replaced part of a fixed-asset item is derecognized. Costs of upgrades and improvements of software for internal use are only capitalized if the expenses incurred are expected to lead to added functionality. Routine maintenance costs and other costs are recorded to profit and loss as incurred.

Depreciation and amortization

Depreciation is recorded to the statement of profit and loss using the straight-line method, over the estimated useful life of each component of the fixed-asset items. Leased assets are depreciated over the shorter of the period of the lease and the period of use of the assets. Land owned by the Bank is not depreciated. Improvements to rented properties are depreciated over the shorter of the period of the lease or the period of use of the property. Amortization is recorded to the statement of profit and loss, using the straight-line method, over the estimated useful life, starting on the date when the software is available for use. Software in development is not amortized systematically as long as it is not available for use. Accordingly, a test of impairment is performed at least once a year, until it becomes available for use.
The depreciation method, useful life, and residual value are reexamined at least at the end of each fiscal year, and adjusted when necessary.

12. Impairment of non-financial assets

The Bank examines non-current assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Losses from impairment are recognized only if the carrying value of the asset exceeds its fair value.
The carrying value is unrecoverable if it exceeds the total uncapitalized cash flows expected to derive from the use and realization of the asset.
The loss is recognized in the amount of the difference between the carrying value and the fair value of the asset. This loss is not canceled in subsequent periods.

Impairment of in-house software development costs

Impairment of in-house software development costs is recognized and measured upon the occurrence of events or changes in circumstances that indicate a possibility that the carrying value of the asset may not be recovered. Examples of events or changes in circumstances indicating impairment:

a. The software is not expected to provide significant potential services;
b. The manner or volume of use or expected use of the software has changed substantially;
c. The software has been or will be substantially changed;
d. Costs of the development or conversion of the software designated for internal use significantly exceed the expected amounts;
e. The development of the software is not expected to be completed and the software is not expected to be used.

Note 1 Significant Accounting Policies (continued)

13. Leases

Contracts that grant the Bank control over the use of a property within a lease for a period of time, for a consideration, are treated as leases. Most of the leasing transactions at the Bank are transactions in which the Bank is the lessee in an operating lease. At initial recognition, a liability is recognized in an amount equal to the present value of the future leasing fees over the period of the lease. Concurrently, a right-of-use asset is recognized in the amount of the liability in respect of the lease, adjusted for leasing payments paid in advance or accrued, less leasing incentives, plus direct costs incurred in the lease.

The lease period is determined as the period in which the lease cannot be canceled, together with the periods covered by an option to extend or cancel the lease, if it is reasonably certain that the lessee will or will not exercise the option, respectively.

The Bank has chosen to apply the practical relief pursuant to which short-term leases of up to one year are treated such that the leasing fee is recorded to profit and loss using the straight-line method over the period of the lease, without recognition of a right-of-use asset and/or liability in respect of the lease in the balance sheet.

Subsequent measurement

After the initial recognition, the liability in respect of an (operating) lease is measured at amortized cost, according to the effective interest rate method. At every subsequent reporting date, a right-of-use asset is recognized in the amount of the amortized cost of the liability in respect of the lease, adjusted for leasing payments paid in advance or accrued, less the balance of leasing incentives, plus undeducted direct costs, and less losses from impairment accrued in respect of the right-of-use asset. The Bank also examines the right-of-use asset for impairment, in accordance with the directives regarding impairment in respect of fixed assets.

Operating lease payments

Leasing payments, with the exception of variable leasing fees, are recorded to profit and loss using the straight-line method, over the period of the lease. Leasing incentives received are recognized as an inseparable part of the total leasing expenses, using the straight-line method, over the period of the lease. Variable leasing payments dependent on an index or on changes in a foreign currency are recognized in profit and loss in the period of the change.

14. Employee benefits

Pursuant to the law, agreements, and common practice, the Bank is required to pay retirement benefits to employees, including payments in accordance with defined benefit plans in respect of pensions (e.g. pension allowances, severance pay, and retirement compensation); payments according to other post-retirement and post-employment plans (e.g. holiday gifts, and other well-being and health payments paid to or in respect of retirees); and payments in accordance with defined deposit plans (e.g. payments to provident funds or pension funds, pursuant to Section 14 of the Severance Pay Law, 1963). In addition, pursuant to the directives of the Banking Supervision Department, a banking corporation that expects a group of employees to be paid benefits beyond their contractual terms should take into account the percentage of employees expected to depart (including employees expected to retire under voluntary retirement programs or upon receiving other preferred terms) and the benefits that they are expected to receive upon departure.

The Bank's liabilities for severance pay to employees of the Bank, pursuant to Section 14 of the Severance Pay Law, are treated as a defined deposit plan. The banking corporation recognizes the net cost of the pension for the period, according to the deposits required for that period.

Note 1 Significant Accounting Policies (continued)

Liabilities of the Bank for severance pay, pensions, and other benefits, other than those pursuant to Section 14 of the Severance Pay Law; other long-term benefits; and other post-employment and post-retirement benefits are treated as a defined benefit plan and calculated on an actuarial basis, taking probabilities into consideration, based on past experience. The discount rate for employee benefits is calculated based on the yield of CPI-linked government bonds in Israel, plus the average spread over corporate bonds rated AA (international) or higher, which is determined based on the difference between rates of yield to maturity, by maturity periods, of corporate bonds rated AA or higher in the United States, and rates of yield to maturity for the same maturity periods of United States government bonds.
Service cost, interest cost, return on plan assets, amortization of net actuarial profit or loss, amortization of cost or credit in respect of prior service, and amortization of actuarial profit or loss included in accumulated other comprehensive income are recorded to profit and loss in respect of the aforesaid benefits.
Actuarial profit or loss is the change in value of a liability in respect of a forecast benefit, or of plan assets, due to a difference between actual experience and estimates, or due to a change in an actuarial assumption. Actuarial profits and losses are included in accumulated other comprehensive income, and amortized using the straight-line method over the average remaining service period of the employees expected to receive benefits according to the plan. The exception to this is cases in which the change in the actuarial liability results from an event that leads to a significant reduction of the remaining years of service of the active employees in the plan, meeting the definition of "curtailment," in which case the loss in respect of the change in assumptions is recognized immediately in the profit and loss statement, within the "other expenses" item.
Cost or credit in respect of prior service is amortized as a component of the net pension cost for the period, in a straight line, over the average remaining service period of the employees expected to receive benefits according to the plan.
Short-term employee benefits (such as labor wages, vacations, and bonuses) are measured on an uncapitalized basis, and the expense is recorded when the related service is rendered.

15. Share-based payment

Share-based payment transactions encompass services received from employees in consideration for the issuance of shares of the Bank, stock options, or other equity instruments. The value of the benefit is measured at the date of award, with reference to the fair value of the equity instruments awarded. The value of the benefit is recognized in profit and loss as a salary expense, against a corresponding increase in equity.

16. Acquisition of shares of the Bank by the Bank

When the Bank buys its own shares, the amount of the consideration paid, including direct costs, is deducted from equity. When the shares are sold or reissued, the amount of the consideration received is recognized as an increase in equity, and the surplus or deficit arising from the transaction is recorded to the premium balance.

Note 1 Significant Accounting Policies (continued)

17. Contingent liabilities

The Bank Group is a party to various legal proceedings, within its activities in a wide range of types of financial services, including claims filed by customers and petitions by various parties to certify claims as class actions. The Group applies the directives of the Banking Supervision Department regarding contingent liabilities, which are based on the directives of Accounting Standards Codification (ASC) 450. Such proceedings are examined individually, with the assistance of legal advisors, who assess the risk of realization of the exposure.

Probable risk refers to a situation in which the probability of realization of the exposure to risk is over 70%. Provisions are included in the financial statements in respect of contingent liabilities in this risk group.

Reasonably possible risk refers to a situation in which the probability of realization of the exposure to risk is between 20% and 70%. In general, no provisions are included in the financial statements in respect of contingent liabilities in this risk group.

Remote risk refers to a situation in which the probability of realization of the exposure to risk is lower than 20%. In general, no provisions are included in the financial statements in respect of contingent liabilities in this risk group.

The Bank Group may also have exposure to the threat of legal claims that have not yet been filed. In assessing risk in respect of these exposures, the Bank Group relies on estimates of the Board of Management and of the functions that handle the exposure, taking into account the materiality and tangibility of the threat, the prospects of success of a legal claim (if filed), and the possible outcomes thereof.

A provision for contingent liabilities is recorded if the following two conditions are met: (a) the value of an asset (or liability) is expected to decrease at the reporting date; (b) the amount of the loss can be estimated in a reasonable manner. If the Bank estimates, based on the opinion of its legal advisors, that it is not possible to reliably estimate the amount of a loss, a range of exposure scenarios is prepared, and if a particular amount within that range constitutes, at that date, a better estimate than the other amounts within the same range, that amount is accrued as a provision. If there is no amount within the range that constitutes a better estimate than any other amount, the requirement is to record the minimum amount in the range as a provision.

Legal claims regarding which the Banking Supervision Department has determined that the Bank is required to pay reimbursement are classified as "probable," and a provision is made in respect of each claim commensurate with the amount that the Bank is required to reimburse.

No provision is made in rare cases in which, in the opinion of the Bank's Board of Management, based on legal counsel, it is not possible to estimate the probability of realization of the exposure to risk in respect of an ordinary claim or in respect of a petition to certify a claim as a class action even after the Bank has published four financial statements since it was presented with the claim.

Income in respect of a gain contingency is recognized when the income has been realized or is realizable. To make this determination, the Bank takes the full range of facts and circumstances into consideration, including legal opinions, to the extent relevant.

In general, Note 25.C contains disclosure of any claim where the amount, or the estimated maximum exposure in respect thereof, is greater than 0.5% of the capital of the Bank.

In addition, disclosure is given to the amount of the additional exposure in respect of legal claims the probability of realization of which is not remote.

According to the assessment of the Board of Management and based on the opinions of its legal advisors, the financial statements include sufficient provisions for contingent liabilities.

Note 1 Significant Accounting Policies (continued)

18. Expenses for income taxes

The financial statements of the Bank include current taxes and deferred taxes. Current and deferred taxes are allocated to the statement of profit and loss, unless the tax arises from a transaction or event recognized directly in equity or in other comprehensive income. In such cases, the expense for income taxes is recorded to equity or to other comprehensive income, as relevant. The provision for taxes on the income of the Bank and its consolidated companies that are financial institutions for the purposes of value-added tax includes a profit tax imposed on income under the Value Added Tax Law. The wage tax applied to financial institutions pursuant to the Value Added Tax Law is included in the statement of profit and loss under the item, "salaries and related expenses."

Current taxes

Current tax is the amount of tax expected to be paid (or received) on the taxable income for the year, calculated according to the applicable tax rates under laws enacted at the balance sheet date. The current tax also includes changes in tax payments referring to previous years.

Deferred taxes

The Bank recognizes deferred taxes with reference to temporary differences between the carrying value of taxable assets and liabilities for the purposes of financial reporting and their value for tax purposes.

Beginning January 1, 2017, the Bank recognizes a deferred-tax liability for taxable temporary differences accrued at local subsidiaries as of that date. In accordance with the transitional directives established in the directives of the Supervisor of Banks, no deferred-tax liability was included in respect of taxable temporary differences accrued at local subsidiaries up to December 31, 2016. These temporary differences may only be taxable at the time of a disposal event or dividend distribution. If the Bank had always been required to apply the directives of the standard and recognize deferred-tax liabilities in respect of the aforesaid undistributed profits, the amount of the additional liability for such temporary differences that would arise from dividend distribution of local subsidiaries is estimated at a total of approximately NIS 0.3 billion.

The Bank recognizes deferred-tax assets in respect of all deductible temporary differences and losses carried forward. The Bank records a valuation allowance against a deferred tax asset if it is more likely than not that all or part of the deferred tax asset will not be realized.

The deferred taxes are measured according to the tax rates expected to apply to the taxable temporary differences at the date when they are realized, based on laws enacted at the balance sheet date.

Offsets of deferred tax assets and liabilities

The Bank offsets deferred tax assets and liabilities if an enforceable legal right exists to offset current tax assets and liabilities, and they are attributed to the same taxable income item taxed by the same tax authority for the same taxed company, or in different companies in the Group that intend to settle current tax assets and liabilities on a net basis, or the tax assets and liabilities are settled simultaneously.

Uncertain tax positions

The Bank recognizes the effect of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or by the court. Recognized tax positions are measured according to the maximum amount with a probability of realization greater than 50%. Changes in recognition or measurement are reflected in the period during which the changes in circumstances that led to the change in the decision occurred.

Note 1 Significant Accounting Policies (continued)

19. Earnings per share

The Bank presents data on basic and diluted earnings per share with respect to its ordinary share capital. Basic earnings per share are calculated by dividing the profit or loss attributed to holders of the ordinary shares of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the profit or loss (such as adjustments in respect of the effect of dividends after tax, any financing costs, and other changes) attributed to the holders of ordinary shares and adjusting the weighted average of ordinary shares outstanding, after adjustment for shares in treasury and for the effects of all dilutive potential ordinary shares, which include equity instruments awarded to employees.

F. New accounting standards and new directives of the Banking Supervision Department in the period prior to implementation

Accounting Standards Update on internal-use software costs

On September 18, 2025, the Financial Accounting Standards Board (FASB) in the United States issued ASU 2025-06 regarding internal-use software costs.

The main points of the update eliminate the references to the stages of a software development project that currently exist in ASC 350-40, so that the accounting rules are not influenced by different software development methods. The update states that internal-use software costs should be capitalized when management has authorized and committed to funding the software project, and it is probable that the project will be completed and the software used to perform its intended function ("probable-to-complete"). The new directives will apply as of January 1, 2028; early implementation is permitted. The Bank is examining the effect of this update on its financial statements.

Note 2 Interest Income and Expenses

NIS millions

	2025	2024	2023
A. Interest income[1]			
From credit to the public[2]	**28,257**	26,455	24,709
From credit to governments	**98**	144	153
From deposits with banks	**564**	674	682
From deposits with the Bank of Israel and from cash	**2,151**	3,243	2,790
From securities borrowed or purchased under agreements to resell	**179**	173	82
From bonds	**5,537**	4,806	4,554
From other assets	**2**	-	1
Total interest income	**36,788**	35,495	32,971
B. Interest expenses[1]			
On deposits from the public	**(16,265)**	(16,674)	(14,748)
On deposits from the government	**(61)**	(126)	(150)
On deposits from banks	**(351)**	(285)	(218)
On securities lent or sold under agreements to repurchase	**(897)**	(574)	(761)
On bonds and subordinated notes	**(1,083)**	(837)	(980)
On other liabilities	**(28)**	(49)	(29)
Total interest expenses	**(18,685)**	(18,545)	(16,886)
Total net interest income	**18,103**	16,950	16,085
C. Details of net effect of hedging derivative instruments on interest income and expenses[3]			
Interest income	**(10)**	180	225
Interest expenses	**(3)**	(70)	(100)
D. Details of interest income from bonds on a cumulative basis			
Held to maturity	**580**	492	376
Available for sale	**3,874**	3,539	3,352
Held for trading	**1,083**	775	826
Total included in interest income	**5,537**	4,806	4,554

(1) Includes the effect of hedge relationships.
(2) Stated net of benefits granted to customers in the amount of approximately NIS 56 million for the year ended December 31, 2025 (2024: approximately NIS 104 million; 2023: approximately NIS 97 million).
(3) Details of the effect of hedging derivative instruments on subsections A and B.

Note 3 Non-Interest Financing Income

NIS millions

A. Non-interest financing income (expenses) in respect of non-trading activities

	2025	2024	2023
1. From activity in derivative instruments			
Total from activity in derivative instruments[1]	**(4,711)**	782	3,642
2. From investment in bonds			
Gains from sale of bonds available for sale	**385**	187	116
Losses from sale of bonds available for sale[2]	**(191)**	(965)	(710)
Total from investment in bonds	**194**	(778)	(594)
3. Net exchange-rate differences	**5,637**	(40)	(2,369)
4. Gains from investment in shares			
Net realized and unrealized gains from adjustments to fair value of shares not held for trading[3][4]	**377**	475	313
Dividend from shares not held for trading	**49**	28	56
Profit from sale of shares of equity-accounted investees	**116**	-	-
Total from investment in shares	**542**	503	369
5. Other[5]	**(451)**	84	(189)
Total non-interest financing income (expenses) in respect of non-trading activities	**1,211**	551	859

(1) Derivative instruments constituting part of the asset and liability management system of the Bank, which are not designated for hedging.
(2) Including provisions for impairment in the amount of approximately NIS 0 million for the year ended December 31, 2025 (2024: approximately NIS 0 million; 2023: approximately NIS 25 million).
(3) Including provisions for impairment in the amount of approximately NIS 77 million for the year ended December 31, 2025 (2024: approximately NIS 56 million; 2023: approximately NIS 93 million).
(4) Including gains and losses from measurement at fair value of shares with a readily determinable fair value, and upward or downward adjustments of shares without a readily determinable fair value.
(5) Includes benefits granted to customers, in the amount of approximately NIS 289 million for the year ended December 31, 2025 (2024: approximately NIS 23 million; 2023: approximately NIS 32 million). In the year ended December 31, 2024, includes profit in respect of buybacks of bonds in the amount of approximately NIS 260 million.

Note 3 Non-Interest Financing Income (continued)

NIS millions

B. Non-interest financing income in respect of trading activities*

	2025	2024	2023
Net income in respect of derivative instruments held for trading	**292**	409	383
Net realized and unrealized gains (losses) from adjustments to fair value of bonds held for trading[1]	**20**	(1)	25
Net realized and unrealized gains (losses) from adjustments to fair value of shares held for trading	**(5)**	-	-
Total non-interest financing income (expenses) in respect of trading activities[2]	**307**	408	408
Total non-interest financing income (expenses)	**1,518**	959	1,267
Details of non-interest financing income in respect of trading activities, by risk exposure:			
Interest rate exposure	**(35)**	(261)	(220)
Foreign currency exposure	**247**	606	558
Share exposure	**88**	63	70
Commodities and other exposure	**7**	-	-
Total	**307**	408	408

* Includes exchange-rate differences arising from trading activity.

(1) Of which, the part of gains (losses) associated with bonds held for trading still held at the balance sheet date, in the amount of approximately NIS 85 million (2024: NIS (37) million; 2023: NIS(6) million).

(2) With regard to interest income from investment in bonds held for trading, see Note 2.

Note 4 Fees by Management Approach Segment

NIS millions

	For the year ended December 31, 2025*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account-management fees	**450**	**273**	**-**	**58**	**81**	**14**	**36**	**-**	**912**
Credit cards, net	**509**	**147**	**-**	**16**	**4**	**-**	**-**	**-**	**676**
Securities activity	**406**	**73**	**-**	**14**	**174**	**-**	**138**	**68**	**873**
Financial product distribution fees[1]	**191**	**23**	**-**	**5**	**4**	**-**	**-**	**-**	**223**
Credit processing	**-**	**19**	**3**	**153**	**135**	**-**	**-**	**-**	**310**
Conversion differences	**224**	**147**	**-**	**19**	**12**	**-**	**3**	**-**	**405**
Foreign-trade activity	**2**	**40**	**-**	**20**	**16**	**1**	**-**	**-**	**79**
Net income from credit portfolio services	**-**	**-**	**2**	**1**	**36**	**-**	**-**	**-**	**39**
Management fees and fees from life insurance and home insurance	**-**	**-**	**29**	**-**	**-**	**-**	**-**	**-**	**29**
Financing transaction fees	**7**	**41**	**-**	**268**	**474**	**42**	**1**	**-**	**833**
Other fees	**30**	**5**	**-**	**-**	**1**	**-**	**16**	**-**	**52**
Total fees	**1,819**	**768**	**34**	**554**	**937**	**57**	**194**	**68**	**4,431**

* Includes the effect of benefits granted to customers due to the war and the outlines of the Bank of Israel, in the amount of approximately NIS 45 million.

(1) Mainly mutual funds.

	For the year ended December 31, 2024*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account-management fees	422	256	-	55	61	12	50	-	856
Credit cards, net	384	110	-	12	3	-	2	-	511
Securities activity	376	57	-	12	158	-	116	64	783
Financial product distribution fees[1]	154	17	-	3	3	-	1	-	178
Credit processing	-	20	2	126	177	-	-	-	325
Conversion differences	191	125	-	15	8	-	3	-	342
Foreign-trade activity	2	40	-	22	11	1	-	-	76
Net income from credit portfolio services	1	-	3	-	30	-	-	-	34
Management fees and fees from life insurance and home insurance	-	-	34	-	-	-	-	-	34
Financing transaction fees	8	43	-	271	466	33	-	-	821
Other fees	9	1	-	-	-	-	10	-	20
Total fees	1,547	669	39	516	917	46	182	64	3,980

* Includes the effect of benefits granted to customers due to the war and the outlines of the Bank of Israel, in the amount of approximately NIS 67 million.

(1) Mainly mutual funds.

Note 4 Fees by Management Approach Segment (continued)

NIS millions

	For the year ended December 31, 2023*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account-management fees	450	263	-	54	57	9	56	-	889
Credit cards, net	401	112	-	12	3	-	-	-	528
Securities activity	351	43	-	12	140	-	66	61	673
Financial product distribution fees[1]	143	13	-	2	3	-	1	-	162
Credit processing	-	22	2	127	146	-	-	-	297
Conversion differences	196	125	-	17	6	-	4	-	348
Foreign-trade activity	2	38	-	23	13	1	1	-	78
Net income from credit portfolio services	1	-	3	-	22	-	-	-	26
Management fees and fees from life insurance and home insurance	-	-	41	-	-	-	-	-	41
Financing transaction fees	8	42	-	297	448	30	-	-	825
Other fees	11	2	-	-	1	-	11	-	25
Total fees	1,563	660	46	544	839	40	139	61	3,892

* Includes the effect of benefits granted to customers due to the war and the outlines of the Bank of Israel, in the amount of approximately NIS 30 million.

(1) Mainly mutual funds.

Note 5 Other Income

	2025	2024	2023
Capital gains from sale of buildings and equipment	**23**	27	71
Income from insurance indemnity[1]	**432**	-	-
Others	**49**	44	67
Total other income	**504**	71	138

(1) Income received from insurers and officers in connection with the settlement in the derivative claim concerning the United States tax investigation. For additional details, see Note 25.C.c.1 below.

Note 6 Salaries and Related Expenses

NIS millions

	2025	2024	2023
Salaries and bonuses	**3,033**	2,890	2,957
Expense incurred from share-based payment transactions settled in equity instruments	**18**	15	13
Other related expenses, including study funds, vacation, and sick days	**715**	718	723
National Insurance and wage tax	**788**	745	743
Pension expenses (including service cost, severance pay, and allowances)	**111**	113	130
Other benefits during and post-employment	**6**	5	11
Total salaries and related expenses[1]	**4,671**	4,486	4,577
(1) Of which: salaries and related expenses outside Israel	**245**	245	242

Note 7 Other Expenses

	2025	2024	2023
Pension expenses (including severance pay and allowances), defined benefit (excluding service cost)	**281**	276	279
Curtailments, discharges[1]	**-**	597	-
Marketing and advertising	**155**	184	172
Communications and information services	**233**	228	220
Computers[2]	**520**	*513	*481
Office	**26**	26	26
Insurance	**29**	37	42
Professional services	**231**	286	294
Compensation and reimbursement of expenses for members of the Board of Directors[3]	**14**	12	12
Training and further education	**32**	67	63
Fees	**447**	*382	*363
Donations	**94**	119	41
Others	**225**	349	184
Total other expenses	**2,287**	3,076	2,177

* Reclassified.
(1) For further details, see Note 22 below.
(2) Not including salaries, depreciation, and amortization.
(3) Including the Chairperson of the Board of Directors.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss)

A. Composition

	2025	2024	2023
		NIS millions	
Current taxes:			
In respect of current year	**5,472**	4,976	4,385
In respect of previous years	**(108)**	133	56
Total current taxes	**5,364**	5,109	4,441
Additions (deductions):			
Deferred taxes:			
In respect of current year	**(272)**	(531)	(509)
In respect of previous years	**1**	(19)	(2)
Total deferred taxes	**(271)**	(550)	(511)
Total provision for taxes[1]	**5,093**	4,559	3,930
(1) Of which: provision for taxes for tax authorities overseas	**216**	175	143

The above table does not include the effect of tax on other comprehensive income. For details, see Note 10.

B. Reconciliation of the theoretical amount of tax for which the Bank would have been liable at the statutory tax rate with the provision for taxes on profit, as recorded in the statement of profit and loss

	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Profit before taxes	**14,853**		12,260		11,272	
Taxes on income based on statutory tax rate	**5,080**	**34.2%**	4,192	34.2%	3,854	34.2%
Tax (tax savings) in respect of:						
Income of consolidated companies outside Israel	**33**	**0.2%**	10	0.1%	1	0.0%
Exempt income and income taxable at limited rates	**(98)**	**(0.7%)**	-	-	-	-
Depreciation differences, depreciation adjustment, and capital gains	**(10)**	**(0.1%)**	(7)	(0.1%)	(2)	(0.0%)
Non-deductible expenses	**35**	**0.2%**	41	0.3%	38	0.3%
Special payment*	**400**	**2.7%**	360	2.9%	-	-
Timing differences for which deferred taxes were not recorded	**(308)**	**(2.1%)**	(126)	(1.0%)	(7)	(0.1%)
Taxes in respect of previous years	**(107)**	**(0.7%)**	114	0.9%	54	0.5%
Income of subsidiaries in Israel	**(20)**	**(0.1%)**	(18)	(0.1%)	(8)	(0.1%)
Change in balance of deferred taxes due to change in tax rate	**(7)**	**(0.0%)**	(55)	(0.4%)	-	-
Other differences	**95**	**0.6%**	48	0.4%	-	-
Total taxes on income according to effective tax rate	**5,093**	**34.3%**	4,559	37.2%	3,930	34.9%

* See Section E below.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

C. Tax assessments

1. The Bank has final tax assessments up to and including the year 2021. The subsidiaries have final tax assessments, or tax assessments considered final, up to 2019–2022.
2. Over the last few years, Isracard (a former subsidiary that has been sold and separated from the Bank) and Premium Express (a subsidiary of Isracard) received tax assessments from the Customs and VAT Division of the Israel Tax Authority, further to a lateral sectoral audit, which primarily concerned VAT charges for Isracard and Premium Express in respect of issuer fees received from international organizations in connection with cardholders' transactions with businesses outside Israel, and in respect of fees received from cardholders for transactions they execute with businesses outside Israel. A court proceeding was held on this subject, and the judgment of the Tel Aviv District Court was given on August 6, 2025, partly accepting and partly rejecting the unified appeals of Isracard and Premium Express with other credit-card companies. Isracard and Premium Express are considering whether and on which of the topics discussed in the judgment to file an appeal with the Supreme Court. Further to indemnity provided by the Bank at the time of its separation from Isracard with respect to this matter, the Bank reached understandings with Isracard regarding the limits of the potential indemnity to be applied in accordance with the resolution of this proceeding. The Bank does not expect any material effect on the results of its operations in connection with the resolution of this matter.
3. The Bank includes provisions in its statements in respect of liabilities for taxes on income, as stated above, in accordance with management estimates and based on the assessments of its legal advisors.

D. Change in deferred taxes

	Balance as at December 31, 2024	Changes recorded to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes recorded to other comprehensive income	Balance as at December 31, 2025	Average tax rate December 31, 2025
	NIS millions					In %
Deferred tax assets						
From allowance for credit losses	2,867	**332**	**10**	**-**	**3,209**	**34.7**
From the provision for vacation and bonuses	138	**(8)**	**-**	**-**	**130**	**34.7**
From employee benefits	1,746	**25**	**-**	**(55)**	**1,716**	**34.7**
Losses carried forward for tax purposes	854	**53**	**-**	**-**	**907**	**26.7**
From software assets	26	**(12)**	**-**	**-**	**14**	**34.7**
From other non-monetary items	34	**1**	**-**	**-**	**35**	**34.7**
Gross balance of deferred tax assets	5,665	**391**	**10**	**(55)**	**6,011**	**33.2**
Unrecognized deferred tax assets	847	**55**	**-**	**-**	**902**	**26.7**
Balance of deferred tax assets net of unrecognized deferred tax assets	4,818	**336**	**10**	**(55)**	**5,109**	**34.7**
Deferred tax liabilities						
From securities and other monetary items	96	**31**	**-**	**14**	**141**	**23.8**
Fixed assets and leases	86	**(24)**	**-**	**-**	**62**	**21.4**
In respect of investments in affiliates	370	**65**	**3**	**-**	**438**	**12.4**
Gross balance of deferred tax liabilities	552	**72**	**3**	**14**	**641**	**14.6**
Net balance of deferred tax assets	4,266	**264**	**7**	**(69)**	**4,468**	

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

D. Change in deferred taxes (continued)

	Balance as at December 31, 2023	Changes recorded to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes recorded to other comprehensive income	Balance as at December 31, 2024	Average tax rate December 31, 2024
	NIS millions					%
Deferred tax assets						
From allowance for credit losses	2,588	238	41	-	2,867	34.7
From the provision for vacation and bonuses	132	4	2	-	138	34.7
From employee benefits	1,543	234	28	(59)	1,746	34.7
Losses carried forward for tax purposes	1,000	(146)	-	-	854	25.0
From software assets	30	(5)	1	-	26	34.7
From other non-monetary items	17	16	1	-	34	34.7
Gross balance of deferred tax assets	5,310	341	73	(59)	5,665	32.8
Unrecognized deferred tax assets	997	(150)	-	-	847	25.0
Balance of deferred tax assets net of unrecognized deferred tax assets	4,313	491	73	(59)	4,818	34.7
Deferred tax liabilities						
From securities and other monetary items	110	(15)	1	-	96	26.8
Fixed assets and leases	106	(20)	-	-	86	24.5
In respect of investments in affiliates	322	31	17	-	370	12.4
Gross balance of deferred tax liabilities	538	(4)	18	-	552	15.0
Net balance of deferred tax assets	3,775	495	55	(59)	4,266	

E. Combined tax rate applicable to the Bank

Taxes paid on profits of banking corporations include corporate tax, imposed pursuant to the Income Tax Ordinance, and profit tax, imposed on financial institutions pursuant to the Value Added Tax Law, as well as wage tax (presented as part of salary expenses). Accordingly, the combined tax rates are as follows:

	Profit tax rate	Income tax rate	Combined tax rate
Year			
2018–2025	17.0%	23.0%	34.2%
2026 forward	18.0%	23.0%	34.7%

On March 13, 2024, as part of the Balance Plan Law (Legislative Amendments for the Achievement of the Budget Goals for the Budget Year 2024), 2024, the Knesset passed the Special Payment for the Achievement of the Budget Goals Law (Temporary Order – Swords of Iron), 2024, pursuant to which a bank other than a bank with a small volume of activity (a bank with asset value of 5% or more of the asset value of all banks in Israel) (a "Paying Bank") shall pay the state treasury, in respect of the period from April 1, 2024, to December 31, 2025 (the "Determinant Period"), an annual payment in an amount equal to 6% (in 2024 – 4.5%, due to the partial period) of the profit generated by its activity in Israel (the "Annual

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

NIS millions

Payment Amount"). It is noted that this payment does not constitute a deductible expense for tax purposes.
According to the aforesaid law, if the total aggregate annual payment of the banking system exceeds a total of NIS 1.2 billion in 2024 and a total of NIS 1.3 billion in 2025, the Annual Payment Amount paid by each bank in each of these years would be reduced according to its proportional share of the total aggregate annual payment of the banking system, to be calculated based on the statements submitted by each bank to the Israel Tax Authority in accordance with Section 131 of the Income Tax Ordinance in each of the years 2024 and 2025. The Bank included a provision for the special payment, taking into consideration an estimate of its share in the aggregate payment ceiling, in each of the years 2024 and 2025.
Concurrently, on February 28, 2024, the Value Added Tax Order (Rate of Tax on Transactions and Imports of Goods) (Amendment), 2024, was issued, according to which the rate of VAT would rise to 18% beginning January 1, 2025. Accordingly, the Value Added Tax Order (Rate of Tax on Non-Profit Organizations and Financial Institutions) (Amendment), 2024, was released on April 14, 2024, according to which the rate of wage tax and profit tax to be paid on the activity in Israel of a financial institution would be updated in accordance with the increase in the rate of VAT as of 2025. This amendment with regard to wage tax and profit tax will apply to Paying Banks from 2026 forward.
The Law for Special Tax on Profits of Banks in 2026 to 2030 (Temporary Order), 2026 (the "Bill"), passed in a first reading on January 28, 2026. The Bill establishes the average profit of a bank in the tax years 2018 to 2022, which beginning in 2027 shall be linked to the change in gross domestic product, plus 50% (the "Determinant Amount"). It has been determined that a bank other than one with a small volume of activity shall pay, in each of the years 2026 to 2030, tax at a rate of 15% on the difference between the profit of the bank in that year and the Determinant Amount (the "Difference"). It is emphasized that for the purpose of calculating the aforesaid tax in 2026, the profits of a bank other than one with a small volume of activity in that tax year shall be taken into account, but the Difference shall be multiplied by 0.75, because the law is proposed to take effect at the beginning of April 2026.

F. Losses carried forward for tax purposes

	December 31, 2025				
	Balance of losses	Deferred tax assets on losses	Unrecognized deferred tax assets	Recognized deferred tax assets	First expiration year
Losses for tax purposes					
The banking corporation[1]	**3,034**	**824**	**(819)**	**5**	**-**
Subsidiaries in Israel	**283**	**65**	**(65)**	**-**	**-**
Subsidiaries outside Israel[1]	**85**	**18**	**(18)**	**-**	**2033**

	December 31, 2024				
	Balance of losses	Deferred tax assets on losses	Unrecognized deferred tax assets	Recognized deferred tax assets	First expiration year
Losses for tax purposes					
The banking corporation	1,207	404	(397)	7	-
Subsidiaries in Israel	247	57	(57)	-	-
Subsidiaries outside Israel	1,963	393	(393)	-	2025

(1) In light of the announcement of the liquidation of Hapoalim Switzerland on March 31, 2025, the losses attributed to Hapoalim Switzerland shall not be realizable at the company; however, a capital loss for tax purposes was recorded at the Bank.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

G. Agreement of principles regarding the method of recognition for tax purposes of the allowance for credit losses

In February 2012, the Bank and the Tax Assessment Officer signed an agreement of principles regarding the method of recognition for tax purposes of the allowance for credit losses in respect of allowances for impaired debts recorded beginning January 1, 2011. In July 2017, an agreement of principles was signed with the Tax Assessment Officer regarding the method of recognition for tax purposes of the allowance for credit losses for debts measured according to the past-due-based method, with respect to debts the allowance for which was included in the books of the Bank beginning January 1, 2014. In February 2024, an agreement of principles was signed with the Tax Assessment Officer regarding the allowances for credit losses recorded beginning January 1, 2022. Principles of the agreements:

1. Allowances for individually examined non-accruing debts shall be deductible as an expense for tax purposes in the year in which the provision is recorded in the financial statements of the Bank. In a tax year in which the allowance for such debts is reduced (other than as a result of "charge-offs" or "debt forgiveness"), additional tax shall be added to the Bank's tax liability, based on the formula agreed upon in the agreement.
2. Half of the annual provision for credit losses in respect of allowances for non-accruing debts not examined individually, in the amount of the "charge-off," shall be deductible as an expense for tax purposes in the first year after the year in which it is recorded, and half shall be deductible in the second tax year after the year in which it is recorded.
3. The annual provision for credit losses for non-accruing debts in respect of housing credit recorded beginning January 1, 2022, is deductible as an expense for tax purposes in the year in which the provision is included in the financial statements of the Bank.
4. With the exception noted in Section 3 above, the annual provision for credit losses in respect of allowances for credit losses measured on a collective basis is not deductible as an expense for tax purposes.
5. It has been determined that the difference between the provision for credit losses in respect of housing credit, up to December 31, 2021, recognized for tax purposes, and the allowance for credit losses for non-accruing debts in respect of housing credit formed due to the initial implementation on January 1, 2022, of generally accepted accounting principles for US banks on the subject of allowance for credit losses, CECL (ASU 2016-13), will be recognized as income for tax purposes in a straight line in 2022–2024.

H. Agreement regarding subsidiaries outside Israel

The Bank has a settlement with the Tax Assessment Officer for Large Enterprises of May 1986 and a letter of clarifications from the Tax Assessment Officer for Large Enterprises of May 2009 regulating tax payments in Israel in relation to profits of the subsidiaries of the Bank outside Israel.

I. Consensual taxation ruling – mergers in the Bank Group in 2023

1. On September 12, 2023, a consensual taxation ruling (the "2023 Tax Ruling") was received from the Professional Division of the Israel Tax Authority regarding a tax exemption in a structural change consisting of two stages, pursuant to and subject to the directives of Section 103C of the Income Tax Ordinance. In accordance with the 2023 Tax Ruling, in the first stage, the companies Pekaot Poalim Ltd., Hapoalim American Israeli Ltd., Continental Poalim Ltd., Bitzur Ltd., Igarot Hevra Lehanpakot shel Bank Hapoalim Ltd., Teuda Hevra Finansit Ltd., Tmura Hevra Finansit Ltd., Tarshish Hapoalim Holdings and Investments Ltd., and Hapoalim Hanpakot Ltd. were merged with and into Bank Hapoalim B.M., on June 30, 2023. In the second stage, Zohar Hashemesh Lehashkaot Ltd., Poalim Betevuna Ltd., and Hapoalim Nechasim (Menayot) Ltd. were merged into Opaz Ltd., on September 30, 2023.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

2. The following are the principal restrictions and conditions established in the 2023 Tax Ruling:
   a. Most of the assets transferred within the mergers and most of the assets that were in the possession of the absorbing companies immediately prior to the merger shall not be sold during a period of two years from the date of the merger, and shall be used in the usual way, under the circumstances, in the course of the company's business.
   b. During the two years from the date of the merger, the absorbing companies will continue the primary economic activity that existed at each of the transferring companies immediately prior to the merger.
   c. The transferring companies and/or the shareholders of the transferring companies and/or any party related thereto were not given and shall not be given any consideration, either directly or indirectly, in money and/or money equivalent, except as explicitly noted in the aforesaid 2023 Tax Ruling.
   d. No assets and/or liabilities shall be revalued and no step-up of assets and/or liabilities shall be performed for tax purposes in Israel.
   e. No assets whatsoever shall be created, including intangible assets, balances, and/or capitalized amounts, as a result of the mergers.
3. Within the merger of Hapoalim Hanpakot Ltd. into the Bank, the 2023 Tax Ruling addresses the replacement of bonds of Hapoalim Hanpakot Ltd. with bonds of the Bank, such that the transfer of the liabilities in respect of the bonds is not considered a sale, including in the context of tax withholding at source, and tax continuity applies.

J. Consensual taxation ruling – mergers in the Bank Group in 2025

The Bank is working to receive a consensual taxation ruling (the "2025 Tax Ruling") from the Professional Division of the Israel Tax Authority regarding a tax exemption in a structural change, pursuant to and subject to the directives of Section 103C of the Income Tax Ordinance. Pursuant to the 2025 Tax Ruling, if received, the merger of the companies Bitan Investments and Mortgages Ltd., Alzur Property Development Company Ltd., Revadim (Nechasim) Ltd., Ramchal Poalim Ltd., Poalim Financial Holdings (1993) Ltd., and Poalim Equity - Investment House Ltd. with and into Bank Hapoalim B.M. will be approved, effective December 31, 2025 (the "Merger").

Note 9 Earnings per Ordinary Share

	For the year ended December 31		
	2025	2024	2023
Basic earnings			
Net profit attributed to the ordinary shareholders of the Bank, in NIS millions	**9,802**	7,635	7,360
Weighted average number of ordinary shares[1]			
Balance as at January 1 of issued and paid-up share capital	**1,325,703,081**	1,337,267,218	1,336,837,006
Effect of RSU	**-**	258,081	274,867
Effect of issuance of shares to customers	**183,640**	-	-
Effect of shares purchased during the period	**(7,030,797)**	(2,667,770)	-
Weighted average number of ordinary shares used in the calculation of basic earnings per share as at December 31	**1,318,855,924**	1,334,857,529	1,337,111,873
Diluted earnings			
Net profit attributed to the ordinary shareholders of the Bank, in NIS millions	**9,802**	7,635	7,360
Weighted average number of ordinary shares (diluted)[1]			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,318,855,924**	1,334,857,529	1,337,111,873
Effect of RSU	**-**	-	412,504
Effect of share options awarded to employees	**1,402,111**	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share as at December 31	**1,320,258,035**	1,334,857,529	1,337,524,377
Earnings per ordinary share in NIS			
Basic earnings			
Net earnings per share	**7.43**	5.72	5.50
Diluted earnings			
Net earnings per share	**7.42**	5.72	5.50

(1) In shares of par value NIS 1.

Note 10 Accumulated Other Comprehensive Income (Loss)

NIS millions

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

	Other comprehensive income (loss) before attribution to non-controlling interests			Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to shareholders of the Bank
	Adjustments in respect of bonds available for sale at fair value	Adjustments in respect of employee benefits	Total		
Balance as at January 1, 2023	(1,857)	(1,215)	(3,072)	-	(3,072)
Net change during the year	858	128	986	-	986
Balance as at January 1, 2024	(999)	(1,087)	(2,086)	-	(2,086)
Net change during the year	703	114	817	-	817
Balance as at January 1, 2025	**(296)**	**(973)**	**(1,269)**	**-**	**(1,269)**
Net change during the year	**783**	**107**	**890**	**-**	**890**
Balance as at December 31, 2025	**487**	**(866)**	**(379)**	**-**	**(379)**

B. Changes in components of accumulated other comprehensive income (loss), before and after tax effect

	For the year ended								
	December 31, 2025			December 31, 2024			December 31, 2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests									
Adjustments for presentation of bonds available for sale at fair value									
Net unrealized gains (losses) from adjustments to fair value	**1,451**	**(549)**	**902**	334	(126)	208	697	(231)	466
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss[1]	**(194)**	**75**	**(119)**	768	(273)	495	594	(202)	392
Net change during the year	**1,257**	**(474)**	**783**	1,102	(399)	703	1,291	(433)	858
Employee benefits									
Net actuarial profit (loss) during the year	**57**	**(19)**	**38**	65	(22)	43	67	(23)	44
Net (gains) losses reclassified to the statement of profit and loss[2]	**105**	**(36)**	**69**	108	(37)	71	127	(43)	84
Net change during the year	**162**	**(55)**	**107**	173	(59)	114	194	(66)	128
Total net change during the year	**1,419**	**(529)**	**890**	1,275	(458)	817	1,485	(499)	986
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank									
Total net change during the year	**1,419**	**(529)**	**890**	1,275	(458)	817	1,485	(499)	986

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3.

(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 11 Cash and Deposits with Banks

NIS millions

	December 31	
	2025	2024
Cash and deposits with central banks	**64,109**	110,904
Deposits with commercial banks	**7,783**	6,149
Total*,**	**71,892**	117,053
* Of which: cash, deposits with banks, and deposits with central banks for an original period of up to three months	**71,478**	116,532
** Excluding collective allowance for credit losses	**6**	7

Note:
For information regarding liens, see Note 26, below.

Note 12 Securities

NIS millions

	December 31, 2025					
	Balance sheet value	Amortized cost	Allowance for credit losses	Cumulative unrecognized gains from adjustments to fair value	Cumulative unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity						
Bonds and debentures						
Israeli government	**13,905**	**13,905**	**-**	**-**	**(90)**	**13,815**
Foreign governments	**1,698**	**1,698**	**-**	**-**	**(110)**	**1,588**
Financial institutions in Israel	**599**	**629**	**(30)**	**17**	**-**	**616**
Total bonds held to maturity	**16,202**	**16,232**	**(30)**	**17**	**(200)**	**16,019**

	Balance sheet value	Amortized cost	Allowance for credit losses	Accumulated other comprehensive income		Fair value*
				Gains	Losses	
2) Bonds available for sale						
Bonds and debentures						
Israeli government	**66,579**	**66,000**	**-**	**734**	**(155)**	**66,579**
Foreign governments	**20,678**	**20,397**	**-**	**283**	**(2)**	**20,678**
Financial institutions in Israel	**213**	**210**	**-**	**3**	**-**	**213**
Foreign financial institutions	**9,668**	**9,505**	**-**	**165**	**(2)**	**9,668**
Foreign others	**1,212**	**1,192**	**-**	**20**	**-**	**1,212**
Total bonds and debentures available for sale	**98,350**	**97,304**	**-**	**(1)1,205**	**(1)(159)**	**98,350**

	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Cumulative unrealized gains from adjustments to fair value	Cumulative unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading						
Shares not held for trading	**5,995**	**5,596**	**-**	**(2)758**	**(2)(359)**	**5,995**
Of which: shares without a readily determinable fair value(3)	**3,662**	**3,692**	**-**	**301**	**(331)**	**3,662**
Total securities not held for trading	**120,547**	**119,132**	**(30)**	**1,980**	**(718)**	**120,364**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.

(2) Recorded to the statement of profit and loss.

(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 32C.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 12 Securities (continued)

NIS millions

	December 31, 2025					
	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Cumulative unrealized gains from adjustments to fair value	Cumulative unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading						
Bonds and debentures						
Israeli government	**17,947**	**17,914**	**-**	**78**	**(45)**	**17,947**
Foreign governments	**4,775**	**4,760**	**-**	**15**	**-**	**4,775**
Total bonds held for trading	**22,722**	**22,674**	**-**	**(1)93**	**(1)(45)**	****22,722**
Shares held for trading	**976**	**969**	**-**	**7**	**-**	**976**
Total securities held for trading	**23,698**	**23,643**	**-**	**100**	**(45)**	**23,698**
Total securities[2][3]	**144,245**	**142,775**	**(30)**	**2,080**	**(763)**	**144,062**

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0–20%	20–40%			0–20%	20–40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of bonds available for sale in an unrealized loss position, excluding credit losses								
Bonds and debentures								
Israeli government	**3,241**	**(66)**	**-**	**(66)**	**9,760**	**(89)**	**-**	**(89)**
Foreign governments	**4,834**	**(1)**	**-**	**(1)**	**63**	**(1)**	**-**	**(1)**
Financial institutions in Israel	**131**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign financial institutions	**593**	**(2)**	**-**	**(2)**	**45**	**-**	**-**	**-**
Foreign others	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total bonds and debentures available for sale	**8,846**	**(69)**	**-**	**(69)**	**9,868**	**(90)**	**-**	**(90)**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

** Of which: securities in the amount of NIS 5,097 million are classified as securities held for trading because the Bank chose to measure them according to the fair-value option, despite the fact that they were not acquired for trading purposes.

(1) Recorded to the statement of profit and loss.

(2) Of which: securities in the amount of approximately NIS 29.8 billion pledged to lenders; see Note 26.

(3) Securities loaned in the amount of approximately NIS 2,593 million are presented within the item "credit to the public."

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 12 Securities (continued)

NIS millions

	December 31, 2024					
	Balance sheet value	Amortized cost	Allowance for credit losses	Cumulative unrecognized gains from adjustments to fair value	Cumulative unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity						
Bonds and debentures						
Israeli government	15,715	15,715	-	-	(371)	15,344
Foreign governments	1,930	1,930	-	-	(235)	1,695
Financial institutions in Israel	486	497	(11)	13	-	499
Total bonds held to maturity	18,131	18,142	(11)	13	(606)	17,538

	Balance sheet value	Amortized cost	Allowance for credit losses	Accumulated other comprehensive income		Fair value*
				Gains	Losses	
2) Bonds available for sale						
Bonds and debentures						
Israeli government	49,459	49,703	-	177	(421)	49,459
Foreign governments	18,399	18,395	-	35	(31)	18,399
Financial institutions in Israel	246	241	-	5	-	246
Foreign financial institutions	13,059	12,995	-	120	(56)	13,059
Foreign others	1,802	1,777	-	26	(1)	1,802
Total bonds and debentures available for sale	82,965	83,111	-	(1)363	(1)(509)	82,965

	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Cumulative unrealized gains from adjustments to fair value	Cumulative unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading						
Shares not held for trading	4,867	4,733	-	(2)452	(2)(318)	4,867
Of which: shares without a readily determinable fair value(3)	3,261	3,373	-	205	(317)	3,261
Total securities not held for trading	105,963	105,986	(11)	828	(1,433)	105,370

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.

(2) Recorded to the statement of profit and loss.

(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 32C.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 12 Securities (continued)

NIS millions

	December 31, 2024					
	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Cumulative unrealized gains from adjustments to fair value	Cumulative unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading						
Bonds and debentures						
Israeli government	14,971	14,989	-	43	(61)	14,971
Foreign governments	790	825	-	-	(35)	790
Foreign financial institutions	114	114	-	-	-	114
Total securities held for trading	15,875	15,928	-	(1)43	(1)(96)	**15,875
Total securities(2)(3)	121,838	121,914	(11)	871	(1,529)	121,245

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0–20%	20–40%			0–20%	20–40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of bonds available for sale in an unrealized loss position, excluding credit losses								
Bonds and debentures								
Israeli government	19,551	(102)	-	(102)	17,191	(319)	-	(319)
Foreign governments	8,999	(29)	-	(29)	70	(2)	-	(2)
Foreign financial institutions	5,313	(52)	-	(52)	871	(4)	-	(4)
Foreign others	253	(1)	-	(1)	14	-	-	-
Total bonds and debentures available for sale	34,116	(184)	-	(184)	18,146	(325)	-	(325)

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.

** Of which: securities in the amount of NIS 1,433 million are classified as securities held for trading because the Bank chose to measure them according to the fair-value option, despite the fact that they were not acquired for trading purposes.

(1) Recorded to the statement of profit and loss.

(2) Of which: securities in the amount of approximately NIS 31.8 billion pledged to lenders; see Note 26.

(3) Securities loaned in the amount of approximately NIS 1,922 million are presented within the item "credit to the public."

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.

B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 13 Credit Risk, Credit to the Public, and Allowance for Credit Losses

NIS millions

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

	December 31, 2025					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial*	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	**288,777**	**-**	**-**	**288,777**	**127,800**	**416,577**
Debts examined on a collective basis	**32,448**	**149,559**	**39,696**	**221,703**	**-**	**221,703**
Total[1]	**321,225**	**149,559**	**39,696**	**510,480**	**127,800**	**638,280**
(1) Of which:						
Non-accruing debts	**1,141**	**1,032**	**275**	**2,448**	**-**	**2,448**
Debts 90 days or more past due	**46**	**-**	**70**	**116**	**-**	**116**
Other problematic debts	**4,699**	**3**	**279**	**4,981**	**-**	**4,981**
Total problematic debts	**5,886**	**1,035**	**624**	**7,545**	**-**	**7,545**
Allowance for credit losses in respect of debts						
Debts examined on an individual basis	**4,361**	**-**	**-**	**4,361**	**52**	**4,413**
Debts examined on a collective basis	**994**	**667**	**1,577**	**3,238**	**-**	**3,238**
Total allowance for credit losses[2]	**5,355**	**667**	**1,577**	**7,599**	**52**	**7,651**
(2) Of which: allowance in respect of non-accruing debts	**371**	**88**	**166**	**625**	**-**	**625**
Of which: allowance in respect of other problematic debts	**431**	**-**	**90**	**521**	**-**	**521**

* The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 113 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

Note 13 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

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

	December 31, 2024					
	Credit to the public				Banks, governments, and bonds**	Total
	Commercial*	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	244,348	-	-	244,348	112,527	356,875
Debts examined on a collective basis	30,376	139,979	35,600	205,955	-	205,955
Total[(1)]	274,724	139,979	35,600	450,303	112,527	562,830
(1) Of which:						
Non-accruing debts	1,593	844	241	2,678	-	2,678
Debts 90 days or more past due	45	-	60	105	-	105
Other problematic debts	4,911	-	307	5,218	-	5,218
Total problematic debts	6,549	844	608	8,001	-	8,001
Allowance for credit losses in respect of debts						
Debts examined on an individual basis	4,078	-	-	4,078	28	4,106
Debts examined on a collective basis	845	598	1,299	2,742	-	2,742
Total allowance for credit losses[(2)]	4,923	598	1,299	6,820	28	6,848
(2) Of which: allowance in respect of non-accruing debts	419	77	149	645	-	645
Of which: allowance in respect of other problematic debts	553	-	85	638	-	638

* The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 160 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

** Reclassified.

Note 13 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

2. Change in allowance for credit losses

	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at January 1, 2023	5,019	519	928	6,466	50	6,516
Provision (income) for credit losses	1,389	117	379	1,885	(6)	1,879
Charge-offs	(534)	(27)	(550)	(1,111)	-	(1,111)
Recoveries of debts charged off in previous years	356	19	355	730	-	730
Net charge-offs	(178)	(8)	(195)	(381)	-	(381)
Other*	(25)	-	-	(25)	-	(25)
Allowance for credit losses as at December 31, 2023	6,205	628	1,112	7,945	44	7,989
Provision (income) for credit losses	138	47	519	704	(11)	693
Charge-offs	(944)	-	(679)	(1,623)	-	(1,623)
Recoveries of debts charged off in previous years	486	-	391	877	-	877
Net charge-offs	(458)	-	(288)	(746)	-	(746)
Allowance for credit losses as at December 31, 2024	5,885	675	1,343	7,903	33	7,936
Provision for credit losses	**675**	**85**	**516**	**1,276**	**23**	**1,299**
Charge-offs	**(707)**	**-**	**(660)**	**(1,367)**	**-**	**(1,367)**
Recoveries of debts charged off in previous years	**541**	**-**	**431**	**972**	**-**	**972**
Net charge-offs	**(166)**	**-**	**(229)**	**(395)**	**-**	**(395)**
Allowance for credit losses as at December 31, 2025	**6,394**	**760**	**1,630**	**8,784**	**56**	**8,840**
Of which: in respect of off-balance sheet credit instruments						
December 31, 2023	884	35	32	951	5	956
December 31, 2024	962	77	44	1,083	5	1,088
December 31, 2025	**1,039**	**93**	**53**	**1,185**	**4**	**1,189**

* Net asset balances in respect of a subsidiary that has been sold.

Note 14 Credit to Governments

NIS millions

	December 31	
	2025	2024
Credit to the government of Israel	**1,151**	525
Credit to foreign governments	**1,330**	1,345
Total credit to governments*	**2,481**	1,870
* Excluding collective allowance for credit losses	**16**	10

Note 15 Investments in Affiliates and Information Regarding the Affiliates

A. Investments in equity-accounted investees – composition

	2025	2024
	Equity-accounted investees	
Investments in shares stated on an equity basis	**989**	1,460
Of which:		
Accrued post-acquisition profits, net	**8**	159
Details of the carrying value and market value of marketable investments		
Carrying value	**196**	223
Market value	**230**	273

B. Share in profits of equity-accounted investees, net

	2025	2024	2023
The Bank's share in net profits (losses) of equity-accounted investees*	**42**	(66)	18

* Includes declines in value of investments.

Note 15 Investments in Affiliates and Information Regarding the Affiliates (continued)

C. Details of principal affiliates

	December 31											
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	Share in voting rights and in right to receive profits		Investments in shares stated on an equity basis		Other equity investments		Contribution to net profit attributed to shareholders of the Bank		Dividend recorded		Other items accrued in equity	
							NIS millions					
Consolidated companies												
Poalim Equity - Holdings Ltd.	**100%**	100%	**3,289**	2,935	**2,378**	2,078	**354**	77	**-**	-	**-**	-

Not shown in the list of companies are companies under the full ownership and control of the Bank that are companies of properties used by the Bank or companies that provide services only to the Bank.

D. Poalim Equity Group

The Poalim Equity Group, which serves as the Bank's real-investment arm and is wholly owned by the Bank, operates in two main areas:

Direct investments in companies through equity and quasi-equity (including mezzanine) instruments; initiation and investment in private equity funds; and investment-banking activities in Israel and abroad.

In addition, Poalim Equity has minority holdings (approximately 20%) in the Leader Group, which is engaged, among other matters, in advisory activities, underwriting, and securities distribution.

E. Hapoalim (Switzerland) Ltd. (hereinafter: "Hapoalim Switzerland")

In September 2017, the Bank decided to discontinue the activity of Hapoalim Switzerland.

As of June 30, 2023, Hapoalim Switzerland ceased to be supervised by the Swiss Financial Market Supervisory Authority (FINMA), and in July 2023 Hapoalim Switzerland voluntarily surrendered its banking license. As at the date of publication of the financial statements, there are no customer accounts at Hapoalim Switzerland.

On March 31, 2025, the general meeting of shareholders of Hapoalim Switzerland resolved to liquidate Hapoalim Switzerland (its liquidation process is in progress at the report date). As a result, the Bank recognized tax income in the amount of approximately NIS 0.3 billion in the first quarter of 2025. For further details, see Note 8 above.

Note 16 Buildings and Equipment

NIS millions

A. Composition

	Buildings and land (including installations and improvements to rented properties)	Equipment, including computers, furniture, and vehicles	Software[1]	Total
Cost of assets				
Balance as at December 31, 2023	4,429	2,878	6,478	13,785
Additions	399	121	460	980
Subtractions	(107)	(445)	(1,667)	(2,219)
Balance as at December 31, 2024	4,721	2,554	5,271	12,546
Additions	**475**	**115**	**484**	**1,074**
Subtractions	**(31)**	**(4)**	**(90)**	**(125)**
Balance as at December 31, 2025*	**5,165**	**2,665**	**5,665**	**13,495**
Depreciation and losses from impairment				
Balance as at December 31, 2023	2,667	2,427	5,019	10,113
Annual depreciation	147	133	429	709
Loss from impairment	-	-	55	55
Subtractions	(102)	(445)	(1,667)	(2,214)
Balance as at December 31, 2024	2,712	2,115	3,836	8,663
Annual depreciation	**125**	**133**	**438**	**696**
Loss from impairment	**-**	**-**	**68**	**68**
Subtractions	**(30)**	**(4)**	**(90)**	**(124)**
Balance as at December 31, 2025	**2,807**	**2,244**	**4,252**	**9,303**
Carrying value				
Balance as at December 31, 2023	1,762	451	1,459	3,672
Balance as at December 31, 2024	2,009	439	1,435	3,883
Balance as at December 31, 2025	**2,358**	**421**	**1,413**	**4,192**
Weighted average depreciation rate, in %, as at December 31, 2024	4.4	19.3	20.0	
Weighted average depreciation rate, in %, as at December 31, 2025	**4.7**	**20.2**	**20.0**	

* Balance of fully depreciated assets included in balance of cost of assets:
Buildings and land, including installations and improvements to rented properties: NIS 1,423 million.
Equipment, including computers, furniture, and vehicles: NIS 1,640 million; software costs: NIS 2,975 million.

(1) Of which: capitalized costs of software developed in-house with a net balance sheet balance in the amount of NIS 1,360 million (December 31, 2024: NIS 1,389 million; December 31, 2023: NIS 1,376 million).

Note 16 Buildings and Equipment (continued)

B. Additional details regarding depreciation

The depreciation method and the main depreciation rates implemented by the Bank for the various groups of assets are set out below.

Buildings – 2% per year over a straight line.

Land leased from the Israel Land Administration – according to the term of the lease.

Installations and improvements to rental properties – according to the rental period, taking into consideration the Bank's intention to exercise the option to extend the rental period, if such an option exists.

Computers – 20% per year over a straight line.

Office equipment and furniture – 6–15% per year over a straight line.

Software – up to 5 years.

C. The carrying amount of buildings available for sale, in the amount of NIS 39 million (December 31, 2024: NIS 8 million), is stated after deduction of the provision for impairment. No loss is expected from the realization of the buildings available for sale, beyond the provisions recorded in respect thereof. In addition, as at December 31, 2025, there is no balance of buildings sold possession of which has not yet been transferred (December 31, 2024: NIS 1 million).

D. Rights to land in the amount of NIS 24 million (December 31, 2024: NIS 31 million) have not yet been recorded at the Israel Land Registry Bureau, mainly due to delays in the unification of lots, or the rights are in the process of being recorded.

E. The carrying amount of buildings not in use by the Bank, mainly parts of rented properties, totaled NIS 11 million (December 31, 2024: NIS 13 million), representing investment property rented to others, in both periods.

F. For details regarding the contractual engagement of the Bank for the acquisition of a building for use as headquarters and the betterment of properties in its current use, see Note 25.B.9, below.

G. Leases

Within leasing arrangements, the Bank leases real estate (primarily office space and branches), vehicles, and equipment, mainly used for the business operations of the Bank. Most of the leasing arrangements of the Bank are classified as operating leases.

The lease payments in respect of the real-estate and vehicle leasing contracts entered into by the Bank are mainly linked to the consumer price index at the date of the entry into the lease. In equipment leasing contracts entered into by the Bank, leasing payments are based on usage. The average lease period of real estate is approximately 7.2 years. As the interest rate inherent in a lease is not easily determinable, the incremental interest rate of the Bank is used. The Bank does not have significant leasing arrangements classified as finance leases. The lease periods are the contractual periods stated in the leasing contracts, and also include periods arising from extension options which there is a reasonable certainty that the Bank will exercise. Leasing expenses are recognized within the item "maintenance and depreciation of buildings and equipment" in the statement of profit and loss.

The Bank also enters into transactions for leasing of vehicles for its employees, for periods of three years.

Note 16 Buildings and Equipment (continued)

NIS millions

G. Leases (continued)

a. Leasing expenses

	For the year ended	
	December 31, 2025	December 31, 2024
Expenses in respect of operating leases	**141**	141
Variable leasing expenses	**12**	9
Total leasing expenses	**153**	150

b. Additional information regarding leases

	For the year ended	
	December 31, 2025	December 31, 2024
Cash paid in respect of balances included in lease liability measurement		
Cash flow in respect of routine operations in operating leases	**141**	141
Right-of-use assets recognized in respect of new operating leases	**50**	87
Weighted average remaining period (in years)		
In operating leases	**7.2**	6.7
Weighted average discount rate		
In operating leases	**3.56%**	3.02%

c. Undiscounted cash flows and liabilities in respect of operating leases, by maturity period

	December 31, 2025		December 31, 2024	
	Undiscounted cash flows	Liability in respect of lease	Undiscounted cash flows	Liability in respect of lease
Up to 1 year	**131**	**115**	138	133
Over 1 year up to 2 years	**112**	**98**	105	97
Over 2 years up to 3 years	**82**	**72**	87	77
Over 3 years up to 4 years	**68**	**60**	68	59
Over 4 years up to 5 years	**57**	**51**	56	48
Over 5 years	**171**	**157**	173	150
Total	**621**	**553**	627	564

d. Right-of-use assets and liabilities in respect of leases

	December 31	
	2025	2024
Right-of-use assets in respect of operating leases		
Other assets	**553**	554
Liability in respect of operating lease		
Other liabilities	**553**	564

Note 17 Other Assets

NIS millions

	December 31	
	2025	2024
Deferred tax assets, net[1]	**4,633**	4,372
Current taxes – excess of advances paid over current liability for income tax	**26**	53
Expenses for issuance of bonds and subordinated notes	**133**	63
Income receivable	**249**	226
Prepaid expenses	**450**	581
Assets in respect of activity in the Maof market[2]	**7**	11
Right-of-use assets in respect of operating lease	**553**	554
Other receivables and debit balances[3]	**1,466**	1,021
Total other assets	**7,517**	6,881

(1) See also Note 8.D.
(2) Stated at fair value.
(3) Includes the receivables balance in respect of the clearing house, for the sale of securities, in the amount of approximately NIS 116 million as at December 31, 2025 (as at December 31, 2024: approximately NIS 180 million).

Note 18 Deposits from the Public

A. Types of deposits, by location of deposit taking and by type of depositor

	December 31	
	2025	2024
In Israel		
On demand		
Non-interest bearing	**145,894**	148,045
Interest bearing	**139,056**	143,679
Total on demand	**284,950**	291,724
Fixed term	**276,860**	250,982
Total deposits from the public in Israel*	**561,810**	542,706
Outside Israel		
On demand		
Non-interest bearing	**1,357**	1,576
Interest bearing	**9,962**	8,649
Total on demand	**11,319**	10,225
Fixed term	**19,547**	21,354
Total deposits from the public outside Israel	**30,866**	31,579
Total deposits from the public	**592,676**	574,285
* Of which:		
Deposits of private individuals	**209,390**	215,048
Deposits of institutional entities	**107,795**	103,560
Deposits of corporations and others	**244,625**	224,098

Note 18 Deposits from the Public (continued)

NIS millions

B. Deposits from the public by size

	December 31	
	2025	2024
Deposit ceiling (in NIS millions)		
Up to 1	**159,798**	159,952
Over 1 up to 10	**130,563**	134,477
Over 10 up to 100	**78,088**	79,553
Over 100 up to 500	**52,477**	50,911
Over 500	**171,750**	149,392
Total	**592,676**	574,285

Note 19 Deposits from Banks

	December 31	
	2025	2024
In Israel		
Commercial banks		
On-demand deposits	**5,723**	4,856
Fixed-term deposits	**223**	75
Acceptances	**1,051**	417
Central banks		
On-demand deposits	**1,060**	1,001
Fixed-term deposits	**2,304**	4,478
Outside Israel		
Commercial banks		
Fixed-term deposits	**-**	-
Acceptances	**6**	10
Total deposits from banks	**10,367**	10,837

Note 20 Bonds and Subordinated Notes

A. Composition

	December 31			
	2025			2024
	Average duration[1]	Internal rate of return[2]	NIS millions	
Bonds and subordinated notes not convertible into shares				
In Israeli currency				
Unlinked	**1.6**	**5.06%**	**15,054**	4,346
Linked*	**3.6**	**2.66%**	**10,300**	9,018
Subordinated notes convertible into shares				
In Israeli currency				
CPI-linked	**5.9**	**2.74%**	**7,382**	3,340
In foreign currency				
USD	**0.8**	**7.28%**	**3,160**	3,486
Total bonds and subordinated notes**[3]	**3.0**	**3.34%**	**35,896**	20,190
Of which: subordinated notes				
Included in Tier 1 capital	**-**	**-**	**-**	-
Included in Tier 2 capital	**-**	**-**	**11,690**	9,175
Others not included in capital	**-**	**-**	**115**	119
Total subordinated notes	**4.3**	**2.95%**	**11,805**	9,294

* Of which a total of NIS 1,263 million (December 31, 2024: NIS 2,468 million) in subordinated notes with a loss-absorption mechanism.
** According to the terms of the issue, under certain circumstances, the bonds are eligible for early redemption.
(1) The average duration is the average maturity period, weighted by the cash flow discounted at the internal rate of return.
(2) The internal rate of return is the interest rate that discounts the expected flow of payments to the balance sheet balance included in the financial statements.
(3) Of which: tradable, including bonds and subordinated notes traded on the Retzef Mosdi'im (TACT Institutional) system, in the amount of NIS 34,209 million (December 31, 2024: NIS 20,180 million), and the remaining amount not listed for trading.

B. Additional details regarding subordinated notes

In early March 2025, the Bank expanded two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series L and Series M, maturing in 2037 and 2049 respectively, subject to the Bank's right to early maturity in 2032 and 2044, respectively.

The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.16 billion.

On April 3, 2025, after receiving the approval of the Bank of Israel, the Bank repaid Subordinated Notes (Series I) in early maturity, in the amount of approximately NIS 1.2 billion.

On May 22, 2025, the Bank expanded two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series L and Series M, maturing in 2037 and 2049 respectively, subject to the Bank's right to early maturity in 2032 and 2044, respectively.

The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.15 billion.

On August 20, 2025, the Bank completed the issuance of two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series N and Series O, maturing in 2036 and 2042 respectively, subject to the Bank's right to early maturity in 2031 and 2037, respectively. The total consideration raised in the issuance of the aforesaid subordinated notes is approximately NIS 1.64 billion.

Note 20 Bonds and Subordinated Notes (continued)

NIS millions

C. Additional details regarding bonds

On March 6, 2025, the Bank completed an issuance at a volume of approximately NIS 2.03 billion of commercial securities for a period of one year. The principal of the commercial securities matures in one payment on March 9, 2026.

In March and June 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total funding volume of approximately NIS 1.75 billion.

On June 16, 2025, the Bank completed an issuance at a volume of approximately NIS 1.58 billion of Bond Series 102, not linked to an index, bearing annual interest of 4.88%, maturing in ten equal annual payments, to be paid in each of the years from 2026 to 2035.

On the same date, the Bank completed an issuance at a volume of approximately NIS 1.47 billion of Commercial Securities (Series 2) for a period of one year. The principal of the commercial securities matures in one payment on June 17, 2026.

In July 2025, partial early redemption of Credit Linked Notes (Series 1) was carried out, in the amount of approximately NIS 85 million.

On August 21, 2025, the Bank completed an issuance at a volume of approximately NIS 3.42 billion of Bond Series 204, linked to an index, bearing annual interest of 2.61%, maturing in ten equal annual payments, to be paid in each of the years from 2026 to 2035.

In August 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total funding volume of approximately NIS 1.4 billion.

On December 22, 2025, the Bank completed an issuance at a volume of approximately NIS 4.12 billion of two series of bonds: Bond Series 102, by means of expansion of a series, bearing annual interest of 4.88%, maturing in ten equal annual payments to be paid in each of the years from 2026 to 2035; and Bond Series 103, maturing in 2035, where investors have a put option exercisable beginning 183 days from the day of the issuance, with payment to occur 182 days thereafter.

On January 14, 2026, the Bank completed a private offering to institutional entities of two dollar-denominated bond series on the international market, at a volume of approximately USD 2 billion. The first series bears annual interest of approximately 4.72%, and matures in one payment in July 2029; the second series bears annual interest of approximately 5.25%, and matures in one payment in January 2033.

Note 21 Other Liabilities

NIS millions

	December 31	
	2025	2024
Deferred tax liability, net[1]	**165**	106
Current taxes – surplus current income-tax liability over advances paid	**2,022**	3,104
Prepaid income	**415**	418
Employees in respect of wages	**1,288**	1,085
Provision for severance pay, retirement compensation, and pensions[2]	**4,654**	4,773
Expenses payable	**863**	791
Creditors in respect of credit-card activity	**4,261**	3,979
Allowance for credit losses in respect of off-balance sheet credit risk	**1,189**	1,088
Liabilities in respect of activity in the Maof market[3]	**7**	11
Liability in respect of operating lease	**553**	564
Other creditors and credit balances	**2,293**	1,415
Total other liabilities	**17,710**	17,334

(1) See also Note 8.D.
(2) See also Note 22.
(3) Stated at fair value.

Note 22 Employee Benefits

The employees of the Bank include:

a. Permanent and temporary employees – Employees whose terms of employment are established in collective agreements and arrangements formulated from time to time between the Bank and the Employee Union of the Bank;

b. Employees under personal contract – Employees whose terms of employment are established in personal contracts, such that most collective agreements and arrangements do not apply to them;

c. Employees under executive personal contract – Certain employees within the senior management stratum of the Bank (including the CEO, members of the Board of Management, and other senior executives), whose terms of employment are established in personal contracts, such that the collective agreements and arrangements do not apply to them.

The main terms of employment of the employees of the Bank are described below.

A. Terms of employment of permanent and temporary employees

The Bank has a wage agreement with the Employee Union for 2023–2027.

In accordance with the rules customary at the Bank, several processes affect the cost of wages. These processes include, among other matters, promotions and changes in job descriptions; salary raises resulting from accrued seniority; and employee rank increases due to the range of ranks appropriate to a position.

The principal benefits to which the aforesaid employees of the Bank are entitled, beyond the regular salary components, are set out below.

1. Annual bonus contingent upon rate of return

Employees may be entitled to an annual bonus of up to 2.5 monthly salaries. The amount of the bonus each year depends on return on equity, and is derived from the range of returns determined by the Bank every year. Bonuses not dependent on the rate of return, or under circumstances in which the minimum rate of return established is not attained, can be granted with the approval of the Remuneration Committee and the Board of Directors.

Note 22 Employee Benefits (continued)

2. Other benefits

Employees of the Bank are entitled to additional benefits, during and after the period of their employment, primarily the following:

Vacation

Bank employees are entitled, by law and according to labor agreements, to annual vacation days. The provision is calculated based on employees' most recent salaries and the number of vacation days accumulated, with the addition of the required related expenses.

25-year service grant

Employees who began working at the Bank prior to the wage agreement signed in August 2023 are entitled to a grant in the amount of one monthly salary at the end of 25 years of employment at the Bank. This liability is calculated based on actuarial calculations, taking into account real salary gains influenced by the employee's age.

Other post-employment benefits

Employees of the Bank who retire or take early retirement are entitled to benefits for holiday gifts and participation in well-being costs. Employees who began working at the Bank prior to the wage agreement signed in August 2023 are also entitled to a grant in respect of unutilized sick days.

These liabilities are calculated based on actuarial calculations that take into account, as relevant, among other things, real salary gains influenced by employee age and mortality and disability rates.

3. Retirement compensation and pensions

General information

The pension rights of employees reaching retirement age are covered by the amounts accumulated in pension funds and in allowance-based provident funds. Employees who retire or who take early retirement are not entitled to severance pay.

Pensions for employees taking early retirement

Employees who take early retirement in an allowance-based track are entitled to a monthly bridge pension, until the date established in the retirement agreement.

The provision in the financial statements in respect of these early pensions is based on an actuarial calculation.

Early retirement of active employees

In addition to the rights described above, in its actuarial calculation of the liability in respect of employee benefits, the Bank includes a liability in respect of employees who the Board of Management of the Bank expects to take early retirement or to depart with other preferred terms.

The liability is calculated based on an actuarial calculation, taking the following into consideration, among other factors:

- A real wage increment influenced by the employee's age.
- The forecast retirement date and retirement track, taking into consideration rates of departure with enlarged severance pay and early retirement, according to the experience of the Bank and management expectations and decisions, in view of factors including the age and gender of the employee (with respect to retirement age).
- A discount rate calculated according to the yield of CPI-linked government bonds in Israel, plus a spread determined according to the directives of the Banking Supervision Department.
- A mortality and disability rate based on current mortality tables published by the Chief Actuary of the Ministry of Finance.

With regard to the intention of the Bank to transition, beginning in 2029, to an early retirement program with enlarged severance pay only, see section H below.

Note 22 Employee Benefits (continued)

B. Terms of employment of employees under personal contracts

The customary terms of remuneration for these employees usually include a basic salary, employer contributions to a pension arrangement and study fund, an annual performance-based bonus, and other benefits during the period of employment.

C. Terms of employment of employees under executive personal contracts

1. General information

On November 8, 2023, the general meeting of shareholders of the Bank approved the remuneration policy of the Bank for officers, in effect for the years 2024–2026. The remuneration policy is consistent with the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deductibility of Expenses for Tax Purposes due to Excessive Remuneration), 2016 (hereinafter: the "Remuneration Limit Law") and the ceiling established therein (the "Remuneration Ceiling"); the Companies Law; and the Directive 301A concerning remuneration policy at a banking corporation. Further thereto, the Bank adopted a general remuneration policy for its senior executives and employees (hereinafter: the "Remuneration Policy"), and a corresponding remuneration plan (the "Remuneration Plan"), as updated from time to time.

The main rights and benefits to which the employees of the Bank under executive personal contracts are entitled during the period of their employment are described below.

2. Chairperson of the Board of Directors

Ruben Krupik served as Chairperson of the Board of Directors of the Bank from June 28, 2020, to February 17, 2025, when he completed nine years of service as an external director pursuant to Proper Conduct of Banking Business Directive 301 ("301 External Director"). Since February 18, 2025, the Chairperson of the Board of Directors of the Bank is Noam Hanegbi, who has served as a 301 External Director at the Bank since October 2019.

The terms of service of the serving Chairperson of the Board of Directors were approved at the annual general meeting of the Bank held on August 21, 2025, following approval by the Remuneration Committee and the Board of Directors of the Bank, effective from the date on which Noam Hanegbi took office as chairperson (February 18, 2025). The following is a summary of the terms: the office shall be a full-time position, in respect of which the chairperson shall be entitled to annual compensation in the amount of NIS 3.43 million, linked to the consumer price index (baseline index – February 2025), with the addition of VAT in accordance with the law; the chairperson shall be entitled to reimbursement of reasonable expenses in connection with the discharge of his duties; the chairperson will continue to be covered by a directors' and officers' liability insurance policy, and holds indemnity and exemption letters as granted to officers of the Bank. The terms of service are compliant with the directives of the Remuneration Limit Law and Directive 301A regarding remuneration of the chairperson of the board of directors of a banking corporation without a controlling core, and consistent with the Remuneration Policy of the Bank. The total remuneration exceeds the amount established in Section 2(a) of the Remuneration Law, and therefore part of the proposed remuneration for the chairperson will not be permitted as an expense for tax purposes, due to the directives of the Remuneration Law.

Note 22 Employee Benefits (continued)

3. CEO of the Bank

CEO of the Bank

On November 20, 2024, the general meeting approved the terms of remuneration for the CEO of the Bank, Yadin Antebi, for the period from August 15, 2024 (the date of his entry into office), forward, following approval by the Remuneration Committee and the Board of Directors. The office of the CEO shall be a full-time position. The monthly salary of the CEO shall be in the amount of NIS 215,000, linked to the increase in the CPI from the known CPI of September 2024, with benefits including employer contributions to provident, severance pay, and pension funds; disability insurance; a study fund; and annual vacation, recuperation, and sick days. Each party is permitted to terminate the agreement with six months' advance notice. The Bank is permitted to waive the actual work of the CEO during the advance notice period, or part thereof, with no impairment of the CEO's right to the full terms of the remuneration during this period, or redemption thereof. The CEO shall be subject to a cooling and non-competition period of six months from the end date of his service/employment, unless the approval of the Board of Directors of the Bank is received for a waiver or shortening of the non-competition period. For the non-competition period, he shall be entitled to the payment of up to six monthly salaries (without employer contributions and benefits) in respect of the commitment to non-competition, to be paid at the end of the period, subject to his compliance with this commitment. The CEO may be entitled to an annual bonus of up to three monthly salaries, subject to the Remuneration Ceiling. The bonus shall consist of two components: a component of the performance of the Bank (up to one monthly salary) and a discretionary component (up to two monthly salaries). It is possible to convert part of the cash bonus (up to one monthly salary) into equity compensation via options. If the threshold return on equity conditions are not attained, the Remuneration Committee and the Board of Directors shall be permitted to approve a bonus of up to two monthly salaries for the CEO. The CEO shall be entitled to the award of options for shares of the Bank of a total economic value of NIS 500 thousand, linked to the CPI, for each year of the period of the agreement, with an exercise price, subject to a graduated vesting period of three years, and with execution terms in accordance with the Bank's option plan for its executives.

4. Members of the Board of Management

Pursuant to the Remuneration Plan, the members of the Board of Management are entitled to the following rights and benefits:

Fixed remuneration

Fixed remuneration may include the following components: monthly salary, employer contributions, and related benefits.

Variable remuneration – annual bonus and equity compensation

- The annual bonus for members of the Board of Management consists of the sum of three performance-dependent components and a component at the discretion of the CEO, from a bonus pool (with regard to the supervision and control functions – with the approval of the Remuneration Committee and the Board of Directors, at the recommendation of special committees). The average bonus ceiling for each member of the Board of Management is up to 6.5 monthly salaries and a personal ceiling of 8 monthly salaries, subject to the remuneration ceiling limit. The payment of the bonus is contingent upon the fulfillment of a threshold condition of attainment of capital-adequacy ratios, unless otherwise determined by the Board of Directors. In the event of non-attainment of the threshold condition, subject to the approval of the Remuneration Committee and the Board of Directors, a bonus pool of 1.0 monthly salaries for each member of the Board of Management can be approved, subject to a discretionary ceiling of 3 individual monthly salaries.

Note 22 Employee Benefits (continued)

- Additional terms – The remuneration plan includes additional directives relevant to the bonus, in connection with the termination of employment, the postponement and spreading of part of the payment of the bonus, and reduction or reimbursement of the bonus under certain circumstances. In addition, in accordance with the plan, variable remuneration may be capped so that it does not exceed the Remuneration Ceiling pursuant to the Remuneration Limit Law (remuneration of 35 times the salary of the lowest salary recipient). In a year in which the average annual bonus for members of the Board of Management of the Bank exceeds 3 monthly salaries, it is possible to determine that instead of the payment of part of the annual bonus, the officers shall be awarded options for the purchase of shares of the Bank of the same value, fully vested (up to 3 monthly salaries).
- Options – Members of the Board of Management may be entitled, from time to time, to participate in equity compensation plans for the award of options of a value of up to 2.5 monthly salaries per year, which vest gradually over a period of three years. For details regarding options granted to members of the Board of Management and senior executives of the Bank, see Note 23.

Early retirement arrangements

Pursuant to the Remuneration Policy, and subject to the transitional directives therein with respect to rights accrued and/or to be accrued (as detailed below), according to the agreements with the members of the Board of Management (including the CEO of the Bank) (hereinafter: the "Senior Employees"), upon the termination of employment as a result of dismissal or resignation, a Senior Employee shall be entitled to severance pay at a rate of 100% in respect of the period from the beginning of their service as a member of the Board of Management.

Pursuant to arrangements in previous employment agreements with some of the Senior Employees, it has been determined, with respect to the relevant period of such agreements, that in the event of termination at the initiative of the Bank at the end of the period of the agreement, the Senior Employee shall be entitled to severance pay at a rate of 250% in respect of the years of their tenure until the end of 2016, according to the determinant salary for that period. In addition, pursuant to the previous arrangements and subject to the fulfillment of various conditions, the Senior Employee shall be entitled to early retirement, and may choose either enlarged severance compensation at a rate of 250% of their monthly salary at the end of 2016, multiplied by the number of years of employment at the Bank up to the end of that year, and, in respect of years of work after 2016, compensation at a rate of 100% based on the last monthly salary, or a monthly pension (at the rate accrued on their behalf up to the later of the end of 2016 or the date of appointment as a member of the Board of Management, up to a maximum rate of 70% of the fixed salary to which the pension entitlement applies), to be paid from the date of early retirement, according to the entitlement pursuant to the individual agreement with them. A member of the Board of Management who reaches the age of 62 may choose to receive only a monthly allowance, or severance pay at a rate of 100%, subject to certain conditions. Some members of the Board of Management have less beneficial retirement arrangements.

General information – The remuneration of officers of the Bank may be higher than the remuneration ceiling under Section 2(a) of the Remuneration Limit Law, and the Remuneration Committee and Board of Directors of the Bank shall be permitted to approve such remuneration of an officer reporting to the CEO, without the need for additional approval by the general meeting, provided that the remuneration complies with the ceilings in the Remuneration Policy, and that the ratio of the "forecast expense" in respect of the remuneration (according to the definitions in the Remuneration Limit Law, i.e., among other matters, excluding pension and severance payments in accordance with the law) to the expense for the lowest remuneration (based on the cost of a full-time position and according to the definitions in the Remuneration Limit Law) does not exceed 35 times.

With regard to the cessation of accrual of tenure and rights in the early pension program, see Section 5.b below.

Note 22 Employee Benefits (continued)

5. Senior executives other than members of the Board of Management

The Remuneration Plan applies to the senior executives of the Bank who are not members of the Board of Management, according to principles similar to those described above in connection with the members of the Board of Management. With regard to senior executives who are not members of the Board of Management, the following will apply:

a. Annual bonus

A senior executive may be entitled to an annual bonus, not to exceed a ceiling of 7.5–9.25 monthly salaries (according to the executive's rank and position), and, with respect to control and supervision functions, not to exceed a ceiling of 7.4–8.75 monthly salaries (according to the executive's rank and position), subject to the remuneration ceiling and the ceiling according to the applicable law.

If the threshold conditions are not attained, the Remuneration Committee and the Board of Directors shall be permitted to approve a bonus of up to two monthly salaries.

b. Retirement arrangements

Some of the senior executives who are not members of the Board of Management are entitled to all of the rights accrued up to the end of the arrangements that existed in previous employment agreements with them, insofar as such agreements existed, provided that the forecast expense, as defined in the Remuneration Limit Law, does not exceed the ceiling in the law. Within the previous employment agreements and within the new employment agreements, it is possible for a senior executive to continue to accrue seniority and rights in connection with an early pension program, based on the determinant salary in the relevant previous agreement with the senior executive, insofar as such an agreement existed, provided that retirement is at the age of 55 or older. In the event of retirement in a severance-pay track, the executive may be entitled, in respect of the years of service up to the end of 2016, to severance pay of up to 250% based on the determinant salary according to the relevant previous agreement with the executive, and in respect of the years of service from 2017 forward, to severance pay of 100% based on the executive's last salary. Subject to the discretion of the CEO of the Bank and to the directives of the applicable law, severance pay can be approved for a senior executive in the amount of up to 175% of their last salary, in respect of all of the years of their employment.

The foregoing notwithstanding, senior executives who were subject to a collective agreement on April 12, 2016, and who were transferred from a collective agreement to an executive personal contract after that date, shall be entitled, under certain conditions, to participate in the retirement plans of the Bank, such as they are at that time, or they shall be entitled to severance compensation of 150% in respect of the period during which they were subject to a collective agreement, according to their most recent relevant salary for that period.

The Bank intends to promote a process of cessation of accrual of tenure and rights in the early pension program with regard to the general population of senior executives, while offering the option to convert the accrued rights into shares of the Bank or to receive the suspended rights according to the terms for entitlement to an early pension.

Note 22 Employee Benefits (continued)

NIS millions

D. Additional matters

- Within the Remuneration Policy, directives were established with regard to arrangements for the clawback of bonus amounts in the event of revision of the financial statements (pursuant to the Companies Law) and under exceptional circumstances (pursuant to the directives of the Banking Supervision Department). This includes, among other matters, the determination that damage at a rate of 3% of shareholders' equity is considered "exceptional damage," and that, with due attention to the importance accorded by the Bank to compliance with the directives of the law and with the policies and procedures of the Bank, if the criteria for clawback are met, the clawback amount shall be up to the full amount of the bonus (excluding the part deducted and paid as tax to the Tax Authority). It was also clarified that the clawback arrangements established in the Remuneration Policy shall not detract from any other remedy that may be available to the Bank under the law with respect to an officer, in the event that the Bank incurs damage.
- A framework of liability limits has been established for the acquisition of an officer liability insurance policy, a POSI (public offering of securities insurance) policy, and a run-off officer liability insurance policy (providing coverage for past activity) under circumstances of structural changes.

E. Employee benefit liabilities

	December 31	
	2025	2024
Early retirement and severance pay		
Amount of liability	**8,225**	8,011
Fair value of plan assets	**(4,370)**	(4,090)
Surplus liability over plan assets (included in other liabilities)	**3,855**	3,921
Grant for non-utilization of sick days		
Amount of liability	**334**	339
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**334**	339
25-year service grant		
Amount of liability	**28**	29
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**28**	29
Other benefits at end of employment and post-employment		
Amount of liability	**492**	527
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**492**	527
Total		
Surplus liabilities in respect of employee benefits over plan assets included in the item "other liabilities"*	**4,709**	4,816
* Of which: in respect of benefits for employees outside Israel	**(25)**	(26)

Note 22 Employee Benefits (continued)

NIS millions

F. Post-retirement benefit plan

1. Commitments and financing status

a. Net change in commitment in respect of forecast benefit*,**

	For the year ended December 31	
	2025	2024
Net commitment in respect of forecast benefit at beginning of period	**4,787**	4,343
Service cost	**115**	118
Interest cost	**184**	164
Actuarial loss (profit)	**(57)**	(65)
Changes in foreign-currency exchange rates	**-**	-
Benefits paid	**(348)**	(370)
Curtailments and discharges	**-**	597
Net commitment in respect of forecast benefit at end of period	**4,681**	4,787
Net commitment in respect of cumulative benefit at end of period	**4,440**	4,509

* Includes post-retirement benefits, including a grant for unutilized days of sick leave paid at retirement.
** The amounts presented are net of plan assets. For further details, see Section d below.

b. Amounts recognized in the consolidated balance sheet

	December 31	
	2025	2024
Early retirement and severance pay		
Amounts recognized in the item "other liabilities"	**4,681**	4,787

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

	December 31	
	2025	2024
Net actuarial loss	**1,312**	1,474
Closing balance in accumulated other comprehensive income	**1,312**	1,474

d. Plans in which the commitment in respect of the cumulative and forecast benefit exceeds the plan assets

	December 31	
	2025	2024
Commitment in respect of forecast benefit	**9,051**	8,877
Commitment in respect of cumulative benefit	**8,810**	8,599
Fair value of plan assets	**(4,370)**	(4,090)

Note 22 Employee Benefits (continued)

F. Post-retirement benefit plan (continued)

2. Expense for the period

a. Components of net benefit cost recognized in profit and loss

	For the year ended December 31		
	2025	2024	2023
	NIS millions		
Service cost	**115**	118	133
Interest cost	**184**	164	152
Subtraction of unrecognized amounts:			
Net actuarial loss (profit)	**105**	108	127
Total subtraction of unrecognized amounts	**105**	108	127
Curtailments and discharges	**-**	597	-
Net total benefit cost	**404**	987	412

b. Changes in plan assets and in benefit commitments recognized in other comprehensive income (loss), before tax effect

	For the year ended December 31		
	2025	2024	2023
	NIS millions		
Net actuarial loss (profit) for the period	**(57)**	(65)	(68)
Subtraction of actuarial profit (loss)	**(105)**	(108)	(127)
Changes in foreign-currency exchange rates	**-**	-	1
Total recognized in other comprehensive loss (income)	**(162)**	(173)	(194)
Net total benefit cost	**404**	987	412
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**242**	814	218

3. Assumptions*

a. Assumptions based on a weighted average used to determine the commitment in respect of the benefit and to measure the net cost of the benefit

1. Principal assumptions used to determine the commitment in respect of the benefit

	December 31	
	2025	2024
Capitalization rate	**2.38%**	2.37%
Rate of increase in remuneration[1]	**1.1%-8.2%**	1.1%-8.2%

* The assumptions refer to the stand-alone data of the Bank.

(1) The rate of increase in remuneration is influenced by several processes leading to an increase in the cost of wages. These processes include promotions and changes in job descriptions, seniority, and rank.

Departure rates vary by age and gender, and reflect a weighted departure rate of approximately 8.6% per annum.

Note 22 Employee Benefits (continued)

F. Post-retirement benefit plan (continued)

3. Assumptions* (continued)

a. Assumptions based on a weighted average used to determine the commitment in respect of the benefit and to measure the net cost of the benefit (continued)

2. Principal assumptions used to measure net benefit cost for the period

	For the three months ended December 31		For the three months ended September 30		For the three months ended June 30		For the three months ended March 31	
	2025	2024	2025	2024	2025	2024	2025	2024
Capitalization rate	**2.53%**	2.60%	2.48%	2.78%	2.59%	2.15%	2.37%	2.06%
Rate of increase in remuneration[(1)]	**1.1%-8.2%**	1.1%-8.2%	1.1%-8.2%	1.1%-8.2%	1.1%-8.2%	1.1%-8.2%	1.1%-8.2%	1.1%-8.2%

* The assumptions refer to the stand-alone data of the Bank.

(1) The rate of increase in remuneration is influenced by several processes leading to an increase in the cost of wages. These processes include promotions and changes in job descriptions, seniority, and rank.

b. Effect of a one-percentage-point change on the commitment in respect of the forecast benefit, before tax effect

	December 31		December 31	
	2025	2024	**2025**	2024
	Increase of one percentage point		Decrease of one percentage point	
	NIS millions			
Capitalization rate	**(307)**	(330)	**359**	392
Departure rate	**242**	250	**(258)**	(267)
Rate of increase in remuneration	**215**	252	**(185)**	(210)

4. Plan assets

The Bank's liability for employee benefits is calculated based on an actuarial calculation. Among other factors, this calculation takes into account the probability of early retirement with beneficial terms, in each of the relevant tracks (enlarged severance pay or early retirement); the amounts of the liability at retirement; and the value of amounts funded at that date. In addition, in light of the existing labor agreements at the Bank and the nature of the retirement agreements at the Bank, the Bank's exposure to (positive or negative) changes in the value of amounts funded is limited. The Bank's liability for severance pay to its employees is primarily covered by amounts funded, deposited in severance-pay funds in the employees' names.

Balances of the liability for severance pay and amounts funded for severance pay:

	December 31	
	2025	2024
	NIS millions	
Liability for severance pay	**4,185**	3,888
Amounts funded for severance pay	**(4,171)**	(3,860)
Net liability	**14**	28

Note 22 Employee Benefits (continued)

NIS millions

G. Cash flows

1. Deposits

	Forecast	Actual deposits	
		For the year ended December 31	
	2026*	**2025**	2024
Deposits	**149**	**149**	145

* Estimated deposits which the Bank expects to pay into pension plans for a defined benefit during 2026.

2. Benefits the Bank expects to pay in the future

Year	
2026	392
2027	382
2028	375
2029	341
2030–2034	1,630
2035 forward	2,705
Total	5,825

H. Efficiency plan

From time to time, the Bank carries out efficiency plans within which, when the desires of both parties align, employees who meet the conditions established in the plan take early retirement with preferred terms. The Bank reflects employee retirement costs, according to management expectations, in its actuarial assumptions in connection with early retirement.

On December 29, 2024, the Bank approved an efficiency plan based on voluntary retirement for 2025–2028. The plan is based on the goals of the Bank's strategic plan, focused on improving operational efficiency and operating models, as part of the preparations of the Bank for the changes underway in the banking industry.

Implementation of the efficiency plan is expected to lead to a net cumulative decrease of approximately 770 employee positions in the Bank's headcount over the years of the plan, with due attention to staffing, support, and replacement needs in the focus areas of its business.

Permanent employees who take early retirement will be offered benefits in the form of an early pension or increased severance pay, depending on their age and seniority. The pace of retirement in practice will support the realization of the Bank's strategic plan and will be aligned with the progress of its various components.

Due to the update of the actuarial forecast for employee retirement, there was a nonrecurring increase in the actuarial liabilities in the annual financial statements of the Bank for 2024 in the amount of approximately NIS 600 million before tax (approximately NIS 400 million after tax), recorded to profit and loss in the financial statements for 2024.

Further to the decision of the Bank to transition to early retirement with an enlarged severance pay program only, instead of the option to choose an early pension, in February 2026 the Bank approved a new retirement model (with respect to permanent employees under the collective agreement). The new model will take effect at the earlier of the end of the current efficiency plan or January 1, 2029, and will apply to employees aged 53 or older with a tenure of more than 20 years. According to the model, it was determined that if mutual agreement is achieved between the parties, employees shall be entitled to retire under an enlarged severance pay program in which they receive a one-time grant incorporating all of the rights in the early retirement, based on the employee's age and tenure.

Note 22 Employee Benefits (continued)

The transition to the new model is being accompanied by the establishment of terms designated for the population of employees with significant age and tenure, including increased severance pay at a rate of 170%–180%, to ensure a fair and balanced transition process aligned with the needs of the employees and the policies of the Bank. This process is aimed at supporting human-resource management at the Bank and adapting the remuneration system to the evolving needs and conditions in the economy. The actuarial liability in respect of early retirement was calculated according to the existing conditions as at December 31, 2025.

I. Labor dispute

On September 2, 2025, the Histadrut New General Federation of Labor in Israel – Maof Labor Federation (the "Histadrut") declared and approved a labor dispute at the Bank, including the announcement of a strike or shutdown. The disputed matters include, among others, the implementation of organizational changes at the Bank, including employee mobility, a decision regarding an efficiency plan, and issues pertaining to outsourcing and its regulation in the collective agreement. During September and October 2025, the employee union representing the employees employed under the collective agreement took various industrial actions and held a number of strikes of several hours, up to a full day. On October 22, 2025, the Board of Management of the Bank and the employee union agreed to the suspension of the strike and industrial actions, and of the consequent wage reductions, until November 15, 2025, for the purpose of negotiations. At the date of publication of the financial statements, negotiations between the parties are ongoing. The Bank has included provisions in connection with the aforesaid labor dispute in salary expenses. In addition, a proceeding is underway between the parties at the Regional Labor Tribunal, initiated by the Histadrut and the employee union, with regard to the payment of the annual bonus to employees of the Bank in respect of 2025. Recently, the employee union has also raised contentions on additional matters.

Note 23 Share-Based Payment Transactions

Award of options for shares of the Bank

Within the current remuneration policy of the Bank for 2024–2026 for members of the Board of Management and senior executives, on May 21, 2024, 6,814,212 options exercisable into shares of the Bank, at an original exercise price of NIS 33.9 (approximately NIS 29.81 after dividend adjustments as at December 31, 2025), vesting gradually over a period of three years, were awarded (of which, up to December 31, 2025, 925,924 options expired due to the departure of employees). The exercise price was determined based on the higher of the average closing price of the Bank's share on the stock exchange in the 30 trading days preceding the date of the award and the share price at that time plus 3%. The options include a profit ceiling mechanism, according to which the exercise of the options is executed immediately if the share price reaches a profit ceiling of 50% of the exercise price (approximately NIS 46.76 after dividend adjustments as at December 31, 2025), provided that the vesting period, or the required period of holding by a trustee for eligibility for taxation in a capital-gains track (whichever is later), has ended. The total value of the options awarded (with the deduction of options expired, as noted, due to employee departures) was calculated based on a binomial model for option pricing (which is consistent with the Black & Scholes formula), taking into consideration the estimates and parameters known at the date of the award, and amounts to approximately NIS 41.4 million, to be recognized over a straight line in the years 2024–2026.

As part of the remuneration plan for members of management and senior executives, and within the implementation of the employment agreements with them, 805,111 options exercisable into ordinary shares of the Bank (into approximately 0.06% of the issued and paid-up capital of the Bank at the date of the allotment, if exercised in full) were allotted to them, on April 3, 2025, at an exercise price of NIS 51.71 (approximately NIS 49.36 after dividend adjustments as at December 31, 2025), following approval by the Board of Directors on March 30, 2025. Some of the options are in respect of the conversion of part of the annual bonus of the CEO and the members of the Board of Management for 2024 into options vested at the date of the award ("Bonus Options"), while some ("Additional Options") are in respect of the implementation of individual employment agreements. The total allotted within the award was: to the CEO of the Bank – 40,743 Bonus Options and 74,746 Additional Options; to the members of the Board of Management – 244,721 Bonus Options and 444,901 Additional Options for members of the Board of Management and senior executives, of which 26,586 options expired due to departure of employees up to December 31, 2025. The options were allotted according to an outline released by the Bank on April 8, 2025, and a private offering report of March 30, 2025, at the terms specified therein. The options include a profit ceiling mechanism, according to which the exercise of the options is executed immediately if the share price reaches a profit ceiling of 50% of the exercise price (a profit ceiling of 40% has been established with respect to Bonus Options). The total value of the options awarded (with the deduction of options expired, as noted, due to employee departures) was calculated based on a binomial model for option pricing (which is consistent with the Black & Scholes formula), taking into consideration the estimates and parameters known at the date of the award, and amounts to a total of approximately NIS 5.3 million with respect to the Additional Options, to be recognized over a straight line in the vesting period, and a total of approximately NIS 2.5 million with respect to the Bonus Options (an expense recorded in respect of 2025 without spreading).

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity

A. Share capital

	December 31			
	2025	2024	**2025**	2024
	Registered		Issued and paid-up*	
	Amount in NIS			
Ordinary shares of NIS 1 par value	**4,000,000,000**	4,000,000,000	**1,313,444,868**	1,325,703,081

* Issued capital after the deduction of 24,237,442 ordinary shares (December 31, 2024: 11,979,229 ordinary shares) purchased by the Bank, as detailed below. The shares are registered for trading on the Tel Aviv Stock Exchange.

B. Profit distribution

Dividend distribution by the Bank is subject to tests and limits set forth in the Companies Law and in the directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 331.Any distribution and the rate thereof are subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account the directives of all laws, any constraints on distribution, and business considerations, including the strategy of the Bank.

The updated dividend distribution policy of the Bank, which was approved by the Board of Directors at the date of approval of the financial statements for the second quarter of 2025, is distribution each quarter (with the possibility of a supplementary dividend in subsequent periods) at a rate of up to 50% of net profit (instead of 40% prior to the update). This policy does not constitute a commitment by the Bank to dividend distribution or to the rate thereof, and any distribution in practice shall be in accordance with a specific approval by the Board of Directors to carry out the distribution, according to its judgment and subject to compliance with the directives of the law and the conditions for the execution of the distribution, including the directives of the Companies Law and the directives and guidelines of the Bank of Israel. The actual dividend distribution rate may be affected by the extent of buybacks of shares of the Bank, if and inasmuch as carried out concurrently.

At the date of approval of the report, taking into consideration the capital surpluses of the Bank in relation to the capital requirements, the Board of Directors approved a total distribution of approximately NIS 1,239 million (50% of the profits of the fourth quarter of 2025, plus NIS 200 million from existing capital surpluses), of which a total of NIS 991 million to be paid as dividends on March 23, 2026, and a total of NIS 248 million within Stage B of a buyback plan for shares of the Bank, approved in November 2025. For details regarding this buyback plan, and the previous buyback plan completed in July 2025, see below.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

The following are details regarding overall distribution, dividends paid/to be paid, and buybacks of shares:

Cash dividend					Buyback of shares	Percentage of buyback of shares*	Total amount distributed	Overall distribution rate*
Date of declaration	Date of payment	Dividend per share	Total dividend	Dividend distribution rate*				
		Agorot	NIS millions		NIS millions		NIS millions	
March 5, 2026	March 23, 2026	75.465	991	48%	248	12%	1,239	60%
November 20, 2025	December 8, 2025	83.809	1,103	40%	276	10%	1,379	50%
August 13, 2025	August 31, 2025	96.594	1,271	50%	-	-	1,271	50%
May 19, 2025	June 3, 2025	54.563	720	30%	250	10%	970	40%
March 3, 2025	March 20, 2025	28.092	372	24%	250	16%	622	40%
November 18, 2024	December 11, 2024	38.513	512	27%	250	13%	762	40%
August 14, 2024	September 9, 2024	48.302	645	29%	250	11%	895	40%
May 20, 2024	June 10, 2024	57.936	775	40%			775	40%
March 7, 2024	April 8, 2024	26.322	352	20%			352	20%
November 16, 2023	December 6, 2023	24.976	334	20%			334	20%
August 14, 2023	September 6, 2023	57.505	769	40%			769	40%
May 22, 2023	June 14, 2023	60.048	803	40%			803	40%
March 8, 2023	March 30, 2023	39.272	525	30%			525	30%

* The percentages of the distribution/acquisition are based on the profits of the quarter preceding the distribution date, approximated as a whole percentage.

C. Bank shares buyback plan

August 2024 buyback plan: On August 12, 2024, the Board of Directors of the Bank (after receiving the approval of the Banking Supervision Department) approved a plan for a buyback of shares of the Bank, at a volume not to exceed NIS 1 billion, from August 15, 2024, until August 5, 2025, or until the full amount of the plan is acquired, whichever is earlier. The buyback plan was completed in full on July 8, 2025, as detailed below. The buyback plan was carried out within exchange trading through an external and independent stock-exchange member acting in accordance with the safe-harbor protection mechanism published by the Israel Securities Authority. The buyback plan was executed in four separate stages, each of which, after the decision to execute it was made by the Board of Directors, was irrevocable, in accordance with the terms of the safe-harbor mechanism.

The buyback plan was approved on August 12, 2024, and the Bank has performed all four stages. Within the buyback plan as a whole, the Bank purchased (through an independent stock-exchange member) a cumulative 21,865,034 ordinary shares of the Bank, constituting approximately 1.63% of the issued and paid-up capital of the Bank, at a total cost of approximately NIS 1 billion.

November 2025 buyback plan: On November 19, 2025, the Board of Directors of the Bank approved a new plan for a buyback of shares of the Bank at a volume not to exceed NIS 1 billion, from November 23, 2025, until November 5, 2026, or until the full amount of the plan is acquired, whichever is earlier.

The buyback plan will be carried out within exchange trading and/or in off-exchange transactions through an external and independent stock-exchange member acting in accordance with the safe-harbor protection mechanism published by the Israel Securities Authority. The buyback plan will be executed in four separate stages, each of which, if decided to be executed and approved by the Board of Directors, will be irrevocable, in accordance with the terms of the safe-harbor mechanism, as detailed below.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

Within the execution of Stage A, which began on November 23, 2025, and was completed on January 5, 2025, the Bank acquired a cumulative 3,743,579 ordinary shares of the Bank, constituting approximately 0.28% of the issued and paid-up capital, at a total cost of NIS 276 million (20% of the amount of the regular distribution for the quarter approved by the Board of Directors at the date of approval of the financial statements for the third quarter of 2025). At the date of approval of these financial statements, the Board of Directors approved the launch of execution of Stage B of the buyback plan, and the Bank gave the independent stock-exchange member an irrevocable instruction to begin the execution of Stage B. Stage B will begin when one trading day has elapsed from the publication of the annual financial statements for 2025, and end on the earlier of May 5, 2026, or upon completion of the acquisition of shares of the Bank at a volume of NIS 248 million (20% of the total amount of the regular distribution approved by the Board of Directors at the date of approval of the financial statements).

Following the conclusion of Stage B, if the Board of Directors of the Bank decides to execute Stage C of the plan, the Bank will give the stock-exchange member an irrevocable instruction to begin the execution of Stage C. In that event, Stage C will begin when one trading day has elapsed from the publication of the financial statements of the Bank for the first quarter of 2026, and end on the earlier of August 2, 2026, or upon completion of the acquisition of shares of the Bank at a volume not to exceed 20% of the total amount of the regular distribution approved by the Board of Directors for that quarter. Following the conclusion of Stage C, if the Board of Directors of the Bank decides to execute Stage D of the plan, the Bank will give the stock-exchange member an irrevocable instruction to begin the execution of Stage D. In that event, Stage D will begin when one trading day has elapsed from the publication of the financial statements of the Bank for the second quarter of 2026, and end on the earlier of November 5, 2026, or upon completion of the acquisition of shares of the Bank at a volume not to exceed the lower of 20% of the total amount of the regular distribution approved by the Board of Directors for that quarter, or a total equal to NIS 1 billion, net of the volume of acquisitions executed in Stages A, B, and C. The approval of the Banking Supervision Department for the execution of the buyback plan, as required pursuant to Proper Conduct of Banking Business Directive 332, was received on November 17, 2025, subject to the volume of the distribution (buybacks and cash dividends) in each of the quarters being established with due attention to the geopolitical conditions and the position of the Banking Supervision Department with regard thereto, the financial position of the Bank, the actual capital ratios of the Bank, and the capital buffers required under various scenarios. The approval is also subject to the approval of the buyback plan by the Board of Directors of the Bank (approved, as noted, on November 19, 2025), subject to compliance with the limits and terms specified in the buyback plan, and subject to compliance with all laws. Note that each of the stages of the plan is subject to separate and independent approval by the Bank, at the discretion of the Board of Directors of the Bank. Among other considerations, prior to approving each stage of the plan the Board of Directors shall also examine the common equity Tier 1 capital ratio in the most recent statements published/to be published, and shall not approve the launch of the next stage of the plan if the aforesaid ratio does not reflect safety margins in relation to the internal capital target (11%).

In approving the buyback plan, the Board of Directors also took the following factors into consideration, among other matters: the robust financial condition of the Bank in relation to the various capital requirements, and its significant capital surpluses; and investors' preferences with regard to dividend distribution, buybacks, and the combination thereof, all with due attention to the guidelines of the Banking Supervision Department concerning the overall distribution rate, in view of the geopolitical circumstances. The Board of Directors also intends to consider these factors when the following stages of the plan and the volume thereof are presented for discussion.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

D. Issuance of shares to customers

Within the Gift Shares program, which was included in the shelf offering report released on August 24, 2025, the Bank offered eligible customers of the Bank (existing customers and new customers joining the Bank, as detailed in the shelf offering report) up to 3 million ordinary shares of the Bank of par value NIS 1, by providing a choice of either two ordinary shares of the Bank for every eligible account (the "Gift Shares") or a one-time monetary grant in the amount of NIS 100. Customers were given the option to select one of these choices by September 9, 2025. 287,960 eligible accounts opted to receive the Gift Shares; on September 19, 2025, a total of 575,920 ordinary shares were transferred to these eligible accounts. In accordance with the statements in the shelf offering report, the Bank received no cash consideration, and the cost of the shares was determined according to the closing price on the stock exchange on September 17, 2025 (NIS 61.84 per share).

Within the Gift Shares 2.0 program, through a shelf offering report released on November 26, 2025, the Bank offered eligible customers of the Bank (existing customers and new customers joining the Bank), as detailed in the shelf offering report, up to NIS 3 million ordinary shares of the Bank of par value NIS 1, by providing a choice of either two ordinary shares for every eligible account or a one-time monetary grant in the amount of NIS 125. Customers were given the option to select one of these choices by December 14, 2025. 274,336 eligible accounts opted to receive the Gift Shares; on December 19, 2025, a total of 548,672 ordinary shares were transferred to these eligible accounts. In accordance with the statements in the shelf offering report, the Bank received no cash consideration, and the cost of the shares was determined according to the closing price on the stock exchange on December 17, 2025 (NIS 75.35 per share).

E. Capital adequacy in consolidated data

	December 31, 2025	December 31, 2024
	NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions		
Common equity Tier 1 capital	**64,605**	58,165
Tier 1 capital	**64,605**	58,165
Tier 2 capital	**17,727**	14,627
Total overall capital	**82,332**	72,792
2. Weighted balances of risk-adjusted assets		
Credit risk	**497,698**	454,175
Market risks	**4,656**	4,407
Operational risk	**36,876**	34,181
Total weighted balances of risk-adjusted assets	**539,230**	492,763
	%	
3. Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components	**11.98%**	11.80%
Ratio of Tier 1 capital to risk components	**11.98%**	11.80%
Ratio of total capital to risk components	**15.27%**	14.77%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department[(1)]	**10.23%**	10.23%
Minimum total capital ratio required by the Banking Supervision Department[(1)]	**13.50%**	13.50%

(1) The minimum common equity Tier 1 capital ratio and the minimum total capital ratio are 10.0% and 13.5%, respectively (see Section H below). A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

F. Capital components for the calculation of the capital ratio

	December 31, 2025	December 31, 2024
	NIS millions	
Common equity Tier 1 capital		
Total capital	**64,677**	58,150
Differences between total capital and common equity Tier 1 capital	**-**	-
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**64,677**	58,150
Supervisory adjustments and deductions:		
Deferred tax assets	**(5)**	(7)
Other supervisory adjustments and deductions – common equity Tier 1 capital	**(67)**	(69)
Total supervisory adjustments and deductions, before efficiency plan adjustments and before adjustments for estimated credit losses – common equity Tier 1 capital	**(72)**	(76)
Total efficiency plan adjustments – common equity Tier 1 capital*	**-**	-
Total adjustments for estimated credit losses – common equity Tier 1 capital**	**-**	91
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**64,605**	58,165
Total Tier 1 capital, after supervisory adjustments and deductions	**64,605**	58,165
Tier 2 capital		
Tier 2 capital – instruments, before deductions	**11,690**	9,175
Tier 2 capital – allowance for credit losses, before deductions	**6,250**	5,698
Tier 2 capital – deductions:		
Investments in capital of financial corporations – Tier 2 capital	**213**	246
Total Tier 2 capital	**17,727**	14,627
Total overall capital	**82,332**	72,792

* Previous periods include adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department, recorded in equal parts over five years from inception.

** Previous periods include adjustments in respect of current expected credit losses, in accordance with the directives of the Banking Supervision Department, which decrease gradually up to January 1, 2025.

G. Effect of adjustments on the common equity Tier 1 capital ratio

	December 31, 2025	December 31, 2024
	%	
Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components before the effect of the adjustments	**11.98%**	11.78%
Effect of adjustments for current expected credit losses*	**0.00%**	0.02%
Ratio of common equity Tier 1 capital to risk components	**11.98%**	11.80%

* Previous periods include adjustments in respect of current expected credit losses, in accordance with the directives of the Banking Supervision Department, which decrease gradually up to January 1, 2025.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

H. Capital components and risk-adjusted assets subject to volatility

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Banking Supervision Department. The capital of the Bank and the volume of risk-adjusted assets are subject to changes, due to the following factors, among others:

- Effects of changes in the interest rate on capital reserves from bonds available for sale.
- Effects of changes in the CPI and in exchange rates on asset balances.
- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions.

Scale of effect of a decrease in capital and an increase in risk-adjusted assets on the common equity Tier 1 capital ratio as at December 31, 2025

	Effect of a decrease of NIS 100 million in common equity Tier 1 capital	Effect of an increase of NIS 1 billion in total risk-adjusted assets
	%	
Common equity Tier 1 capital ratio	**(0.02%)**	**(0.02%)**

I. Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief has been granted. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at December 31, 2025, stand at 10.23% and 13.50%, respectively.

In order to comply with the capital-adequacy target and manage capital effectively, capital planning is performed at the Bank based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins. Various sensitivity tests are applied within the planning of capital and capital ratios. The Bank also routinely monitors actual results as compared to planning, and the gaps between results and planning, and, as necessary, examines the actions needed in order to comply with the established capital targets. As part of the establishment of the internal capital targets of the Bank, as detailed below, the policy of the Bank is to maintain capital adequacy at a level higher than the minimum ratio required by the Banking Supervision Department, and not lower than the level of capital adequacy required to cover the risks as assessed in the Internal Capital Adequacy Assessment Process (ICAAP). Within the ICAAP, the Bank examines the effect of stress scenarios on capital-adequacy ratios; accordingly, plans are in place for preparedness to return to regulatory capital adequacy in the case of such a stress event. The results of the process indicated that the Bank's capital targets (even prior to the update noted below) are higher than required to cover the risks.

The common equity Tier 1 capital target takes into consideration the outcomes of discussions held with the Banking Supervision Department regarding the specific risk attributes of the Bank, within the most recent supervisory review and evaluation process (SREP) performed, and the uncertainty in relation to geopolitical conditions.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

Taking the foregoing into consideration, on November 19, 2025, the Board of Directors updated the internal target for the common equity Tier 1 capital ratio to a rate of no less than 11.0% (instead of 10.5% prior to the update).

J. Effect of the downgrade of the rating of the State of Israel

Capital requirements in respect of the exposures of the Bank to the government of Israel, Israeli banks, institutional entities, and public-sector entities are derived from the rating of the State of Israel. The Bank uses S&P as a single rater for country ratings for the purposes of capital-adequacy measurement. As at December 31, 2025, the rating of the State of Israel by S&P is A. Rating downgrades of the State of Israel by S&P, if any, would have a direct effect on the capital-adequacy ratios of the Bank only if the rating falls to BBB+ or lower (i.e. a downgrade of two notches relative to the current level of A). If such a rating downgrade occurs, it may lead, as at December 31, 2025, to a direct negative impact of 0.35% and 0.45% on the common equity Tier 1 capital ratio and the total capital ratio, respectively.

K. Issuance of credit-linked notes

During March and June 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total volume of approximately NIS 1.75 billion.

In August 2025, the Bank entered into transactions of credit-linked notes (CLN) at a total volume of approximately NIS 1.4 billion.

The aforesaid notes are recognized as eligible financial collateral in accordance with Proper Conduct of Banking Business Directive 203, and as deductible collateral in the calculation of customer indebtedness under Proper Conduct of Banking Business Directive 313 and in the calculation of sectoral indebtedness under Proper Conduct of Banking Business Directive 315.

L. Update of Proper Conduct of Banking Business Directives 203 and 329 – credit risk assessment in residential construction projects

On April 6, 2025, the Banking Supervision Department issued a circular updating the Proper Conduct of Banking Business Directives, as detailed below, in light of an increase in credit risk in the construction and real-estate industry and the housing market, due, among other factors, to a significant increase in sales of homes within various promotional campaigns by developers. The requirements of the circular are in effect as of the date of its publication. The updates to the directives will be in effect until December 31, 2026. Pursuant to the circular, credit within a residential construction project finance agreement shall be risk weighted at 150% if the percentage of apartment sale contracts with non-linear payment where more than 40% of the consideration of the sale in the purchasing agreement is deferred to the delivery date is greater than 25%. Transitional directives were established with respect to existing projects. In addition, Directive 329, "Limits on Housing Loans," was updated. Pursuant to the update, a section was added stating that the percentage of loans executed in respect of bullet and balloon loans subsidized by contractors cannot exceed 10% of total loans executed in respect of housing loans in a calendar quarter. The implementation of this directive had no material effect on the capital ratio.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

M. Update of Proper Conduct of Banking Business Directive 206 – Capital Measurement and Adequacy – Operational Risk

On June 19, 2024, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 206, "Capital Measurement and Adequacy – Operational Risk." The directive establishes an updated definition for the calculation of the capital allocation in respect of operational risk, such that it is based, among other things, on components of the business indicator and on an internal loss multiplier based on the average historical losses of the banking corporation. The directive is implemented as of January 1, 2026, with the exception of the implementation of the internal loss multiplier (ILM) approach, which will take effect later, as shall be determined by the Bank of Israel. The component in effect as of January 1, 2026, has no material effect on the capital-adequacy ratio, and the Bank is in the process of preparing for implementation of the internal loss multiplier approach.

N. Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations. The leverage ratio is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202. The total exposure is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

In November 2020, the Banking Supervision Department issued a circular, as a temporary order, updating Proper Conduct of Banking Business Directive 250 concerning the leverage ratio. Banking corporations must maintain a leverage ratio of no less than 4.5% on a consolidated basis. Banking corporations whose total balance sheet assets on a consolidated basis constitute 24% or more of the total balance sheet assets in the banking system (the Bank is such a banking corporation) must maintain a leverage ratio of no less than 5.5% (instead of 6.0% prior to the relief).

On September 14, 2025, the relief was extended until June 30, 2027, and it was clarified that the rate of the leverage ratio shall not fall below the rate on December 31, 2026, or the rate of the leverage ratio required of the banking corporation, whichever is lower.

	December 31, 2025	December 31, 2024
	NIS millions	
a. Consolidated data		
Tier 1 capital	**64,605**	58,165
Total exposures	**858,555**	810,835
	%	
Leverage ratio	**7.52%**	7.17%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**6.00%**	6.00%

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

	Effect of a decrease of NIS 100 million in Tier 1 capital	Effect of an increase of NIS 1 billion in total exposures
	%	
b. Effects on the leverage ratio as at December 31, 2025		
Leverage ratio	**(0.01%)**	**(0.01%)**

O. Liquidity coverage ratio (LCR)

The Bank calculates its stand-alone and consolidated liquidity ratios daily, with a division into NIS and foreign currency, and monitors this ratio at its subsidiaries (which are required to comply with internal liquidity limits adapted to the nature of their activity). These ratios are reported as an average of the daily observations. The number of observations used to calculate the averages in the reported quarter is 61.

	For the three months ended December 31, 2025	For the three months ended December 31, 2024
	%	
a. Consolidated data		
Liquidity coverage ratio	**130%**	131%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%
b. Bank data		
Liquidity coverage ratio	**130%**	131%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%

P. Net stable financing ratio (NSFR)

The Bank applies Proper Conduct of Banking Business Directive 222, "Net Stable Financing Ratio (NSFR)," which adopts the recommendations of the Basel Committee with regard to the net stable financing ratio in the banking system in Israel. Pursuant to the directive, the purpose of the net stable financing ratio is to improve the resilience of the liquidity risk profile of the banking corporations in the long term. The net stable financing ratio consists of two components: available stable financing items (the numerator) and required stable financing items (the denominator). "Available stable financing" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding is a function of the liquidity characteristics and residual maturities of the various assets held by the corporation, as well as those of its off-balance sheet exposures.

	December 31, 2025	December 31, 2024
	%	
Consolidated data		
Net stable financing ratio	**116%**	125%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

Note 25 Contingent Liabilities and Special Commitments

NIS millions

A. Off-balance sheet commitment in respect of activity, based on extent of collection[1] at year end

	December 31	
	2025	2024
Credit balance from deposits based on extent of collection[2]		
Israeli currency unlinked	**9**	7
Israeli currency linked to the CPI	**830**	859
Foreign currency	**-**	-
Total	**839**	866

(1) Credit and deposits from deposits the repayment of which to the depositor is contingent on the collection of the credit (or deposits), with a margin or collection fee (instead of a margin).
(2) Standing loans and government deposits granted in respect thereof, in the amount of NIS 276 million (2024: NIS 300 million), were not included in this table.

Flows in respect of collection fees and interest margins in respect of this activity, based on extent of collection[1]

	December 31, 2025							December 31, 2024
	Up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years up to 10 years	Over 10 years up to 20 years	Over 20 years	Total	Total
CPI-linked segment[2]								
Future contractual flows	**2**	**2**	**2**	**4**	**4**	**1**	**15**	16
Expected future cash flows after management estimate of prepayments	**2**	**3**	**2**	**2**	**2**	**-**	**11**	12
Capitalized expected cash flows after management estimate of prepayments[3]	**2**	**3**	**2**	**2**	**1**	**-**	**10**	10

Information on loans granted during the year at mortgage banks:

	December 31	
	2025	2024
Loans from deposits, based on extent of collection	**77**	79
Standing loans	**29**	29

(1) Credit and deposits from deposits the repayment of which to the depositor is contingent on the collection of the credit (or deposits), with a margin or collection fee (instead of a margin).
(2) Including the foreign-currency segment.
(3) The capitalization rate was 1.97% (2024: 2.09%).

Note 25 Contingent Liabilities and Special Commitments (continued)

NIS millions

B. Contingent liabilities and other special commitments

	December 31	
	2025	2024
1. Commitment to purchase securities	**1,184**	1,303
2. Construction and acquisition of buildings and equipment	**600**	845

3. All of the directors and officers serving at the Bank (as well as past directors and officers) have letters of indemnity, pursuant to which the Bank undertakes a commitment to indemnify the officers, among other matters, for monetary indebtedness imposed upon them in connection with specified events (up to a cumulative indemnity amount for all officers of 25% of the shareholders' equity of the Bank, according to its most recent known financial statements before the actual indemnity payment), and to indemnify them for reasonable litigation expenses, including attorneys' fees, in various proceedings (including administrative proceedings), all as specified in the letter of indemnity and in accordance with the directives thereof. In November 2023, the general meeting approved granting updated letters of indemnity to the currently serving directors and officers and to those who may serve from time to time, and updated letters of indemnity were issued to all of the serving directors and officers. The principal amendments to the language of the letter of indemnity include updates of the list of events that, in the opinion of the Board of Directors, are expected in light of the activity of the Bank in practice when the commitment to indemnify is granted, which are listed in the addendum to the letter of indemnity, taking into consideration, among other matters, the changes in legislation and in the activity of the Bank; in addition, definitions and references were expanded in connection with indemnity in respect of administrative enforcement procedures permitted under the law, and other administrative enforcement/investigation procedures, expenses or payments related to which can be indemnified pursuant to the law. The Bank's commitment pursuant to the letters of indemnity will also apply to events that occurred prior to the issuance and renewal of the letters. The letters of indemnity, in the version prior to the aforesaid update, were approved by the general meeting of the Bank in January 2012 and in February 2016. In 2025, the Bank bore litigation costs of past and present officers (attorneys' fees for derivative proceedings in connection with the tax affair; see Note 25.D below), in negligible amounts. Occasionally, the Bank, with the approval of the Board of Directors, undertakes a commitment to indemnify certain employees who are not officers of the Bank, under special circumstances (such as in connection with their service as directors at an affiliate of the Bank, or in connection with their role at the Bank). Such letters of indemnity are sometimes limited to an indemnity ceiling (separate from the indemnity ceiling of the officers, as noted) of up to 10% of the shareholders' equity of the Bank. Such letters of indemnity are held by several present and past employees and office holders.

4. The Bank has undertaken a commitment to indemnify certain subsidiaries, for all of their liabilities, in order to comply with the limits of the Proper Conduct of Banking Business Directives (the ratio of capital to risk components and the limits on indebtedness of a single borrower and of related persons), and in order to receive an exemption from implementation of Proper Conduct of Banking Business Directives 201–211, "Capital Measurement and Adequacy." This indemnification will expire automatically, without the need for any action to be taken by any of the parties, when the Bank ceases to hold any means of control in the company, on its own or through companies under its full ownership.

Note 25 Contingent Liabilities and Special Commitments (continued)

5. Indemnity commitments in connection with securities issuance at the Bank Group: (1) Hapoalim Hanpakot Ltd. ("Hapoalim Hanpakot"), which was a wholly owned subsidiary, and was merged into the Bank in September 2023, passed resolutions, during the years since 1988, to approve indemnification in respect of prospectuses according to which shelf offering reports were published for the issuance of bonds, subordinated notes, and subordinated capital notes which it issued during these years, for directors and other officers, as well as for the legal advisors of the issuances, in respect of monetary indebtedness to be imposed upon them in their capacity as officers of the company and/or due to the services they provide to the company, as detailed in the prospectuses published in respect of the issuances. The indemnity ceiling for all of the indemnity recipients in aggregate was set at a maximum amount not to exceed 10% of the total amount of the facility established for the issuance pursuant to the prospectuses and shelf offering reports. The Bank was a guarantor for the indemnification of the directors and officers. (2) The Bank (and in the past, also Hapoalim Hanpakot) committed and commits from time to time to grant indemnification to trustees of the debt certificates that it issues, within the relevant trust deeds. (3) Within the shelf offering report for the listing of bonds and subordinated notes published by Hapoalim Hanpakot on June 4, 2018 (the "Shelf Offering Report"), Hapoalim Hanpakot undertook to grant the pricing underwriter, IBI Management and Underwriting Ltd. (formerly "Poalim IBI Management and Underwriting Ltd.") (a related party at the time), indemnification for a monetary indebtedness imposed upon the underwriter in favor of another person pursuant to a judgment due to a misleading detail in the Shelf Offering Report or in the shelf prospectus, and in respect of reasonable litigation expenses. The total indemnity amount shall not exceed the value of the securities listed pursuant to the Shelf Offering Report at the date of listing thereof, linked to the consumer price index. (4) In international private offerings for institutional investors (including Americans) of October 2021 (of subordinated notes with a mechanism for principal loss absorption via forced conversion into ordinary shares of the Bank) and of January 2026 (of bonds), the Bank undertook to indemnify the underwriters and parties related thereto in respect of damages, claims, and losses, if incurred, with respect to material incorrect particulars included in the documents of the offering, or with respect to the omission of such particulars.

6. For security against possible clearing defaults in clearing houses in and outside Israel where the Bank is a member and operates on its own behalf and/or on behalf of its customers, the Bank has created liens and/or transferred collateral, according to the rules of the relevant clearing house, as detailed in Sections B, C, and H of Note 26.

7. In the fourth quarter of 2018, a transaction was completed for the sale of the global private banking customer asset portfolio of Hapoalim Switzerland at its branches in Switzerland and Luxembourg to Bank J. Safra Sarasin AG and Banque Safra Sarasin (Luxembourg) SA (jointly, "Safra Sarasin"). As part of the transaction, indemnity arrangements were agreed upon, pursuant to which, among other matters, Hapoalim Switzerland would indemnify Safra Sarasin for payments and expenses of the purchaser in connection with legal proceedings and investigations of government agencies arising from events preceding the completion of the transaction. The Bank is a guarantor for the commitments of Hapoalim Switzerland towards the purchaser. The commitments are in effect until December 2028.

8. The Bank and its subsidiaries, from time to time, under commonly accepted conditions and circumstances and during the ordinary course of business, grant letters of indemnity, with limited amount and period or unlimited amount and period, including within transactions for the sale of holdings in the companies of the Group, contractual engagements with suppliers, etc.

Note 25 Contingent Liabilities and Special Commitments (continued)

9. On June 21, 2021, the Bank (through a wholly owned subsidiary) entered into a sale agreement with the companies Vitania Ltd. (the "Developer") and DMR Assets (1995) Ltd. (jointly, the "Sellers") pursuant to which the Bank would acquire a property to be built in Tel Aviv, consisting of a tower with office space (at the level of the building envelope, before finishing work and adaptation to the needs of the Bank) of approximately 60,000 square meters, service spaces, technical spaces, and additional other spaces, as well as more than 1,100 parking spaces, in consideration for approximately NIS 970 million, to be paid according to milestones over the period of the project (the "Headquarters Building"). Within the contract, the Bank had an option to acquire additional spaces in the compound (at the level of the building envelope) of approximately 6,000 square meters, which was exercised in October 2022, in consideration for approximately NIS 80 million. In 2024–2025, the Bank contracted with several suppliers for the execution of finishing work at the Headquarters Building and in additional spaces owned by the Bank at the compound, at a total cost of approximately NIS 420 million. The Headquarters Building acquired will be used by the Bank and its employees; the Bank plans to concentrate the head-office units of the Bank in this building. The centralization of the units in one building is expected to contribute significantly to enhancing work interfaces and synergies among the units, and to cultural values in this area. The relocation is planned during 2027. The relocation will allow current properties to be vacated and eventually sold; accordingly, the Bank is promoting property betterment and addition of rights at the main head-office buildings.

Accordingly, the Bank is examining alternatives for the betterment of properties currently used by head-office units, which are expected to be vacated, as noted, in the course of the relocation to the Headquarters Building that has been acquired (with area of more than 50,000 sq. m). During the second quarter of 2023, the Local Committee on Planning and Construction of Tel Aviv approved a new Urban Construction Plan for the headquarters compound, primarily on Rothschild Boulevard in Tel Aviv. The total constructed area of the existing properties, according to the current Urban Construction Plan, is approximately 16,000 sq m, in respect of which construction rights of approximately 47,000 sq m were approved in the new Urban Construction Plan.

10. The Bank uses land insurance policies that protect the Bank against credit losses in respect of the portfolio of loans granted to customers of the Corporate Banking Division of the Bank that are secured by a lien on land; insurance policies for Sale Law guarantees that protect the Bank against losses in respect of Sale Law guarantees issued in real-estate projects of customers of the Corporate Banking Division financed by the Bank; and insurance policies for housing loans (secured by mortgages) that insure the Bank against losses in respect of these loans granted to customers of the Retail Banking Division. All of the policies allow the reduction of risk-adjusted assets due to the transfer of some of the credit risks in these areas to the insurers.

The amounts insured under the aforesaid policies totaled approximately NIS 58.4 billion as at December 31, 2025, compared with a total of approximately NIS 44.3 billion as at December 31, 2024.

11. Contractual engagements with credit-card companies and the international organizations – The Bank has the status of a Principal Member at each of the international organizations Mastercard and Visa; this status grants the Bank a license to issue various charge cards in Israel under these brands (Mastercard and Visa). These licenses are not exclusive, and the Bank is required to comply with the directives and rules of each of the organizations, including the payment of fees. In December 2024, the commercial agreements of the Bank with Mastercard were updated in a manner beneficial to the Bank, effective through the end of 2028, in connection with the account-settlement mechanism, discounts on fees, grants, and monetary credits, depending, among other matters, on turnovers of activity in Mastercard cards.

Note 25 Contingent Liabilities and Special Commitments (continued)

The Bank issues the credit cards to its customers through the three issuance operators active in Israel (the Isracard Group, CAL, and MAX). The Bank has an agreement with Isracard, for a period of eight years, beginning April 1, 2022, for joint issuance and issuance operation of bank credit cards (Mastercard and Visa), debit cards, and chargeable cards for customers of the Bank. The agreement includes, among other matters, a mechanism for account settlement between the parties in connection with the turnover of the aforesaid cards (which depends, among other matters, on the volume of the turnover), monetary arrangements pertaining to the operation and issuance of the cards, and the rights and obligations of the parties, as well as agreements in the area of operations and the interface between the parties. In March 2023, the Bank and Premium Express (a wholly owned subsidiary of Isracard) signed a detailed agreement regarding the issuance and issuance operation of American Express cards. The agreement is in effect as of April 2022, for a period of eight years. The Bank also has contractual engagements for the joint issuance and issuance operation of bank credit cards with the operators CAL (Israel Credit Cards) and Max (Max It Finance), for Visa and Mastercard cards, and as of September 2025 also for Diners cards through CAL. These contractual engagements are renewed and updated from time to time.
Pursuant to the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, beginning in February 2019, the Bank is obligated to operate the issuance of new credit cards issued to customers of the Bank through at least two issuance operators, and the share of any issuance operator cannot exceed 52% of the new cards issued by the Bank. This legal limit was scheduled to expire in March 2023, but has been extended in regulations until January 31, 2028. In December 2025, a memorandum of law was released according to which operation through the three operating credit-card companies would be required, with the share of any operator not to exceed 40%.

C. Legal proceedings

The Bank Group (the Bank and its consolidated subsidiaries) is a party to legal proceedings, including petitions to certify class actions, taken against it by its customers, former customers, and various third parties. The causes of the claims against the Bank Group are varied and wide-ranging.
In the opinion of the Bank's Board of Management, based, among other matters, on legal opinions with regard to the likely outcome of pending claims, including petitions to certify class actions, the financial statements include sufficient provisions, in accordance with generally accepted accounting principles, to cover possible damages resulting from all claims, where such provisions are necessary.
The additional exposure in respect of claims filed against the Bank on various matters that have a "reasonably possible" probability of materialization (and therefore no provision exists in respect thereof) amounts to approximately NIS 962 million as at December 31, 2025.

a. Set out below are details of the material claims, including petitions to certify claims as class actions, where, in the opinion of the Bank's Board of Management, based, among other matters, on legal opinions with regard to the likely outcome of these claims, the financial statements include sufficient provisions, where provision is necessary, in accordance with generally accepted accounting principles, in respect of all probable losses arising from these claims.
1. Two claims are in progress against the Bank Group in which the substantial part of the amounts claimed are overlapping. The first is a claim from August 2010 filed against Hapoalim Switzerland (and other banks) by the liquidator of Fairfield Sentry Ltd. (the "Fairfield Fund"), which had invested most of its assets at the time in funds of Madoff (Bernard L Madoff Investment Services LLC). The claim demands that the defendants return redemptions withdrawn from the Fairfield Fund before it entered insolvency. The amount of the claim against Hapoalim Switzerland currently stands at a total of approximately USD 31 million. In August 2025, the Federal Court of Appeals denied the appeal. The liquidator filed a petition for rehearing en banc of the ruling by the Federal Court of Appeals. The petition has been denied. The liquidator was granted an extension to file a motion for permission to appeal to the Supreme Court until March 13, 2026. The other claim was filed against the Bank and Hapoalim Switzerland in March 2012 by the liquidator of Bernard L. Madoff Investment

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

Services LLC, in the amount of approximately USD 22 million, also demanding the return of redemptions from before its insolvency. The claim is in progress at the US Bankruptcy Court of the Southern District of New York. In September 2022, a motion for dismissal of this claim, filed by the Bank and Hapoalim Switzerland, was denied. This claim is still in progress.

2. A claim and a petition to certify the claim as a class action against the Bank were filed with the District Court of Tel Aviv on June 24, 2015. The amount of the claim noted in the claim statement is approximately NIS 500 million. The petition concerns the allegation that customers of the Bank who were, or who are, entitled to be included in the category of a "small business," as defined in the Banking Rules (Service to Customers) (Fees), 2008, paid fees that were not in accordance with the fee list applicable to small businesses, and the Bank did not notify these customers that the possibility of classifying them as small businesses existed. A motion to consolidate the hearing with similar petitions filed against other banks was approved. On August 22, 2022, a regulatory position was received in this case pursuant to which the Bank must disclose to customers, on its own initiative, their eligibility for the application of the small business fee list. At the recommendation of the court, all of the parties sought a mediation proceeding, at the conclusion of which the parties submitted a motion to approve a settlement to the court. Within the settlement, the Bank undertook, among other matters, to pay approximately NIS 51 million (of which approximately NIS 9 million in respect of compensation and fees). The financial statements as at December 31, 2025, include a provision in the aforesaid amount. The settlement requires the approval of the court, and there is no certainty that such approval will be granted. The settlement does not constitute an admission by any of the parties of the contentions of the other party. The position of the state regarding the settlement was submitted on January 21, 2026. The state did not object to the settlement, but made several comments focused on the reimbursement mechanism and the rate of the compensation and fees. The state also addressed the fact that the fee and compensation in the settlement of the Bank (and of one additional bank) bear interest and linkage, whereas the payment to the class does not bear interest and linkage, and commented that the treatment of the fee and the treatment of the payment to the class should be identical.

In a similar claim in progress against another bank, an objection was filed to a settlement similar to the settlement of the Bank, in which it is argued, among other matters, that the compensation given to the class (similar to the percentage of the compensation in the settlement of the Bank) is low and inappropriate. The objection has been rejected by the court.

3. A claim statement and a petition to certify the claim as a class action against the Bank and two additional banks were filed with the District Court of Tel Aviv on May 17, 2020. The petition alleges, among other matters, that the Bank transfers personal information of its customers, in violation of privacy and banking secrecy, through its use of online advertising tools (such as Google and Facebook), and through online services that process information in the cloud, which are used by the Bank to provide services to its customers. The arguments against the Bank refer to the digital platforms: the website of the Bank, the Account Management application, and the Bit application. It is also alleged that the privacy protection policy and the terms of use published on these platforms include discriminatory provisions in a uniform contract. The petition does not state the amount of damage to the class. The amount of the personal claim has been set at a total of NIS 1,000. On September 27, 2023, the court ordered the Supervisor of Banks to state his position regarding the disputed issues. On January 22, 2024, the Banking Supervision Department stated that it did not deem it appropriate to present a position at this stage, as, to its understanding, the issues in the proceeding are complex and raise questions that exceed the bounds of banking law. The case was transferred to a mediation proceeding.

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

4. A claim statement and a petition to certify the claim as a class action, filed with the Central District Court against the Bank, concerning inactive deposits, as defined in the Banking Ordinance, were received on May 21, 2020. It is alleged in the petition, among other matters, that the Bank violated its duty to find and report to the account owners with regard to these accounts, collected fees, and obtained unjust enrichment. Among other matters, it is argued that the Bank must pay the amounts of the deposits according to the real value thereof, with the addition of the fees that have been collected. The claim does not state the amount of damage to the class. The parties conducted a mediation proceeding, which was successful, at the conclusion of which, on March 3, 2025, the Bank and the petitioners filed a motion with the court to approve a settlement pursuant to Section 18 of the Class Action Law. According to the main points of the settlement agreement, for the extinguishment and full waiver of the contentions of the class against the Bank, the Bank would pay final amount of NIS 65 million to the members of the class, and in addition, approximately NIS 9.4 million plus VAT in compensation and fees, and res judicata would be established between the parties. The settlement does not constitute an admission by any of the parties of the contentions of the other party. The position of the professional bodies of the state regarding the settlement was submitted on June 29, 2025, indicating that the professional bodies do not object to the main points of the settlement, subject to two comments: first, that a section should be added to the settlement according to which in cases where an account has been transferred to management by the Administrator General, the monies shall be transferred to it directly; and second, no exemption to be granted with regard to the payment of the second part of the fee. On August 18, 2025, the Center District Court approved the settlement, and the proceeding was concluded.

5. In July 2022, it came to the attention of the Bank that a claim statement and a petition to certify a class action had been filed with the District Court of Tel Aviv Jaffa against Isracard Ltd. ("Isracard") and officers thereof, and against the Bank. It is alleged against the Bank in the petition that the Bank breached the duty of disclosure within the prospectus for the sale offer of the shares of Isracard (of 2019) in connection with the credit-card issuance and issuance operation agreement between Isracard and the Bank, with regard to the description of the agreement period and the possibility that modifications would be made thereto. The petitioner also has contentions against reports of Isracard subsequent to the prospectus, which are not addressed to the Bank. It is alleged that the damage to the class, based on an expert opinion, amounts to approximately NIS 396 million. In accordance with the ruling of the court, the petitioner filed an amended petition to certify the class action, in October 2022, in which, among other matters, contentions were added regarding the leakage of information concerning negotiations between Isracard and the Bank, prior to the publication of a report on this matter; the current CEO of Isracard was added as a respondent in the petition; and the amount of the alleged damage to the class was amended to approximately NIS 583 million. On January 7, 2026, the court approved the striking out of the motion and the dismissal of the personal claims of the claimants, with no expense order.

6. A claim statement and a petition to certify a class action filed with the District Court of Jerusalem by the Israel Consumer Council against the Bank, nine additional banks, and two private companies that operate non-bank automated devices for cash withdrawal, themselves and/or through a franchise, were received on February 9, 2022. The petition alleges, among other matters, that cash withdrawal at non-bank/private automated devices imposes a double charge on the customers – the payment made by the customer to the private company, and the payment of the fee for a transaction through a direct channel, without lawful disclosure. The amount of the damage to the class has been estimated at a total of NIS 458 million against all of the defendants. In February and June 2023, the positions of the Supervisor of Banks were submitted, according to which an issuer bank is permitted to charge a direct-channel fee for withdrawal at a non-bank automated device, even if the private device does not present the customer with the exact rate of the fee to be collected by the bank.

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

7. A claim statement and a petition to certify a class action filed with the district court against the Bank were received on February 1, 2024. The petition does not state the amount of damage to the class. It is alleged in the petition, among other matters, that the Bank charges its customers conversion differences in respect of the execution of foreign-currency conversion transactions, without the required formalization and disclosure, among other matters, in the fee list of the Bank and in the agreement with the customer. The requested remedies include reimbursement and compensation in respect of conversion differences collected in the last seven years. On October 31, 2024, a judgment was given dismissing the certification petition in limine, with a ruling of costs in favor of the Bank. On November 3, 2024, the petitioner filed an appeal of the judgment with the Supreme Court, which scheduled a hearing of the appeal.

8. A claim statement and a petition to certify a class action filed with the district court against the Bank and four additional banks were received on June 25, 2023. The petition alleges, among other matters, that the banks adjust the debited interest rate on credit linked to the Prime rate by the full rate of the increase in the Bank of Israel interest rate, without discretion and improperly, among other matters because the banks do not commensurately raise the credited interest rate that they pay for the resources they use to finance the credit (deposits, etc.). The overall monetary remedy, against all of the banks, at the time of filing of the claim, is estimated by the petitioner at NIS 5.8 billion; against the Bank, the estimate by the petitioner is a total of NIS 1.5 billion.

9. A claim statement and a petition to certify a class action filed with the district court against the Bank were received on June 4, 2023. The petition alleges that the Bank does not pay interest on positive balances in current accounts at the Bank, either by giving interest directly or by operating automatic deposits/mechanisms that allow "automatic" transfers of positive balances in current accounts to daily deposits that accrue interest. It is also alleged that the Bank does not disclose the existence of such deposits to its customers, and consequently the customers do not receive interest on positive balances in their current accounts, and that the Bank thereby violates various provisions of the law and disclosure duties, and obtains unjust enrichment. The remedy requested in the petition is compensation estimated, at this stage, by the petitioner at a total of more than NIS 1 billion, and mandatory injunctions. To the best of the Bank's knowledge, a petition to certify a claim as a class action on a similar matter has been filed against other banks. On June 3, 2025, a regulatory position was submitted regarding this case, the main point of which is that regulatory intervention in the pricing mechanisms of business entities, particularly in all matters concerning interest, may cause material damage to the efficiency and development of the financial system.

10. A claim statement and a petition to certify a class action filed with the district court against the Bank were received on June 12, 2023. The petition alleges that the Bank lowers the interest rate (or does not raise it sufficiently) after depositing or when renewing deposits of various types (including deposits linked to the Prime rate or other external benchmarks), that the Bank does not notify its customers accordingly as required, and that the Bank thereby breaches an agreement and unlawfully increases its profits. The requested remedy is compensation estimated by the petitioner at a total of more than NIS 300 million, and mandatory injunctions. On July 17, 2024, the court proposed to the parties that the hearing of the case be stayed until the resolution of a similar parallel proceeding. After the parties' responses were submitted, a ruling was given stating that there was no cause to stay the hearing.

11. A claim statement and a petition to certify a class action filed with the district court against the Bank and four additional banks were received on July 23, 2023. The petition alleges, among other matters, that the banks fail to disclose to customers who make a deposit via internet, an application, or other remote means that the interest rate offered to them through these means is lower than the interest rate that they could have received had they approached the bank through other means, and that they are thereby denied the ability to make an informed decision and to act to improve their situation. The monetary remedy requested is compensation estimated by the claimant at a total of approximately NIS 984 million (against all of the banks), and the claimant alleges that this sum grows by approximately NIS 104 million every month.

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

12. A claim statement and a petition to certify a class action filed with the district court against the Bank and three additional banks were received in August 2023. The petition does not state the amount of damage to the class. It is alleged in the petition, among other matters, that the Bank creates a misleading representation for borrowers, when granting a housing loan and during the lifetime of the loan, according to which the purchase of a building insurance policy, the existence thereof, and a pledge of such policy in favor of the Bank constitute a condition for receiving a loan secured by a mortgage, and that, in practice, the Bank requires such a policy to be purchased and maintained even when there is no obligation to purchase building insurance, in contradiction of the directives of the Supervisor of Banks.
Among other matters, a remedy is requested of compensation for the cost of the building insurance policies issued over the course of the last seven years and pledged to the Bank. On November 6, 2024, the court ordered the hearing of the petition to be split, such that separate certification petitions are filed against each of the respondents. On November 11, 2024, a certification petition was filed against the Bank that is identical to the previous unified certification petition, with the necessary modifications.

13. A claim statement and a petition to certify a class action filed with the district court against the Bank were received on July 10, 2024. The petition does not state the amount of damage to the class. The petition refers to deposits at a floating interest rate (based on the Prime rate) pledged to the Bank as loan collateral. It is alleged, among other matters, that borrower customers who made such deposits received lower interest compared to the interest that they would have received had the Bank set up the deposits for a period identical to the duration of the loan. It is further alleged that when renewing the deposit, the Bank establishes interest rates that are lower than those agreed upon when the deposits were set up.

b. In addition, there are material claims pending against the Bank Group (including petitions to certify class actions) the probable outcome of which cannot be assessed at this stage, in the opinion of the Bank's Board of Management, based on legal opinions.

1. A claim statement and a petition to certify a class action filed with the Haifa District Court against the Bank were received in September 2025. The petition alleges, concisely, and among other matters, that the capital-market trading systems of the Bank do not supply data on securities in real time, in contrast to the publications of the Bank and with unclear disclosure on this matter. The petitioner is moving to include, in the definition of members of the class, customers of the Bank in the last seven years who were exposed to publications of the Bank on this subject during the aforesaid period. The petition does not state the amount of damage to the class.

2. On September 15, 2025, the Bank was presented with a claim and a petition to certify a class action, with no estimated amount, filed against the Bank with the Haifa District Court. The petition alleges that beginning in October 2022, the Bank has charged its customers a fee for transactions in foreign currency using charge cards at a rate higher than the rate presented in the summarized charge card fee list displayed to customers when ordering the charge card, and has created a misleading representation that the aforesaid fee that it charges is the lowest in the market, while charge cards exist in the market that have a lower fee. The petition does not state the amount of damage to the class.

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

3. On October 27, 2025, the Bank was presented with a claim and a petition to certify a class action filed against the Bank with the Tel Aviv District Court. The petition alleges, among other matters, that within the procedures of collection of past-due loans, the Bank represents to its customers and the courts that it has called the loans for immediate repayment, whereas it does not do so in its records that are presented to the regulators and to the public. The petitioner argues that in such a situation the Bank would be entitled to collect late-payment interest only on the amount of the loan that is past due, and not on the entire balance of the loan, as in the case in which the loan is called for immediate repayment. The petition seeks to include, in the represented class, customers in the last twenty years against which the Bank conducted collection proceedings in respect of the full balance of the loan without the loan's being called for immediate repayment in the books. The petitioner estimates the amount of the damage to the class at NIS 3.6 billion.

4. On November 16, 2025, the Bank was presented with a claim and a petition to certify a class action filed against the Bank and three additional banks with the district court of the Center District. The petition concerns bank checks issued by the defendant banks. It is alleged that when such a bank check is returned to the issuing bank by a customer, or expires when seven years have elapsed from its issuance date, the issuing bank returns the amount of the check to the customer at its nominal value, without revaluation and without providing disclosure accordingly. The petition seeks to include, in the represented class, customers who were issued a bank check that was returned to the bank or expired, the amount of which was returned to the customer's account at par value, without interest and linkage.

c. Other proceedings and petitions to certify derivative claims

Most of the sections of this chapter, below, describe proceedings that include petitions to certify derivative claims on behalf of the Bank against past and/or present officers of the Bank. It is noted, with regard to these proceedings, that even in the event that any of the petitions is accepted, the Bank is, in general, expected to be a potential beneficiary of the proceeding rather than a potential indebted party therein.

1. On March 1, 2015, a petition to certify a derivative claim against the Bank and against officers who served between 2000 and 2015, as well as against the external auditors of the Bank, was filed with the District Court of Tel Aviv, in which it was argued that the respondents must compensate the Bank for damages they caused it through their acts and omissions (estimated at that time in the amount of USD 228 million), which the Bank would be required to pay to United States enforcement agencies. It was further argued that the Bank failed to act and set aside appropriate accounting provisions in its financial statements, as required according to generally accepted accounting principles and according to the directives of the law, in respect of the anticipated payment. As part of the derivative claim, the petitioner filed a motion for disclosure and perusal of documents related to the investigation, including investigation materials and correspondence between the Bank and law-enforcement authorities in the United States. On March 1, 2015, an additional motion was filed for the disclosure of documents prior to filing a derivative claim, in connection with the investigation by United States authorities of the activity of Bank Hapoalim Switzerland regarding American customers. The hearing of the motions has been consolidated, at the request of the parties and in accordance with the ruling of the court. With the consent of the parties, the hearing in this proceeding was stayed until completion of the investigation of the United States authorities. Subsequently, following a procedural arrangement approved by the court, the proceedings were stayed to allow the independent committee to submit its recommendations to the Board of Directors of the Bank, and an amended motion was filed estimating the amount of the damage which the petitioner alleges was caused to the Bank at approximately NIS 4.5 billion at least. The assessment of the damage is based on amounts paid by the Bank to the United States authorities, and on legal and other expenses in the course of the tax investigation, and also refers to additional components that have not been quantified. Causes of the claim were also added to the amended motion, including with regard to the alleged lack of cooperation of the Bank with the United States authorities during the period of the investigation. On January 27, 2022, notification was submitted to the court stating that the work of the independent

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

committee had been completed, and that at the conclusion of its work the committee made a recommendation to the Bank to exhaust its rights on this matter through a settlement with the officers' liability insurers of the Bank, in accordance with the proposal of the insurers, in which a total of USD 135 million would be paid to the Bank. On May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the court in Tel Aviv Jaffa to approve a settlement within which the Bank would be paid a total of USD 135 million (with compensation for the petitioner and reimbursement of expenses and fees for the representative of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the tax affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the tax affair.
In October 2022, a shareholder of the Bank filed an objection to the settlement. The Attorney General submitted her position regarding the settlement, according to which she does not object to the settlement, but indicates a number of essential aspects where her position is that the court should address such aspects prior to approving the settlement, including examination of the conclusion of the independent committee pursuant to which the insurers would pay the full amount of the settlement, without obligating the officers to bear part of the payment. After clarifications and responses were received from the parties, a hearing was held on July 2, 2023, in which the representative of the officers gave notice that six officers were willing to return bonuses to the Bank in a total amount of NIS 2.25 million; this is acceptable to the Bank and to the petitioner. On July 9, 2023, the objector gave notice of objection to the amount proposed by the officers, which he argues is too low. After receiving additional clarifications from the parties, on September 26, 2023, the court ruled that if the officers returned a sum of NIS 3.56 million to the Bank, it would be possible to approve the settlement. On October 12, 2023, the former officers gave notice that they accepted the offer of the court regarding the amount that they would repay.
On October 24, 2023, the objector gave notice that he maintained his objection due to the level of the amount to be repaid. On November 1, 2023, the court approved and granted the validity of a judgment to an updated settlement, pursuant to which the Bank would be paid a total of USD 135 million by the insurers (of which, compensation, fees, and reimbursement of expenses to be paid to the petitioner, in a total amount of approximately USD 6 million), and six former officers would repay an aggregate amount of NIS 3.56 million to the Bank.
The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the tax affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the tax affair. An appeal of the judgment approving the settlement, filed by the objector with the Supreme Court on December 18, 2023, was denied by the Supreme Court on July 9, 2025. The judgment approving the settlement became peremptory. In light of the foregoing, the Bank recognized profit in its financial statements for the third quarter of 2025 of approximately NIS 380 million, net, after tax, due to the amounts received from the insurers and the officers.

2. On July 13, 2017, a motion was filed with the District Court of Tel Aviv for disclosure and perusal of documents in advance of filing a petition for a derivative claim pursuant to Section 198A of the Companies Law, 1999, in connection with the investigation in progress in the United States concerning the suspicion that the Bank Group served as a channel for holding and transferring bribes paid to senior FIFA officials (the "Disclosure Motion"). On September 17, 2019, the court granted validity to a procedural arrangement between the parties, pursuant to which the hearing would be stayed until completion of the investigation. Accordingly, beginning on that date, the court stayed the proceedings from time to time. On May 3, 2020, the parties gave notice (in separate notifications) that a non-prosecution agreement (NPA) had been reached between the respondents and the United States Department of Justice. On January 27, 2022, notification was submitted to the court stating that the work of the independent committee had been completed, and that at the conclusion of its work the committee made a recommendation to the Bank to exhaust its rights on the matter referenced

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

in this case through a settlement with the officers' liability insurers of the Bank, in accordance with the proposal of the insurers, in which a total of USD 5 million would be paid to the Bank. On May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the court to approve a settlement within which the Bank would be paid a total of USD 5 million (with fees for the representatives of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the FIFA affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the FIFA affair. On January 21, 2024, after the petitioner and the petitioner's representatives reported to the court that there was a dispute between them, the petitioner gave notice of objection to the proposed settlement in its present form. On January 28, 2024, the Bank and the petitioner's representatives each separately submitted their comments regarding the notification of the petitioner, and asked the court to reject the petitioner's notification and approve the settlement. On May 12, 2024, the court approved the settlement agreement and granted it the status of a judgment. Pursuant to the settlement agreement, the Bank was paid a total of USD 5 million by the officers' liability insurers of the Bank; of that amount, in accordance with the judgment, the Bank deposited a sum of USD 400 thousand plus VAT in a fund of the court, until the disputes between the petitioner and the petitioner's representative are resolved. The petitioner filed an appeal with the Supreme Court of the judgment in which the settlement agreement was approved, in which, among other matters, he raised arguments against his representative, and moved to rescind the district court judgment approving the settlement agreement and return the hearing to a competent court for the purpose of examination of his arguments against the agreement in a pertinent manner; and alternatively, to order the district court to provide detailed reasoning for the judgment, addressing his arguments against the agreement. The respondents replied to the appeal in writing, and a hearing of the appeal has been scheduled for July 27, 2026. In addition, on February 20, 2025, the Supreme Court denied a motion filed by the representatives of the appellant in the lower court proceeding to dismiss the appeal in limine, but granted the motion of the representatives of the appellant to add them as respondents to the appeal.

3. Further to several demands for data by the Competition Authority in connection with a minority investment executed by the Bank (which has already been sold), the Bank and the Competition Authority reached an agreement, on April 9, 2025, pursuant to which the Bank would pay the state treasury a total of NIS 40 million under a consent decree in accordance with Section 50B of the Law for Economic Competition, 1988. The consent decree was given taking into consideration the position of the Competition Commissioner (the "Commissioner"), according to which the Bank allegedly breached the provisions of the Law by acquiring approximately 20% of the shares of Neema Shefa Israel ("Neema," 5% of the voting rights) and receiving the right to appoint a director and associated rights at Neema, while a subsidiary of Bank Discount LeIsrael Ltd. also holds a minority investment in Neema. This is while, according to the position of the Commissioner, a horizontal competitive relationship exists between Neema and the Bank, including potential competition in the provision of certain services in the area of retail banking. Subject to the approval of the Competition Tribunal and the payment of the aforesaid amount, the Commissioner will refrain from taking enforcement measures against the Bank or anyone on its behalf in respect of the aforesaid alleged breach. The consent decree does not constitute an admission or agreement on the part of the Bank or of anyone on its behalf that they were in breach of the Law, the rulings of the Commissioner, or any other law, and, pursuant to the provisions of the consent decree, the Commissioner did not address the examination of the question of the existence of harm to competition in practice, and the mention of the Bank or of anyone acting on its behalf in any ruling or other document on the part of the Commissioner in connection with the breach referenced in the decree shall not constitute evidence against the Bank or anyone acting on its behalf. The consent decree was approved by the Competition Tribunal in a judgment of January 22, 2026. The payment was performed by the Bank, in accordance with the consent decree, on February 18, 2026.

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

On April 15, 2025, the Bank received a motion for disclosure and perusal of documents pursuant to Section 198A of the Companies Law, 1999, in which it is argued that the Bank's investment in Neema (in the years 2021-2024, as detailed above) was performed without contacting the Competition Authority and without such approval being granted, and that this is a restrictive arrangement in contradiction of the directives of the law. The petitioner argues that the documents requested in the motion are intended to examine whether the officers of the Bank acted in accordance with the duty of care and the fiduciary duty that they bear. The Bank submitted its reply to the petition, in which it asked for it to be denied. The petitioner submitted a response to the Bank's reply, and the hearing of the motion has been scheduled for May 18, 2026.

4. In August 2021, the District Court of Tel Aviv Jaffa gave a judgment on two class actions against Meitav Dash Provident Funds and Pension Ltd. ("Meitav Dash") in connection with the provident fund Tagmulim (the "Provident Fund"), which Meitav Dash acquired from the Bank in 2007 for a consideration of approximately NIS 31 million (the "Sale Agreement"). Pursuant to the judgment, among other matters, Meitav Dash is prohibited from collecting management fees from two classes of members of the Provident Fund; it was further ruled that Meitav Dash must reimburse the classes of members, in a total amount of approximately NIS 289 million, with the addition of linkage and interest, and with the addition of management fees collected between 2016 and the date of the judgment (in a supplementary judgment of January 2022, it was determined that the total amount is approximately NIS 400 million). The Bank is not a party to the aforesaid proceeding; however, Meitav Dash contacted the Bank in connection with the proceeding, and, near the date of the judgment, gave notice that if the arguments of the claimants in the class actions were accepted, it would be necessary to conduct an arbitration proceeding between Meitav Dash and the Bank, and that it would act to exhaust its rights against the Bank, as, it argues, among other matters, information and documents exist that were not provided to it by the Bank within the deal in which it acquired the Provident Fund from the Bank, the Bank breached the Sale Agreement with it and made false representations to it, and it has the right to be indemnified by the Bank for its damages. The Bank replied to Meitav Dash that the Bank rejects its arguments and its right to indemnification from the Bank. On November 14, 2021, Meitav Dash filed an appeal of the judgment with the Supreme Court. On February 10, 2022, the claimants filed an appeal of the supplementary judgment, and on February 27, 2022, Meitav Dash filed an additional appeal. On January 9, 2023, the Supreme Court heard the appeals filed by the parties, and, as recommended by the court, the parties consented to seek a mediation proceeding. On May 2, 2023, Meitav Dash reported that it had entered into a settlement that had been submitted to the Supreme Court, the main points of which were that Meitav Dash would reimburse the members defined in the court ruling as members of the group of claimants for a total amount of NIS 120 million, with the addition of compensation and fees in a total amount of NIS 18 million, regarding which a decision has not yet been made on whether it will be paid in addition to or out of the reimbursement amount. In addition, the settlement between the parties to the class actions states that Meitav Dash will be permitted to collect management fees according to its terms. The settlement between the parties to the class actions establishes final, absolute, irrevocable extinguishment of any argument and/or demand in all matters directly and/or indirectly related to the causes of the claim. The validity of the settlement is contingent upon approval by the court. On July 3, 2023, the Supreme Court ordered the proceeding for the approval of the settlement to be conducted at the district court. On December 22, 2023, the Attorney General submitted her position regarding the settlement. The Attorney General objected to some of the components of the settlement, mainly with regard to the reimbursement mechanism and the amounts of the fees and compensation; however, she did not object to the amount of the settlement, and left it and the issue of future regulation to the discretion of the court. The parties each separately submitted their comments on the position of the Attorney General, and, subsequent to the comments of the Attorney General, submitted an amended version of the settlement, which the court has been asked to approve. On March 17, 2024, the comments of the Attorney General on the amended settlement and on the parties' comments regarding her position were submitted. On July 30, 2024, the district court denied the motion to approve a settlement of the parties, and determined that the settlement would be approved if amended, among other matters, such that

Note 25 Contingent Liabilities and Special Commitments (continued)

C. Legal proceedings (continued)

the total amount of compensation for the group stands at approximately half of the amount ruled in the judgment in the class action (approximately NIS 400 million), i.e. a total of approximately NIS 200 million, plus fees and compensation. On November 11, 2024, Meitav Dash Provident Funds filed an appeal with the Supreme Court of the district court ruling denying the settlement. On November 12, 2024, the claimants also filed an appeal of this ruling. On August 13, 2025, Meitav Dash reported that a judgment had been given granting final approval to the amended settlement submitted to the Supreme Court. The report detailed the main points of the settlement agreement as granted final approval, as follows: 1. a refund to the eligible members (the members of the class) in the amount of NIS 100 million, which stands, after linkage, at a total of approximately NIS 105 million at the report date, plus NIS 3.8 million, the amount deducted from the compensation and fees (later, in a note to the Consolidated Interim Financial Statements as at September 30, 2025, of Meitav Investment House Ltd., this amount was reported as approximately NIS 2.9 million); 2. an additional amount for non-collection totaling NIS 20 million, where any amount in excess of this amount is offset against the compensation to the existing members; 3. Meitav Dash will pay, in addition to the foregoing, a total of NIS 2 million plus VAT as compensation to the representative claimants, and a total of NIS 12.2 million plus VAT as a fee to the representatives of the representative claimants; 4. Meitav Dash will be permitted to resume collecting management fees from the existing members, at the rate collected from them when the district court judgment was given.

D. In April 2020, resolutions with the United States authorities in connection with the tax investigation and the FIFA affair were announced and entered into force:

a. Deferred Prosecution Agreement ("DPA") between the Bank and the DOJ, with respect to the Bank's activity and dealings with its US customers during the period that was the subject of the investigation (2002–2014) – on May 1, 2023, with three years having elapsed from the date of the DPA and in accordance with the provisions thereof, the United States federal court (in New York) approved, by order, the dismissal of the prosecution, thereby concluding the criminal proceedings taken by the DOJ against the Bank.

b. A Plea Agreement between the DOJ and Hapoalim Switzerland Ltd. (formerly Bank Hapoalim (Switzerland) Ltd.) ("Hapoalim Switzerland") that relates to the activity of Hapoalim Switzerland and the dealings of Hapoalim Switzerland with its US customers during the period that was the subject of the investigation (2002–2014).

c. A Consent Order issued by the New York State Department of Financial Services (the "NYDFS") and a Cease and Desist Order issued by the Board of Governors of the Federal Reserve System (the "Fed"). These resolutions require the Bank to agree to a number of undertakings, including, with a focus on the activity of the New York branch, among other matters, with respect to disciplinary proceedings against employees, an internal audit plan, a compliance plan, reporting, and cooperation. These administrative procedures against the Bank are still pending, and are in effect until ruled otherwise by the Fed and the NYDFS, respectively.

d. The Non Prosecution Agreement ("NPA") between the DOJ and the Bank and Hapoalim Switzerland with respect to the FIFA investigation concluded on April 30, 2023, in accordance with the provisions thereof.

For details regarding legal proceedings pertaining to the aforesaid resolutions, see Notes 25.C.c.1–2 above.
Note that the resolutions with the DOJ include a commitment by the Bank and by Hapoalim Switzerland to continue to cooperate with the US authorities in connection with the matters that were the subject of the investigation.

Note 26 Liens and Other Restrictions

In accordance with the policy of the Bank and the rules for the various activities of the Bank, on its own behalf and/or on behalf of its customers (in securities, tradable derivatives, OTC derivatives, clearing of payments using charge cards, and automated teller machines), through clearing houses and counterparties, and within the financing and liquidity management activities of the Bank (with central banks and/or regulatory agencies), to secure the obligations of the Bank in these activities towards these entities, the Bank creates liens and/or transfers collateral to these entities, as detailed below.

A. For the purposes of the Bank's activities outside Israel, primarily to secure deposits of the public and credit facilities for liquidity needs through the FDIC and FRB, the Bank has pledged securities in foreign currency that it holds outside Israel, with a balance as at December 31, 2025, in the amount of NIS 1,113 million (December 31, 2024: NIS 1,189 million).

B. The Bank is a member of the Euroclear clearing house, which is a clearing system for securities traded in international markets. For its securities activity through this clearing house and as collateral for a credit line established by the clearing-house operator in the Bank's favor, the Bank pledged cash and securities with a total balance of USD 50 million (NIS 160 million) as at December 31, 2025 (December 31, 2024: approximately USD 50 million (NIS 182 million)).

C. The Bank is a member of the TASE Clearing House and the Maof Clearing House of the TASE. For the purpose of the operation of these clearing houses in securing transactions under the Bank's responsibility, the Bank has pledged bonds in accounts opened for that purpose at these two clearing houses.
The balance of bonds pledged as at December 31, 2025, totaled NIS 912 million (maximum balance during 2025: NIS 915 million).
The balance of bonds pledged as at December 31, 2024 totaled NIS 611 million (maximum balance during 2024: NIS 744 million).
In addition to the collateral detailed above, the Bank deposited collateral in cash in the amount of NIS 405 million (December 31, 2024: NIS 301 million) in favor of the risk fund of the TASE Clearing House, and in the amount of NIS 775 million (December 31, 2024: NIS 511 million) in favor of the current requirement and the risk fund of the Maof Clearing House. The amount of collateral that clearing-house members are required to deposit is updated from time to time, in accordance with the clearing houses' codes of rules.

D. In the course of raising resources and managing liquidity, the Bank receives deposits within the sale of assets under repurchase agreements, to secure which bonds have been transferred with a balance as at December 31, 2025, in the amount of NIS 19,625 million (December 31, 2024: NIS 19,401 million), according to the volume of the activity. In addition, in respect of daily account settlement with each counterparty to such transactions, the Bank transfers/receives cash to limit exposure to/from the counterparties. Total deposits of the Bank with such counterparties as at December 31, 2025, amounted to NIS 54 million (December 31, 2024: NIS 116 million).

Note 26 Liens and Other Restrictions (continued)

E. The Bank enters into agreements with counterparties aimed at minimizing the mutual credit risks that arise between banks in the course of derivatives trading. Under these agreements, the fair value of the obligations and rights of the parties in connection with transactions in derivatives is measured periodically, and if the net exposure of one of the parties exceeds a predetermined threshold, that party provides a transfer to the other party in order to limit the exposure, until the date of the next measurement. Some agreements contain a requirement to transfer collateral in addition to the description above.
As at December 31, 2025, the Bank provided deposits to counterparties at a value of USD 2,492 million (NIS 7,949 million) (December 31, 2024: USD 1,413 million (NIS 5,157 million)), and transferred securities in the amount of NIS 589 million (December 31, 2024: NIS 1,689 million).

F. In 2021–2025, the Bank recorded liens in the category of first-ranking fixed charges over all securities and monies deposited, and which shall be deposited from time to time, in its accounts pledged in favor of counterparties and administered at Euroclear Bank SA/NV, to secure commitments of the Bank towards counterparties in connection with initial margin requirements according to an ISDA Master Agreement. Total liens as at December 31, 2025: NIS 7,527 million (December 31, 2024: NIS 4,596 million).

G. 1. In July 2008, an agreement was signed between the Bank and the Bank of Israel in which the Bank of Israel made a commitment to provide the Bank with a credit line of up to a total amount of NIS 1,000 million, for the purpose of complying with the Bank's commitment as a liquidity supplier in NIS for CLS Bank International.
As a condition for the provision of the loans, the Bank signed a bond in which it applied a first-rank floating lien in favor of the Bank of Israel on its rights to receive monetary amounts and charges in NIS owed at present and/or owed to the Bank in the future from time to time by its customers that are corporations incorporated under the laws of the State of Israel (the "Indebted Customers") and whose repayments to the Bank of any credit received from the Bank are not past due, in respect of credit in NIS, where the average duration of each credit does not exceed three years, granted and/or to be granted by the Bank to the Indebted Customers, up to a total amount of NIS 1,100 million as at December 31, 2025 (December 31, 2024: NIS 1,100 million).
2. In August 2021, in the course of an industry-wide process of the Bank of Israel with all banks in Israel to regulate the procedure for receiving and securing credit through a uniform and up-to-date document system, the following liens were recorded in favor of the Bank of Israel:

- A lien on all assets and rights of the Bank in any collateral account administered at the Bank of Israel, and all securities deposited or registered, or to be deposited or registered, in a collateral account; and a lien on all assets and rights of the Bank in the NIS nostro account and the foreign-currency nostro account administered at the Bank of Israel; and a lien on all assets and rights of the Bank in the NIS deposit account; and a lien on all assets and rights of the Bank in the foreign-currency deposit account; and a lien on all assets and rights of the Bank in connection with collateral for certain loan portfolios; and a lien on all assets and rights of the Bank in any proceeds account.
- In addition, a first-rank floating lien was recorded, with unlimited amount, on all pledged assets in the collateral account at Euroclear Bank or in any other collateral account administered at a clearing house outside Israel.

Following a process of restructuring of the aforesaid regulatory collateral from 2021, carried out during 2025, housing loans with a balance as at December 31, 2025, in the amount of NIS 7,536 million (which were not included in the pledge in the preceding year) and bonds with a balance as at December 31, 2025, in the amount of NIS 0.6 million (December 31, 2024: NIS 4,902 million) were pledged to secure loans from the Bank of Israel.

Note 26 Liens and Other Restrictions (continued)

NIS millions

H. Pursuant to clearing default procedures issued by the Bank of Israel in early 2023 (replacing previous clearing default arrangements performed through the Bank of Israel), with the aim of regulating direct security of the banks for situations of clearing default in the independent payment clearing systems BCC and ABS (charge cards and ATM cards), including mutual guarantee mechanisms for cases of default by one of the banks, as a clearer of various payments and charges through the BCC and ABS clearing houses, and to ensure coverage for a clearing default in relation to its expected clearing, for each clearing house separately, the Bank has deposited monies that are managed as interest-bearing deposits, the revalued balances of which, as noted, as at December 31, 2025, totaled NIS 1,051 million in the BCC account at the Bank of Israel (December 31, 2024: NIS 1,079 million) and NIS 100 million in the ABS account at the Bank of Israel (December 31, 2024: NIS 83 million).

I. All of the pledged securities listed in Sections A–H above are included in the available-for-sale portfolio and in the held-for-trading portfolio, and the lenders are not permitted to sell or pledge these securities.

	December 31, 2025	December 31, 2024
J. Sources of securities received which the Bank is permitted to sell or pledge, at fair value, before the effect of offsets:		
Securities purchased under agreements to resell	**7,419**	2,227
K. Applications of securities received as collateral and of securities of the Bank, at fair value, before the effect of offsets:		
Securities sold under agreements to repurchase	**17,413**	18,201

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates

NIS millions

A. Nominal amount of derivative instruments

	December 31, 2025		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	**2,225**	**28,732**	**30,957**
Options written	**-**	**5,056**	**5,056**
Options bought	**505**	**5,251**	**5,756**
Swaps[1]	**60,506**	**1,393,886**	**1,454,392**
Total[2]	**63,236**	**1,432,925**	**1,496,161**
Of which: hedging derivatives	**28,395**	**-**	**28,395**
Foreign-currency contracts			
Future and forward contracts	**18,857**	**636,676**	**655,533**
Options written	**-**	**24,265**	**24,265**
Options bought	**764**	**23,876**	**24,640**
Swaps	**-**	**58,073**	**58,073**
Total[3]	**19,621**	**742,890**	**762,511**
Of which: hedging derivatives	**-**	**-**	**-**
Share-related contracts			
Future and forward contracts	**-**	**41,224**	**41,224**
Options written	**9**	**41,065**	**41,074**
Options bought[4]	**9**	**41,065**	**41,074**
Swaps	**6**	**391,712**	**391,718**
Total	**24**	**515,066**	**515,090**
Commodity and other contracts			
Future and forward contracts	**-**	**2,193**	**2,193**
Options written	**-**	**168**	**168**
Options bought	**-**	**168**	**168**
Total	**-**	**2,529**	**2,529**
Total nominal amount	**82,881**	**2,693,410**	**2,776,291**

(1) Of which: swaps for which the Bank pays a fixed rate of interest in the amount of NIS 727,085 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 35,630 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 25,629 million.
(4) Of which: traded on the stock exchange in the amount of NIS 41,065 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

A. Nominal amount of derivative instruments (continued)

	December 31, 2024		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	3,763	114,192	117,955
Options written	-	5,429	5,429
Options bought	-	5,959	5,959
Swaps[1]	56,040	858,675	914,715
Total[2]	59,803	984,255	1,044,058
Of which: hedging derivatives	34,203	-	34,203
Foreign-currency contracts			
Future and forward contracts	23,201	505,907	529,108
Options written	-	22,847	22,847
Options bought	797	21,847	22,644
Swaps	-	53,148	53,148
Total[3]	23,998	603,749	627,747
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	90,917	90,917
Options written	105	34,705	34,810
Options bought[4]	105	34,705	34,810
Swaps	66	163,524	163,590
Total	276	323,851	324,127
Commodity and other contracts			
Future and forward contracts	-	160	160
Options written	-	25	25
Options bought	-	25	25
Total	-	210	210
Total nominal amount	84,077	1,912,065	1,996,142

(1) Of which: swaps for which the Bank pays a fixed rate of interest in the amount of NIS 441,863 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 30,509 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 21,019 million.
(4) Of which: traded on the stock exchange in the amount of NIS 34,705 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

B. Gross fair value of derivative instruments

	December 31, 2025					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	**559**	**8,115**	**8,674**	**496**	**7,813**	**8,309**
Of which: hedging derivatives	**238**	**-**	**238**	**147**	**-**	**147**
Foreign-currency contracts	**76**	**11,190**	**11,266**	**93**	**13,016**	**13,109**
Share-related contracts	**1**	**5,100**	**5,101**	**1**	**4,946**	**4,947**
Commodity and other contracts	**-**	**30**	**30**	**-**	**31**	**31**
Total gross assets (liabilities) in respect of derivatives[1]	**636**	**24,435**	**25,071**	**590**	**25,806**	**26,396**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**636**	**24,435**	**25,071**	**590**	**25,806**	**26,396**
Of which: not subject to a netting arrangement or similar arrangements	**110**	**1,182**	**1,292**	**142**	**1,587**	**1,729**

(1) Of which: gross fair value of assets in respect of embedded derivatives in the amount of NIS 22 million and gross fair value of liabilities in respect of embedded derivatives in the amount of NIS 1 million.

	December 31, 2024					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	1,190	9,021	10,211	812	8,490	9,302
Of which: hedging derivatives	873	-	873	293	-	293
Foreign-currency contracts	237	6,714	6,951	103	6,588	6,691
Share-related contracts	7	5,013	5,020	7	4,913	4,920
Commodity and other contracts	-	9	9	-	8	8
Total gross assets (liabilities) in respect of derivatives[1]	1,434	20,757	22,191	922	19,999	20,921
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	1,434	20,757	22,191	922	19,999	20,921
Of which: not subject to a netting arrangement or similar arrangements	272	1,328	1,600	193	1,403	1,596

(1) Of which: gross fair value of assets in respect of embedded derivatives in the amount of NIS 42 million and gross fair value of liabilities in respect of embedded derivatives in the amount of NIS 6 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

C. Accounting hedges

1. Effect of accounting hedges

	For the year ended December 31	
	2025	2024
Profit (loss) from fair-value hedges		
Hedged items	**407**	(85)
Hedging derivatives	**(420)**	86

2. Items hedged in fair-value hedges

	Balance as at December 31, 2025		Balance as at December 31, 2024	
	Carrying value	Cumulative fair-value adjustments that increased (decreased) the carrying value	Carrying value	Cumulative fair-value adjustments that increased (decreased) the carrying value
Securities	**10,665**	**(139)**	14,815	(683)
Subordinated notes	**3,160**	**(76)**	3,486	(214)
Deposits from the public	**14,840**	**30**	16,575	31

3. Effect of derivatives not designated as hedging instruments on the statement of profit and loss

	For the year ended December 31	
	2025	2024
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[1]	
Interest contracts	**16**	37
Foreign-currency contracts	**(4,533)**	1,087
Share-related contracts	**91**	65
Commodity and other contracts	**7**	2
Total	**(4,419)**	1,191

(1) Included in the item "non-interest financing income (expenses)."

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty

	December 31, 2025						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments[2]	**502**	**14,042**	**2,389**	**233**	**4,440**	**3,465**	**25,071**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(11,045)**	**(1,049)**	**-**	**(2,587)**	**(1,577)**	**(16,258)**
Credit risk mitigation in respect of cash collateral received	**(181)**	**(2,864)**	**(1,208)**	**(218)**	**(1,520)**	**(241)**	**(6,232)**
Balance sheet credit risk in respect of derivative instruments	**321**	**133**	**132**	**15**	**333**	**1,647**	**2,581**
Off-balance sheet credit risk in respect of derivative instruments[1]	**503**	**7,370**	**1,763**	**65**	**14,347**	**3,489**	**27,537**
Total credit risk in respect of derivative instruments	**824**	**7,503**	**1,895**	**80**	**14,680**	**5,136**	**30,118**
Balance sheet balance of liabilities in respect of derivative instruments[2]	**556**	**11,341**	**1,086**	**-**	**9,966**	**3,447**	**26,396**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(11,045)**	**(1,049)**	**-**	**(2,587)**	**(1,577)**	**(16,258)**
Cash collateral pledged	**-**	**(266)**	**-**	**-**	**(5,675)**	**(168)**	**(6,109)**
Net total liabilities in respect of derivative instruments	**556**	**30**	**37**	**-**	**1,704**	**1,702**	**4,029**

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.

(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 22 million and gross fair value of liabilities in respect of embedded derivative financial instruments in the amount of NIS 1 million (December 31, 2024: gross fair value in respect of assets in the amount of NIS 42 million and gross fair value in respect of liabilities NIS 6 million).

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	December 31, 2024						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments[2]	473	14,281	1,787	13	3,661	1,976	22,191
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(11,282)	(973)	(13)	(1,630)	(917)	(14,815)
Credit risk mitigation in respect of cash collateral received	(114)	(2,658)	(627)	-	(1,732)	(292)	(5,423)
Balance sheet credit risk in respect of derivative instruments	359	341	187	-	299	767	1,953
Off-balance sheet credit risk in respect of derivative instruments[1]	396	10,397	1,415	48	12,261	3,161	27,678
Total credit risk in respect of derivative instruments	755	10,738	1,602	48	12,560	3,928	29,631
Balance sheet balance of liabilities in respect of derivative instruments[2]	270	12,355	1,102	66	4,329	2,799	20,921
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(11,282)	(973)	(13)	(1,630)	(917)	(14,815)
Cash collateral pledged	-	(762)	-	(46)	(1,237)	(371)	(2,416)
Net total liabilities in respect of derivative instruments	270	311	129	7	1,462	1,511	3,690

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.

(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 22 million and gross fair value of liabilities in respect of embedded derivative financial instruments in the amount of NIS 1 million (December 31, 2024: gross fair value in respect of assets in the amount of NIS 42 million and gross fair value in respect of liabilities NIS 6 million).

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

E. Details of maturity dates (nominal value amounts)

	December 31, 2025				
	Up to 3 months	Over 3 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
Interest contracts					
NIS-CPI	**3,909**	**13,574**	**12,006**	**6,141**	**35,630**
Other	**433,606**	**366,804**	**452,773**	**207,348**	**1,460,531**
Foreign-currency contracts	**485,281**	**199,678**	**68,423**	**9,129**	**762,511**
Share-related contracts	**303,300**	**200,458**	**11,332**	**-**	**515,090**
Commodity and other contracts	**2,459**	**33**	**37**	**-**	**2,529**
Total	**1,228,555**	**780,547**	**544,571**	**222,618**	**2,776,291**

	December 31, 2024				
Total	867,087	574,916	429,969	124,170	1,996,142

F. Derivative financial instruments – risk control

(1) The Bank executes transactions in derivative financial instruments as part of its financial risk management (linkage base, interest rate, and liquidity exposures) and as a service to its customers. From time to time, the Bank designates some of the derivative instruments as hedging instruments in fair-value hedges or cash-flow hedges.

(2) The principal types of transactions in which the Bank operates are:

- Forward

A contract between two parties for the purchase and sale of a defined quantity of commodities, currencies, interest rates, or other financial instruments (hereinafter: underlying assets), to be transacted at a future date and at a predefined price.

- Future

A future contract traded on stock markets, for the purchase or sale of a quantity of standard units of underlying assets, to be transacted at a future date and at a predefined price.

- Swap

A contract for the exchange at the time of the transaction of a defined quantity of underlying assets, with a mutual obligation to re-exchange the exchanged items at a future date.

- Option

A contract that confers, for the payment of a premium, the right to purchase (call) or sell (put) underlying assets at a price, quantity, and time denoted in advance.

- Spot

An exchange transaction between two currencies on the basis of a pre-agreed rate, for transaction within two days.

(3) Activity in derivative financial instruments involves a number of risks, as detailed below:

Credit risk – The maximum amount of loss to the Bank if the counterparty does not comply with the terms of the contract.

Market risk – Risk arising from fluctuations in the value of a derivative financial instrument as a result of a change in market prices, such as exchange rates, interest rates, etc.

Liquidity risk – Risk deriving from the inability to close a position rapidly by settlement in cash or by creating a reverse position.

Operational risk – Risk deriving from the erroneous operation of transactions, from the time that they are formed until the end of account settlement in respect thereof, due to human error or as a result of a mechanical failure in operation.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Market and liquidity risks arising from this activity are managed and measured routinely in specialized automated systems known in the international markets for these purposes, such as Summit and Algorithmics, and in automated systems developed by the Bank.

Credit risk arising from transactions in derivative financial instruments with respect to the counterparty to the transactions is usually measured by applying conservative coefficients to the nominal amounts of the transactions, and using the scenarios approach.

The operational issues arising from this activity are examined and controlled routinely by a specialized unit.

The use of derivative instruments as part of the management of the Bank's current (non-trading) activity is aimed at achieving objectives and complying with limits as approved by the Board of Directors (linkage base, interest rate, and liquidity exposures).

The Bank provides comprehensive service to its customers for hedging and investing in derivative financial instruments via the dealing rooms.

Activity in financial instruments in the areas of trading is designed to respond to customers' needs while undertaking limited and controlled risk in accordance with authorizations.

The authorizations for activity and risk are measured, as relevant, in terms of sensitivity to risk factors (such as vega); theoretical loss in different scenarios, including an extreme scenario; in terms of VaR; and in terms of nominal amounts. In certain cases, the procedure also prescribes limiting losses by means of a stop-loss order.

Note 28 Supervisory Operating Segments

Assignment of customers to the supervisory operating segments

Reporting on operating segments is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed below.

- **Private Banking Segment –** Private individuals the balance of whose portfolio of financial assets exceeds NIS 3 million.
- **Household Segment –** Private individuals other than those customers included in the Private Banking Segment.
- **Microbusiness and Small Business Segment –** Businesses with an annual revenue lower than NIS 50 million.
- **Mid-sized Business Segment –** Businesses with an annual revenue greater than or equal to NIS 50 million, and lower than NIS 250 million.
- **Large Business Segment –** Businesses with an annual revenue greater than or equal to NIS 250 million.
- **Financial Management Segment –** Includes trading activity, asset and liability management, non-financial investment, and additional activities, as defined in the directives of the Supervisor of Banks.
- **Institutional Entity Segment –** Includes provident funds, mutual funds, pension funds, study funds, and insurance companies, in accordance with the definitions of the Supervisor of Banks.
- **Other Segment –** Includes activities of the Bank Group with negligible volumes not assigned to the other segments.

Pursuant to the directive of the Banking Supervision Department, if the annual revenue of a business client does not reflect the volume of the client's activity, and the client's indebtedness is greater than or equal to NIS 100 million, the client can be assigned to the Large Business Segment. If the client's indebtedness is lower than NIS 100 million, the client can be assigned to the appropriate supervisory operating segment based on the total balance sheet assets of the business, in accordance with the rules set forth in the directive.

If the Bank does not have information regarding the annual revenue of a business client that has no indebtedness to the Bank, the client can be classified based on its total financial assets at the Bank (including monetary deposits, securities portfolios, and other monetary assets), in accordance with the rules detailed in the directive.

Note that the Bank takes various actions to obtain information regarding the annual revenue of its business clients. However, in certain cases, in the absence of information regarding the annual revenue, customer classifications are determined using evaluations and estimates based on the Bank's familiarity with the client and its activity. The Bank endeavors to obtain complete data regarding these customers.

For details regarding the division of the results of operations among the various segments, which is performed according to the rules for such division used by the Bank in the management approach, see Note 28A below.

Reclassification of comparative figures

Beginning in 2025, the Bank updated the model for the allocation of costs to the different operating segments, moving to an advanced model based on a combination of customer and product data, and differentiating direct costs attributed to a customer based on assignment to the relevant operating segment from indirect costs attributed based on the relevant attribution formulas. For comparability purposes, comparative figures for 2024 were reclassified.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments

	For the year ended December 31, 2025				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	**9,946**	**37**	**4,478**	**3,210**	**8,319**
Interest expenses for externals	**(3,164)**	**(1,492)**	**(2,302)**	**(1,049)**	**(3,410)**
Net interest income:					
From externals	**6,782**	**(1,455)**	**2,176**	**2,161**	**4,909**
Inter-segmental	**347**	**1,888**	**2,004**	**(550)**	**(1,471)**
Total net interest income	**7,129**	**433**	**4,180**	**1,611**	**3,438**
Non-interest income:					
Non-interest financing income (expenses)	**(297)**	**-**	**11**	**(31)**	**28**
Fees and other income	**1,418**	**191**	**1,171**	**393**	**822**
Total non-interest income	**1,121**	**191**	**1,182**	**362**	**850**
Total income	**8,250**	**624**	**5,362**	**1,973**	**4,288**
Provision (income) for credit losses	**601**	**-**	**517**	**121**	**(38)**
Operating and other expenses:					
For externals	**3,934**	**218**	**2,032**	**391**	**652**
Inter-segmental	**-**	**-**	**-**	**-**	**-**
Total operating and other expenses	**3,934**	**218**	**2,032**	**391**	**652**
Profit (loss) before taxes	**3,715**	**406**	**2,813**	**1,461**	**3,674**
Provision for taxes (tax benefit) on profit (loss)	**1,365**	**149**	**1,033**	**548**	**1,381**
Profit (loss) after taxes	**2,350**	**257**	**1,780**	**913**	**2,293**
The Bank's share in profits of equity-accounted investees	**-**	**-**	**-**	**-**	**-**
Net profit (loss) before attribution to non-controlling interests	**2,350**	**257**	**1,780**	**913**	**2,293**
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**2,350**	**257**	**1,780**	**913**	**2,293**

* Includes income in the amount of approximately NIS 432 million due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1 to the Financial Statements.

NIS millions

For the year ended December 31, 2025								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
144	**8,344**	**-**	**34,478**	**-**	**1,983**	**327**	**2,310**	**36,788**
(3,063)	**(2,927)**	**-**	**(17,407)**	**-**	**(314)**	**(964)**	**(1,278)**	**(18,685)**
(2,919)	**5,417**	**-**	**17,071**	**-**	**1,669**	**(637)**	**1,032**	**18,103**
3,134	**(5,529)**	**23**	**(154)**	**-**	**(766)**	**920**	**154**	**-**
215	**(112)**	**23**	**16,917**	**-**	**903**	**283**	**1,186**	**18,103**
72	**1,745**	**-**	**1,528**	**-**	**-**	**(10)**	**(10)**	**1,518**
124	**201**	**122**	**4,442**	**-**	**58**	***435**	**493**	**4,935**
196	**1,946**	**122**	**5,970**	**-**	**58**	**425**	**483**	**6,453**
411	**1,834**	**145**	**22,887**	**-**	**961**	**708**	**1,669**	**24,556**
(4)	**23**	**-**	**1,220**	**-**	**79**	**-**	**79**	**1,299**
228	**415**	**90**	**7,960**	**-**	**260**	**184**	**444**	**8,404**
-	**25**	**(25)**	**-**	**-**	**-**	**-**	**-**	**-**
228	**440**	**65**	**7,960**	**-**	**260**	**184**	**444**	**8,404**
187	**1,371**	**80**	**13,707**	**-**	**622**	**524**	**1,146**	**14,853**
68	**497**	**2**	**5,043**	**-**	**149**	**(99)**	**50**	**5,093**
119	**874**	**78**	**8,664**	**-**	**473**	**623**	**1,096**	**9,760**
-	**42**	**-**	**42**	**-**	**-**	**-**	**-**	**42**
119	**916**	**78**	**8,706**	**-**	**473**	**623**	**1,096**	**9,802**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
119	**916**	**78**	**8,706**	**-**	**473**	**623**	**1,096**	**9,802**

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	**177,874**	**895**	**57,425**	**48,941**	**144,004**
Of which: investments in equity-accounted investees[1]	**-**	**-**	**-**	**-**	**-**
Average balance of gross credit to the public[1]	**179,804**	**899**	**58,837**	**49,774**	**145,698**
Balance of gross credit to the public at the end of the reported period	**188,295**	**1,073**	**62,824**	**55,776**	**164,142**
Balance of non-accruing debts and debts past due by 90 days or more	**1,374**	**3**	**521**	**188**	**125**
Balance of other problematic debts	**282**	**-**	**654**	**892**	**1,980**
Allowance for credit losses at the end of the reported period	**2,379**	**11**	**2,056**	**1,018**	**2,692**
Net charge-offs in the reported period	**230**	**(1)**	**262**	**61**	**(233)**
Average balance of liabilities[1]	**167,822**	**43,047**	**102,674**	**32,011**	**86,715**
Of which: average balance of deposits from the public[1]	**167,790**	**43,041**	**102,474**	**31,495**	**85,543**
Balance of deposits from the public at the end of the reported period	**166,380**	**43,010**	**104,352**	**33,425**	**102,939**
Average balance of risk-adjusted assets[1][2]	**125,777**	**1,815**	**74,847**	**61,741**	**175,053**
Balance of risk-adjusted assets at the end of the reported period[2]	**130,588**	**1,883**	**79,776**	**62,966**	**184,743**
Average balance of assets under management[1][3]	**86,861**	**84,227**	**82,623**	**31,092**	**134,311**
Segmentation of net interest income:					
Spread from credit granting activity	**2,629**	**11**	**1,794**	**1,062**	**2,337**
Spread from deposit taking activity	**3,925**	**422**	**2,071**	**299**	**384**
Other	**575**	**-**	**315**	**250**	**717**
Total net interest income	**7,129**	**433**	**4,180**	**1,611**	**3,438**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 29.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

NIS millions

For the year ended December 31, 2025								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
7,255	**269,007**	**310**	**705,711**	**-**	**25,104**	**5,625**	**30,729**	**736,440**
-	**1,390**	**-**	**1,390**	**-**	**-**	**-**	**-**	**1,390**
6,741	**4,453**	**-**	**446,206**	**-**	**25,102**	**-**	**25,102**	**471,308**
8,998	**3,607**	**-**	**484,715**	**-**	**25,765**	**-**	**25,765**	**510,480**
-	**-**	**-**	**2,211**	**-**	**353**	**-**	**353**	**2,564**
-	**-**	**-**	**3,808**	**-**	**1,173**	**-**	**1,173**	**4,981**
10	**56**	**-**	**8,222**	**-**	**618**	**-**	**618**	**8,840**
-	**-**	**-**	**319**	**-**	**76**	**-**	**76**	**395**
105,438	**105,174**	**4**	**642,885**	**-**	**9,808**	**22,491**	**32,299**	**675,184**
105,430	**3,227**	**-**	**539,000**	**-**	**9,665**	**22,075**	**31,740**	**570,740**
107,795	**3,909**	**-**	**561,810**	**-**	**10,420**	**20,446**	**30,866**	**592,676**
12,633	**30,347**	**3,554**	**485,767**	**-**	**31,876**	**92**	**31,968**	**517,735**
13,399	**29,550**	**3,837**	**506,742**	**-**	**32,368**	**120**	**32,488**	**539,230**
501,828	**119,614**	**4,015**	**1,044,571**	**-**	**-**	**-**	**-**	**1,044,571**
15	**-**	**-**	**7,848**	**-**	**757**	**-**	**757**	**8,605**
135	**-**	**-**	**7,236**	**-**	**119**	**-**	**119**	**7,355**
65	**(112)**	**23**	**1,833**	**-**	**27**	**283**	**310**	**2,143**
215	**(112)**	**23**	**16,917**	**-**	**903**	**283**	**1,186**	**18,103**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025								
	Household Segment				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	**7,113**	**-**	**2,833**	**9,946**	**27**	**-**	**10**	**37**	**9,983**
Interest expenses for externals	**-**	**-**	**(3,164)**	**(3,164)**	**-**	**-**	**(1,492)**	**(1,492)**	**(4,656)**
Net interest income:									
From externals	**7,113**	**-**	**(331)**	**6,782**	**27**	**-**	**(1,482)**	**(1,455)**	**5,327**
Inter-segmental	**(5,375)**	**23**	**5,699**	**347**	**(23)**	**-**	**1,911**	**1,888**	**2,235**
Total net interest income	**1,738**	**23**	**5,368**	**7,129**	**4**	**-**	**429**	**433**	**7,562**
Non-interest income:									
Non-interest financing income (expenses)	**(25)**	**-**	**(272)**	**(297)**	**-**	**-**	**-**	**-**	**(297)**
Fees and other income	**32**	**439**	**947**	**1,418**	**-**	**13**	**178**	**191**	**1,609**
Total non-interest income	**7**	**439**	**675**	**1,121**	**-**	**13**	**178**	**191**	**1,312**
Total income	**1,745**	**462**	**6,043**	**8,250**	**4**	**13**	**607**	**624**	**8,874**
Provision (income) for credit losses	**85**	**-**	**516**	**601**	**-**	**-**	**-**	**-**	**601**
Operating and other expenses:									
For externals	**508**	**300**	**3,126**	**3,934**	**2**	**4**	**212**	**218**	**4,152**
Inter-segmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total operating and other expenses	**508**	**300**	**3,126**	**3,934**	**2**	**4**	**212**	**218**	**4,152**
Profit (loss) before taxes	**1,152**	**162**	**2,401**	**3,715**	**2**	**9**	**395**	**406**	**4,121**
Provision for taxes (tax benefit) on profit (loss)	**424**	**58**	**883**	**1,365**	**1**	**3**	**145**	**149**	**1,514**
Net profit (loss) attributed to shareholders of the Bank	**728**	**104**	**1,518**	**2,350**	**1**	**6**	**250**	**257**	**2,607**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025								
	Household Segment				Private Banking Segment				Total
	Housing loans[4]	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	**143,933**	**3,853**	**30,088**	**177,874**	**613**	**149**	**133**	**895**	**178,769**
Average balance of gross credit to the public[1]	**144,574**	**3,853**	**31,377**	**179,804**	**615**	**149**	**135**	**899**	**180,703**
Balance of gross credit to the public at the end of the reported period	**148,852**	**5,377**	**34,066**	**188,295**	**707**	**220**	**146**	**1,073**	**189,368**
Balance of non-accruing debts and debts past due by 90 days or more	**1,030**	**-**	**344**	**1,374**	**3**	**-**	**-**	**3**	**1,377**
Balance of other problematic debts	**3**	**-**	**279**	**282**	**-**	**-**	**-**	**-**	**282**
Allowance for credit losses at the end of the reported period	**758**	**-**	**1,621**	**2,379**	**2**	**-**	**9**	**11**	**2,390**
Net charge-offs in the reported period	**-**	**-**	**230**	**230**	**-**	**-**	**(1)**	**(1)**	**229**
Average balance of liabilities[1]	**-**	**-**	**167,822**	**167,822**	**-**	**-**	**43,047**	**43,047**	**210,869**
Of which: average balance of deposits from the public[1]	**-**	**-**	**167,790**	**167,790**	**-**	**-**	**43,041**	**43,041**	**210,831**
Balance of deposits from the public at the end of the reported period	**-**	**-**	**166,380**	**166,380**	**-**	**-**	**43,010**	**43,010**	**209,390**
Average balance of risk-adjusted assets[1][2]	**83,084**	**5,031**	**37,662**	**125,777**	**334**	**246**	**1,235**	**1,815**	**127,592**
Balance of risk-adjusted assets at the end of the reported period[2]	**86,178**	**5,372**	**39,038**	**130,588**	**391**	**273**	**1,219**	**1,883**	**132,471**
Average balance of assets under management[1][3]	**-**	**-**	**86,861**	**86,861**	**-**	**-**	**84,227**	**84,227**	**171,088**
Segmentation of net interest income:									
Spread from credit granting activity	**1,337**	**-**	**1,292**	**2,629**	**4**	**-**	**7**	**11**	**2,640**
Spread from deposit taking activity	**-**	**-**	**3,925**	**3,925**	**-**	**-**	**422**	**422**	**4,347**
Other	**401**	**23**	**151**	**575**	**-**	**-**	**-**	**-**	**575**
Total net interest income	**1,738**	**23**	**5,368**	**7,129**	**4**	**-**	**429**	**433**	**7,562**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 29.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	**1,492**	**2,986**	**4,478**	**1,848**	**1,362**	**3,210**	**3,821**	**4,498**	**8,319**	**16,007**
Interest expenses for externals	**(314)**	**(1,988)**	**(2,302)**	**(172)**	**(877)**	**(1,049)**	**(271)**	**(3,139)**	**(3,410)**	**(6,761)**
Net interest income:										
From externals	**1,178**	**998**	**2,176**	**1,676**	**485**	**2,161**	**3,550**	**1,359**	**4,909**	**9,246**
Inter-segmental	**(240)**	**2,244**	**2,004**	**(826)**	**276**	**(550)**	**(1,885)**	**414**	**(1,471)**	**(17)**
Total net interest income	**938**	**3,242**	**4,180**	**850**	**761**	**1,611**	**1,665**	**1,773**	**3,438**	**9,229**
Non-interest income:										
Non-interest financing income (expenses)	**-**	**11**	**11**	**(59)**	**28**	**(31)**	**(65)**	**93**	**28**	**8**
Fees and other income	**171**	**1,000**	**1,171**	**212**	**181**	**393**	**430**	**392**	**822**	**2,386**
Total non-interest income	**171**	**1,011**	**1,182**	**153**	**209**	**362**	**365**	**485**	**850**	**2,394**
Of which: income from credit cards	**-**	**204**	**204**	**-**	**13**	**13**	**-**	**7**	**7**	**224**
Total income	**1,109**	**4,253**	**5,362**	**1,003**	**970**	**1,973**	**2,030**	**2,258**	**4,288**	**11,623**
Provision (income) for credit losses	**153**	**364**	**517**	**39**	**82**	**121**	**(67)**	**29**	**(38)**	**600**
Operating and other expenses:										
From externals	**331**	**1,701**	**2,032**	**126**	**265**	**391**	**188**	**464**	**652**	**3,075**
Inter-segmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total operating and other expenses	**331**	**1,701**	**2,032**	**126**	**265**	**391**	**188**	**464**	**652**	**3,075**
Profit (loss) before taxes	**625**	**2,188**	**2,813**	**838**	**623**	**1,461**	**1,909**	**1,765**	**3,674**	**7,948**
Provision for taxes (tax benefit) on profit (loss)	**229**	**804**	**1,033**	**315**	**233**	**548**	**716**	**665**	**1,381**	**2,962**
Net profit (loss) attributed to shareholders of the Bank	**396**	**1,384**	**1,780**	**523**	**390**	**913**	**1,193**	**1,100**	**2,293**	**4,986**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	**19,332**	**38,093**	**57,425**	**25,419**	**23,522**	**48,941**	**57,599**	**86,405**	**144,004**	**250,370**
Average balance of gross credit to the public[1]	**19,796**	**39,041**	**58,837**	**25,864**	**23,910**	**49,774**	**58,418**	**87,280**	**145,698**	**254,309**
Balance of gross credit to the public at the end of the reported period	**20,852**	**41,972**	**62,824**	**27,291**	**28,485**	**55,776**	**63,524**	**100,618**	**164,142**	**282,742**
Balance of non-accruing debts and debts past due by 90 days or more	**75**	**446**	**521**	**78**	**110**	**188**	**11**	**114**	**125**	**834**
Balance of other problematic debts	**115**	**539**	**654**	**592**	**300**	**892**	**979**	**1,001**	**1,980**	**3,526**
Allowance for credit losses at the end of the reported period	**679**	**1,377**	**2,056**	**579**	**439**	**1,018**	**1,188**	**1,504**	**2,692**	**5,766**
Net charge-offs in the reported period	**51**	**211**	**262**	**1**	**60**	**61**	**(14)**	**(219)**	**(233)**	**90**
Average balance of liabilities[1]	**13,614**	**89,060**	**102,674**	**6,043**	**25,968**	**32,011**	**9,460**	**77,255**	**86,715**	**221,400**
Of which: average balance of deposits from the public[1]	**13,483**	**88,991**	**102,474**	**5,571**	**25,924**	**31,495**	**8,454**	**77,089**	**85,543**	**219,512**
Balance of deposits from the public at the end of the reported period	**13,368**	**90,984**	**104,352**	**5,660**	**27,765**	**33,425**	**9,289**	**93,650**	**102,939**	**240,716**
Average balance of risk-adjusted assets[1][2]	**28,280**	**46,567**	**74,847**	**35,326**	**26,415**	**61,741**	**81,140**	**93,913**	**175,053**	**311,641**
Balance of risk-adjusted assets at the end of the reported period[2]	**31,027**	**48,749**	**79,776**	**34,676**	**28,290**	**62,966**	**83,532**	**101,211**	**184,743**	**327,485**
Average balance of assets under management[1][3]	**-**	**82,623**	**82,623**	**-**	**31,092**	**31,092**	**-**	**134,311**	**134,311**	**248,026**
Segmentation of net interest income:										
Spread from credit granting activity	**556**	**1,238**	**1,794**	**653**	**409**	**1,062**	**1,273**	**1,064**	**2,337**	**5,193**
Spread from deposit taking activity	**264**	**1,807**	**2,071**	**56**	**243**	**299**	**76**	**308**	**384**	**2,754**
Other	**118**	**197**	**315**	**141**	**109**	**250**	**316**	**401**	**717**	**1,282**
Total net interest income	**938**	**3,242**	**4,180**	**850**	**761**	**1,611**	**1,665**	**1,773**	**3,438**	**9,229**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	**343**	**7,958**	**-**	**43**	**8,344**
Interest expenses for externals	**-**	**(2,927)**	**-**	**-**	**(2,927)**
Net interest income:					
From externals	**343**	**5,031**	**-**	**43**	**5,417**
Inter-segmental	**38**	**(5,472)**	**(37)**	**(58)**	**(5,529)**
Total net interest income	**381**	**(441)**	**(37)**	**(15)**	**(112)**
Non-interest financing income:					
From externals	**(3,330)**	**4,533**	**542**	**-**	**1,745**
Inter-segmental	**3,648**	**(3,648)**	**-**	**-**	**-**
Fees and other income	**-**	**127**	**-**	**74**	**201**
Total non-interest income	**318**	**1,012**	**542**	**74**	**1,946**
Total income	**699**	**571**	**505**	**59**	**1,834**
Provision (income) for credit losses	**-**	**23**	**-**	**-**	**23**
Operating and other expenses:					
From externals	**212**	**123**	**80**	**-**	**415**
Inter-segmental	**-**	**25**	**-**	**-**	**25**
Total operating and other expenses	**212**	**148**	**80**	**-**	**440**
Profit (loss) before taxes	**487**	**400**	**425**	**59**	**1,371**
Provision for taxes (tax benefit) on profit (loss)	**179**	**143**	**156**	**19**	**497**
Profit (loss) after taxes	**308**	**257**	**269**	**40**	**874**
The Bank's share in profits of equity-accounted investees	**-**	**-**	**42**	**-**	**42**
Net profit (loss) before attribution to non-controlling interests	**308**	**257**	**311**	**40**	**916**
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**308**	**257**	**311**	**40**	**916**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2025				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	**46,556**	**209,643**	**9,878**	**2,930**	**269,007**
Of which: investments in equity-accounted investees[1]	**-**	**-**	**1,390**	**-**	**1,390**
Average balance of gross credit to the public	**-**	**3,707**	**-**	**746**	**4,453**
Gross credit to the public at the end of the reported period	**-**	**2,861**	**-**	**746**	**3,607**
Allowance for credit losses at the end of the reported period	**-**	**55**	**-**	**1**	**56**
Average balance of liabilities[1]	**18,365**	**86,124**	**-**	**685**	**105,174**
Of which: average balance of deposits from the public	**-**	**3,093**	**-**	**134**	**3,227**
Deposits from the public at the end of the reported period	**-**	**3,737**	**-**	**172**	**3,909**
Average balance of risk-adjusted assets[1][2]	**8,922**	**15,029**	**6,396**	**-**	**30,347**
Balance of risk-adjusted assets at the end of the reported period[2]	**9,025**	**13,595**	**6,930**	**-**	**29,550**
Average balance of assets under management[1][3]	**-**	**-**	**-**	**119,614**	**119,614**

Components of net interest income and non-interest income		
Net exchange-rate differences[4]	**198**	**115**
Net CPI differences[4]	**-**	**881**
Net interest exposures[4]	**117**	**(1,556)**
Net share exposures[4]	**88**	**-**
Interest spreads attributed to financial management	**-**	**624**
Total net interest income and non-interest income based on accrual base	**403**	**64**
Profits or losses from sale or other-than-temporary impairment of bonds	**-**	**194**
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	**-**	**186**
Other non-interest income	**296**	**127**
Total net interest income and non-interest income	**699**	**571**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Including in respect of securities and derivative instruments.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024*				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	9,549	36	4,265	2,772	7,505
Interest expenses for externals	(3,429)	(1,591)	(2,478)	(1,133)	(2,824)
Net interest income:					
From externals	6,120	(1,555)	1,787	1,639	4,681
Inter-segmental	988	2,056	2,298	(91)	(1,549)
Total net interest income	7,108	501	4,085	1,548	3,132
Non-interest income:					
Non-interest financing income (expenses)	(44)	1	15	(35)	16
Fees and other income	1,231	163	1,018	373	741
Total non-interest income	1,187	164	1,033	338	757
Total income	8,295	665	5,118	1,886	3,889
Provision (income) for credit losses	566	-	546	(15)	(474)
Operating and other expenses:					
For externals	4,390	204	2,158	421	643
Inter-segmental	-	-	-	-	-
Total operating and other expenses	4,390	204	2,158	421	643
Profit (loss) before taxes	3,339	461	2,414	1,480	3,720
Provision for taxes (tax benefit) on profit (loss)	1,283	174	935	579	1,447
Profit (loss) after taxes	2,056	287	1,479	901	2,273
The Bank's share in profits of equity-accounted investees	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	2,056	287	1,479	901	2,273
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	2,056	287	1,479	901	2,273

* Reclassified, as detailed above.

NIS millions

For the year ended December 31, 2024*								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
126	8,619	-	32,872	-	2,099	524	2,623	35,495
(3,184)	(2,353)	-	(16,992)	-	(362)	(1,191)	(1,553)	(18,545)
(3,058)	6,266	-	15,880	-	1,737	(667)	1,070	16,950
3,278	(7,088)	13	(95)	-	(835)	930	95	-
220	(822)	13	15,785	-	902	263	1,165	16,950
78	930	-	961	-	-	(2)	(2)	959
119	228	123	3,996	-	55	-	55	4,051
197	1,158	123	4,957	-	55	(2)	53	5,010
417	336	136	20,742	-	957	261	1,218	21,960
3	(11)	-	615	-	78	-	78	693
237	398	116	8,567	-	298	142	440	9,007
-	33	(33)	-	-	-	-	-	-
237	431	83	8,567	-	298	142	440	9,007
177	(84)	53	11,560	-	581	119	700	12,260
71	(164)	(38)	4,287	-	221	51	272	4,559
106	80	91	7,273	-	360	68	428	7,701
-	(66)	-	(66)	-	-	-	-	(66)
106	14	91	7,207	-	360	68	428	7,635
-	-	-	-	-	-	-	-	-
106	14	91	7,207	-	360	68	428	7,635

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	165,685	790	54,169	41,071	124,789
Of which: investments in equity-accounted investees[1]	-	-	-	-	-
Average balance of gross credit to the public[1]	167,266	793	55,480	42,156	126,395
Balance of gross credit to the public at the end of the reported period	174,858	878	58,454	45,322	137,419
Balance of non-accruing debts and debts past due by 90 days or more	1,142	3	536	300	477
Balance of other problematic debts	307	-	572	461	2,559
Allowance for credit losses at the end of the reported period	2,015	3	1,801	1,012	2,442
Net charge-offs in the reported period	288	-	324	250	(116)
Average balance of liabilities[1]	173,644	43,241	100,928	33,270	71,839
Of which: average balance of deposits from the public[1]	173,615	43,239	100,733	33,062	70,879
Balance of deposits from the public at the end of the reported period	171,242	43,806	106,360	35,246	79,505
Average balance of risk-adjusted assets[1][2]	115,025	1,646	69,964	54,139	152,804
Balance of risk-adjusted assets at the end of the reported period[2]	120,117	1,786	71,295	57,725	164,473
Average balance of assets under management[1][3]	74,887	67,246	61,318	27,241	101,285
Segmentation of net interest income:					
Spread from credit granting activity	2,658	8	1,740	924	2,095
Spread from deposit taking activity	4,016	489	2,092	412	434
Other	434	4	253	212	603
Total net interest income	7,108	501	4,085	1,548	3,132

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 27.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

NIS millions

For the year ended December 31, 2024								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
4,247	268,811	336	659,898	-	23,859	6,240	30,099	689,997
-	1,459	-	1,459	-	-	-	-	1,459
3,811	4,304	-	400,205	-	24,043	-	24,043	424,248
4,171	3,472	-	424,574	-	25,729	-	25,729	450,303
-	-	-	2,458	-	325	-	325	2,783
-	-	-	3,899	-	1,319	-	1,319	5,218
13	33	-	7,319	-	617	-	617	7,936
-	-	-	746	-	-	-	-	746
96,091	82,114	3	601,130	-	9,210	23,241	32,451	633,581
96,078	3,495	-	521,101	-	9,119	22,739	31,858	552,959
103,560	2,987	-	542,706	-	9,527	22,052	31,579	574,285
9,451	27,385	3,271	433,685	-	30,762	175	30,937	464,622
12,137	29,612	3,476	460,621	-	32,058	84	32,142	492,763
435,891	88,637	3,786	860,291	-	-	-	-	860,291
11	-	-	7,436	-	736	-	736	8,172
165	-	-	7,608	-	135	-	135	7,743
44	(822)	13	741	-	31	263	294	1,035
220	(822)	13	15,785	-	902	263	1,165	16,950

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024*								
	Household Segment				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	6,864	-	2,685	9,549	24	-	12	36	9,585
Interest expenses for externals	-	-	(3,429)	(3,429)	-	-	(1,591)	(1,591)	(5,020)
Net interest income:									
From externals	6,864	-	(744)	6,120	24	-	(1,579)	(1,555)	4,565
Inter-segmental	(5,163)	20	6,131	988	(20)	-	2,076	2,056	3,044
Total net interest income	1,701	20	5,387	7,108	4	-	497	501	7,609
Non-interest income:									
Non-interest financing income (expenses)	(42)	-	(2)	(44)	-	-	1	1	(43)
Fees and other income	36	338	857	1,231	-	10	153	163	1,394
Total non-interest income	(6)	338	855	1,187	-	10	154	164	1,351
Total income	1,695	358	6,242	8,295	4	10	651	665	8,960
Provision (income) for credit losses	47	-	519	566	-	-	-	-	566
Operating and other expenses:									
For externals	473	376	3,541	4,390	1	5	198	204	4,594
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	473	376	3,541	4,390	1	5	198	204	4,594
Profit (loss) before taxes	1,175	(18)	2,182	3,339	3	5	453	461	3,800
Provision for taxes (tax benefit) on profit (loss)	448	2	833	1,283	1	2	171	174	1,457
Net profit (loss) attributed to shareholders of the Bank	727	(20)	1,349	2,056	2	3	282	287	2,343

* Reclassified, as detailed above.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024								
	Household Segment				Private Banking Segment				Total
	Housing loans[4]	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	133,365	3,814	28,506	165,685	507	127	156	790	166,475
Average balance of gross credit to the public[1]	133,898	3,814	29,554	167,266	508	127	158	793	168,059
Balance of gross credit to the public at the end of the reported period	139,429	5,142	30,287	174,858	550	196	132	878	175,736
Balance of non-accruing debts and debts past due by 90 days or more	842	-	300	1,142	3	-	-	3	1,145
Balance of other problematic debts	-	-	307	307	-	-	-	-	307
Allowance for credit losses at the end of the reported period	674	-	1,341	2,015	1	-	2	3	2,018
Net charge-offs in the reported period	-	-	288	288	-	-	-	-	288
Average balance of liabilities[1]	-	-	173,644	173,644	-	-	43,241	43,241	216,885
Of which: average balance of deposits from the public[1]	-	-	173,615	173,615	-	-	43,239	43,239	216,854
Balance of deposits from the public at the end of the reported period	-	-	171,242	171,242	-	-	43,806	43,806	215,048
Average balance of risk-adjusted assets[1][2]	75,173	4,661	35,191	115,025	275	201	1,170	1,646	116,671
Balance of risk-adjusted assets at the end of the reported period[2]	78,885	4,904	36,328	120,117	293	226	1,267	1,786	121,903
Average balance of assets under management[1][3]	-	-	74,887	74,887	-	-	67,246	67,246	142,133
Segmentation of net interest income:									
Spread from credit granting activity	1,397	-	1,261	2,658	4	-	4	8	2,666
Spread from deposit taking activity	-	-	4,016	4,016	-	-	489	489	4,505
Other	304	20	110	434	-	-	4	4	438
Total net interest income	1,701	20	5,387	7,108	4	-	497	501	7,609

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 27.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024*									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	1,471	2,794	4,265	1,586	1,186	2,772	3,352	4,153	7,505	14,542
Interest expenses for externals	(342)	(2,136)	(2,478)	(166)	(967)	(1,133)	(240)	(2,584)	(2,824)	(6,435)
Net interest income:										
From externals	1,129	658	1,787	1,420	219	1,639	3,112	1,569	4,681	8,107
Inter-segmental	(197)	2,495	2,298	(684)	593	(91)	(1,639)	90	(1,549)	658
Total net interest income	932	3,153	4,085	736	812	1,548	1,473	1,659	3,132	8,765
Non-interest income:										
Non-interest financing income (expenses)	-	15	15	(55)	20	(35)	(65)	81	16	(4)
Fees and other income	190	828	1,018	196	177	373	370	371	741	2,132
Total non-interest income	190	843	1,033	141	197	338	305	452	757	2,128
Of which: income from credit cards	-	149	149	-	10	10	-	4	4	163
Total income	1,122	3,996	5,118	877	1,009	1,886	1,778	2,111	3,889	10,893
Provision (income) for credit losses	130	416	546	30	(45)	(15)	(222)	(252)	(474)	57
Operating and other expenses:										
From externals	392	1,766	2,158	131	290	421	190	453	643	3,222
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	392	1,766	2,158	131	290	421	190	453	643	3,222
Profit (loss) before taxes	600	1,814	2,414	716	764	1,480	1,810	1,910	3,720	7,614
Provision for taxes (tax benefit) on profit (loss)	235	700	935	280	299	579	703	744	1,447	2,961
Net profit (loss) attributed to shareholders of the Bank	365	1,114	1,479	436	465	901	1,107	1,166	2,273	4,653

* Reclassified, as detailed above.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	18,910	35,259	54,169	21,201	19,870	41,071	49,201	75,588	124,789	220,029
Average balance of gross credit to the public[1]	19,335	36,145	55,480	21,667	20,489	42,156	50,071	76,324	126,395	224,031
Balance of gross credit to the public at the end of the reported period	19,230	39,224	58,454	23,530	21,792	45,322	56,298	81,121	137,419	241,195
Balance of non-accruing debts and debts past due by 90 days or more	200	336	536	*65	*235	300	*15	*462	477	1,313
Balance of other problematic debts	137	435	572	245	216	461	1,042	1,517	2,559	3,592
Allowance for credit losses at the end of the reported period	660	1,141	1,801	597	415	1,012	1,107	1,335	2,442	5,255
Net charge-offs in the reported period	36	288	324	(13)	263	250	(30)	(86)	(116)	458
Average balance of liabilities[1]	13,959	86,969	100,928	5,418	27,852	33,270	7,555	64,284	71,839	206,037
Of which: average balance of deposits from the public[1]	13,833	86,900	100,733	5,255	27,807	33,062	7,305	63,574	70,879	204,674
Balance of deposits from the public at the end of the reported period	14,854	91,506	106,360	6,154	29,092	35,246	9,315	70,190	79,505	221,111
Average balance of risk-adjusted assets[1][2]	28,137	41,827	69,964	31,095	23,044	54,139	71,870	80,934	152,804	276,907
Balance of risk-adjusted assets at the end of the reported period[2]	27,286	44,009	71,295	33,576	24,149	57,725	78,235	86,238	164,473	293,493
Average balance of assets under management[1][3]	-	61,318	61,318	-	27,241	27,241	-	101,285	101,285	189,844
Segmentation of net interest income:										
Spread from credit granting activity	550	1,190	1,740	548	376	924	1,125	970	2,095	4,759
Spread from deposit taking activity	267	1,825	2,092	67	345	412	73	361	434	2,938
Other	115	138	253	121	91	212	275	328	603	1,068
Total net interest income	932	3,153	4,085	736	812	1,548	1,473	1,659	3,132	8,765

* Reclassified.

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.

(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).

(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024*				
	Financial management segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	335	8,256	-	28	8,619
Interest expenses for externals	-	(2,353)	-	-	(2,353)
Net interest income:					
From externals	335	5,903	-	28	6,266
Inter-segmental	34	(7,034)	(42)	(46)	(7,088)
Total net interest income	369	(1,131)	(42)	(18)	(822)
Non-interest financing income:					
From externals	63	364	503	-	930
Inter-segmental	148	(148)	-	-	-
Fees and other income	-	101	-	127	228
Total non-interest income	211	317	503	127	1,158
Total income	580	(814)	461	109	336
Provision (income) for credit losses	-	(11)	-	-	(11)
Operating and other expenses:					
From externals	225	87	86	-	398
Inter-segmental	-	33	-	-	33
Total operating and other expenses	225	120	86	-	431
Profit (loss) before taxes	355	(923)	375	109	(84)
Provision for taxes (tax benefit) on profit (loss)	121	(451)	128	38	(164)
Profit (loss) after taxes	234	(472)	247	71	80
The Bank's share in profits of equity-accounted investees	-	-	(66)	-	(66)
Net profit (loss) before attribution to non-controlling interests	234	(472)	181	71	14
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	234	(472)	181	71	14

* Reclassified, as detailed above.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2024				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	35,870	223,634	7,167	2,140	268,811
Of which: investments in equity-accounted investees[1]	-	-	1,459	-	1,459
Average balance of gross credit to the public	-	3,672	-	632	4,304
Gross credit to the public at the end of the reported period	-	2,840	-	632	3,472
Allowance for credit losses at the end of the reported period	-	31	-	2	33
Average balance of liabilities[1]	14,639	66,289	-	1,186	82,114
Of which: average balance of deposits from the public	-	2,580	-	915	3,495
Deposits from the public at the end of the reported period	-	2,982	-	5	2,987
Average balance of risk-adjusted assets[1][2]	8,433	13,546	5,406	-	27,385
Balance of risk-adjusted assets at the end of the reported period[2]	8,666	15,217	5,729	-	29,612
Average balance of assets under management[1][3]	-	-	-	88,637	88,637
Components of net interest income and non-interest income					
Net exchange-rate differences[4]	134	(57)			
Net CPI differences[4]	-	1,178			
Net interest exposures[4]	126	(2,291)			
Net share exposures[4]	63	-			
Interest spreads attributed to financial management	-	743			
Total net interest income and non-interest income based on accrual base	323	(427)			
Profits or losses from sale or other-than-temporary impairment of bonds	-	(778)			
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	-	290			
Other non-interest income	257	101			
Total net interest income and non-interest income	580	(814)			

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Including in respect of securities and derivative instruments.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	9,279	32	4,488	2,678	6,377
Interest expenses for externals	(2,814)	(1,347)	(2,189)	(1,073)	(2,527)
Net interest income:					
From externals	6,465	(1,315)	2,299	1,605	3,850
Inter-segmental	767	1,833	1,912	(62)	(1,018)
Total net interest income	7,232	518	4,211	1,543	2,832
Non-interest income:					
Non-interest financing income (expenses)	(54)	1	19	(39)	11
Fees and other income	1,279	141	1,007	378	709
Total non-interest income	1,225	142	1,026	339	720
Total income	8,457	660	5,237	1,882	3,552
Provision (income) for credit losses	495	1	718	524	80
Operating and other expenses:	-	-	-	-	-
For externals	3,824	216	1,899	449	738
Inter-segmental	-	-	-	-	-
Total operating and other expenses	3,824	216	1,899	449	738
Profit (loss) before taxes	4,138	443	2,620	909	2,734
Provision for taxes (tax benefit) on profit (loss)	1,435	152	906	322	971
Profit (loss) after taxes	2,703	291	1,714	587	1,763
The Bank's share in profits of equity-accounted investees	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	2,703	291	1,714	587	1,763
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	2,703	291	1,714	587	1,763

NIS millions

For the year ended December 31, 2023								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
100	7,758	-	30,712	8	1,651	600	2,259	32,971
(2,867)	(2,865)	-	(15,682)	(2)	(346)	(856)	(1,204)	(16,886)
(2,767)	4,893	-	15,030	6	1,305	(256)	1,055	16,085
2,965	(6,343)	12	66	-	(559)	493	(66)	-
198	(1,450)	12	15,096	6	746	237	989	16,085
67	1,262	-	1,267	-	-	-	-	1,267
92	180	192	3,978	-	51	1	52	4,030
159	1,442	192	5,245	-	51	1	52	5,297
357	(8)	204	20,341	6	797	238	1,041	21,382
(2)	(6)	-	1,810	-	69	-	69	1,879
-	-	-	-	-	-	-	-	-
161	376	105	7,768	57	282	124	463	8,231
-	47	(47)	-	-	-	-	-	-
161	423	58	7,768	57	282	124	463	8,231
198	(425)	146	10,763	(51)	446	114	509	11,272
69	(184)	52	3,723	(6)	174	39	207	3,930
129	(241)	94	7,040	(45)	272	75	302	7,342
-	18	-	18	-	-	-	-	18
129	(223)	94	7,058	(45)	272	75	302	7,360
-	-	-	-	-	-	-	-	-
129	(223)	94	7,058	(45)	272	75	302	7,360

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	162,645	715	57,343	39,910	115,328
Of which: investments in equity-accounted investees[1]	-	-	-	-	-
Average balance of gross credit to the public[1]	163,988	717	58,199	40,813	113,377
Balance of gross credit to the public at the end of the reported period	165,603	729	56,356	43,245	120,621
Balance of non-accruing debts and debts past due by 90 days or more	1,061	3	647	773	1,437
Balance of other problematic debts	380	-	561	362	1,883
Allowance for credit losses at the end of the reported period	1,738	2	1,763	1,383	2,455
Net charge-offs in the reported period	203	-	161	18	(2)
Average balance of liabilities[1]	167,802	40,078	97,758	33,610	69,719
Of which: average balance of deposits from the public[1]	167,777	40,076	97,575	33,445	66,390
Balance of deposits from the public at the end of the reported period	172,289	41,880	98,260	35,394	74,442
Average balance of risk-adjusted assets[1][2]	109,508	1,453	70,748	50,864	136,519
Balance of risk-adjusted assets at the end of the reported period[2]	111,451	1,526	70,448	52,517	140,430
Average balance of assets under management[1][3]	66,615	54,019	47,308	24,215	99,577
Segmentation of net interest income:					
Spread from credit granting activity	2,821	6	1,845	898	1,811
Spread from deposit taking activity	4,056	508	2,158	464	540
Other	355	4	208	181	481
Total net interest income	7,232	518	4,211	1,543	2,832

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 24 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

NIS millions

For the year ended December 31, 2023								
Activity in Israel				Activity outside Israel				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity outside Israel	
3,068	265,237	261	644,507	87	20,129	8,950	29,166	673,673
-	1,179	-	1,179	-	-	-	-	1,179
2,696	3,842	-	383,632	-	20,012	-	20,012	403,644
4,840	2,418	-	393,812	-	20,563	-	20,563	414,375
-	-	-	3,921	-	388	-	388	4,309
-	-	-	3,186	-	895	-	895	4,081
23	44	-	7,408	-	581	-	581	7,989
-	-	-	380	-	1	-	1	381
94,602	91,042	4	594,615	114	9,159	18,451	27,724	622,339
94,584	2,649	-	502,496	-	8,971	18,003	26,974	529,470
98,368	4,824	-	525,457	1	10,738	18,399	29,138	554,595
5,483	25,147	3,296	403,018	16	25,833	108	25,957	428,975
6,266	25,367	2,989	410,994	-	26,661	197	26,858	437,852
359,479	96,136	3,889	751,238	-	-	-	-	751,238
8	-	-	7,389	6	592	-	598	7,987
159	-	-	7,885	-	135	-	135	8,020
31	(1,450)	12	(178)	-	19	237	256	78
198	(1,450)	12	15,096	6	746	237	989	16,085

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023								
	Household Segment				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	6,400	-	2,879	9,279	20	-	12	32	9,311
Interest expenses for externals	-	-	(2,814)	(2,814)	-	-	(1,347)	(1,347)	(4,161)
Net interest income:									
From externals	6,400	-	65	6,465	20	-	(1,335)	(1,315)	5,150
Inter-segmental	(4,742)	18	5,491	767	(17)	-	1,850	1,833	2,600
Total net interest income	1,658	18	5,556	7,232	3	-	515	518	7,750
Non-interest income:									
Non-interest financing income (expenses)	(55)	-	1	(54)	-	-	1	1	(53)
Fees and other income	45	357	877	1,279	-	9	132	141	1,420
Total non-interest income	(10)	357	878	1,225	-	9	133	142	1,367
Total income	1,648	375	6,434	8,457	3	9	648	660	9,117
Provision (income) for credit losses	117	-	378	495	-	-	1	1	496
Operating and other expenses:									
For externals	488	124	3,212	3,824	-	2	214	216	4,040
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	488	124	3,212	3,824	-	2	214	216	4,040
Profit (loss) before taxes	1,043	251	2,844	4,138	3	7	433	443	4,581
Provision for taxes (tax benefit) on profit (loss)	359	87	989	1,435	1	2	149	152	1,587
Net profit (loss) attributed to shareholders of the Bank	684	164	1,855	2,703	2	5	284	291	2,994

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023								
	Household Segment				Private Banking Segment				Total
	Housing loans[4]	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	128,775	5,316	28,554	162,645	440	112	163	715	163,360
Average balance of gross credit to the public[1]	129,300	5,316	29,372	163,988	441	112	164	717	164,705
Balance of gross credit to the public at the end of the reported period	131,134	4,671	29,798	165,603	429	147	153	729	166,332
Balance of non-accruing debts and debts past due by 90 days or more	752	-	309	1,061	3	-	-	3	1,064
Balance of other problematic debts	-	-	380	380	-	-	-	-	380
Allowance for credit losses at the end of the reported period	627	-	1,111	1,738	1	-	1	2	1,740
Net charge-offs in the reported period	8	-	195	203	-	-	-	-	203
Average balance of liabilities[1]	-	-	167,802	167,802	-	-	40,078	40,078	207,880
Of which: average balance of deposits from the public[1]	-	-	167,777	167,777	-	-	40,076	40,076	207,853
Balance of deposits from the public at the end of the reported period	-	-	172,289	172,289	-	-	41,880	41,880	214,169
Average balance of risk-adjusted assets[1][2]	71,106	4,515	33,887	109,508	240	177	1,036	1,453	110,961
Balance of risk-adjusted assets at the end of the reported period[2]	72,224	4,387	34,840	111,451	234	170	1,122	1,526	112,977
Average balance of assets under management[1][3]	-	-	66,615	66,615	-	-	54,019	54,019	120,634
Segmentation of net interest income:									
Spread from credit granting activity	1,422	-	1,399	2,821	3	-	3	6	2,827
Spread from deposit taking activity	-	-	4,056	4,056	-	-	508	508	4,564
Other	236	18	101	355	-	-	4	4	359
Total net interest income	1,658	18	5,556	7,232	3	-	515	518	7,750

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 24 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	1,538	2,950	4,488	1,420	1,258	2,678	2,888	3,489	6,377	13,543
Interest expenses for externals	(300)	(1,889)	(2,189)	(143)	(930)	(1,073)	(253)	(2,274)	(2,527)	(5,789)
Net interest income:										
From externals	1,238	1,061	2,299	1,277	328	1,605	2,635	1,215	3,850	7,754
Inter-segmental	(252)	2,164	1,912	(601)	539	(62)	(1,388)	370	(1,018)	832
Total net interest income	986	3,225	4,211	676	867	1,543	1,247	1,585	2,832	8,586
Non-interest income:										
Non-interest financing income (expenses)	1	18	19	(55)	16	(39)	(65)	76	11	(9)
Fees and other income	207	800	1,007	213	165	378	370	339	709	2,094
Total non-interest income	208	818	1,026	158	181	339	305	415	720	2,085
Of which: income from credit cards	-	148	148	-	9	9	-	5	5	162
Total income	1,194	4,043	5,237	834	1,048	1,882	1,552	2,000	3,552	10,671
Provision (income) for credit losses	270	448	718	152	372	524	243	(163)	80	1,322
Operating and other expenses:										
From externals	336	1,563	1,899	165	284	449	278	460	738	3,086
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	336	1,563	1,899	165	284	449	278	460	738	3,086
Profit (loss) before taxes	588	2,032	2,620	517	392	909	1,031	1,703	2,734	6,263
Provision for taxes (tax benefit) on profit (loss)	203	703	906	184	138	322	365	606	971	2,199
Net profit (loss) attributed to shareholders of the Bank	385	1,329	1,714	333	254	587	666	1,097	1,763	4,064

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	19,439	37,904	57,343	19,121	20,789	39,910	44,120	71,208	115,328	212,581
Average balance of gross credit to the public[1]	19,639	38,560	58,199	19,502	21,311	40,813	44,780	68,597	113,377	212,389
Balance of gross credit to the public at the end of the reported period	20,022	36,334	56,356	21,276	21,969	43,245	48,104	72,517	120,621	220,222
Balance of non-accruing debts and debts past due by 90 days or more	234	413	647	261	512	773	430	1,007	1,437	2,857
Balance of other problematic debts	168	393	561	157	205	362	1,108	775	1,883	2,806
Allowance for credit losses at the end of the reported period	687	1,076	1,763	625	758	1,383	930	1,525	2,455	5,601
Net charge-offs in the reported period	14	147	161	3	15	18	(9)	7	(2)	177
Average balance of liabilities[1]	14,100	83,658	97,758	5,436	28,174	33,610	8,583	61,136	69,719	201,087
Of which: average balance of deposits from the public[1]	13,971	83,604	97,575	5,318	28,127	33,445	8,316	58,074	66,390	197,410
Balance of deposits from the public at the end of the reported period	13,577	84,683	98,260	5,300	30,094	35,394	6,971	67,471	74,442	208,096
Average balance of risk-adjusted assets[1][2]	28,754	41,994	70,748	26,799	24,065	50,864	63,595	72,924	136,519	258,131
Balance of risk-adjusted assets at the end of the reported period[2]	29,781	40,667	70,448	28,927	23,590	52,517	65,472	74,958	140,430	263,395
Average balance of assets under management[1][3]	-	47,308	47,308	-	24,215	24,215	-	99,577	99,577	171,100
Segmentation of net interest income:										
Spread from credit granting activity	587	1,258	1,845	493	405	898	925	886	1,811	4,554
Spread from deposit taking activity	297	1,861	2,158	87	377	464	98	442	540	3,162
Other	102	106	208	96	85	181	224	257	481	870
Total net interest income	986	3,225	4,211	676	867	1,543	1,247	1,585	2,832	8,586

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	525	7,233	-	-	7,758
Interest expenses for externals	-	(2,865)	-	-	(2,865)
Net interest income:					
From externals	525	4,368	-	-	4,893
Inter-segmental	26	(6,326)	(46)	3	(6,343)
Total net interest income	551	(1,958)	(46)	3	(1,450)
Non-interest financing income:					
From externals	4,013	(3,120)	369	-	1,262
Inter-segmental	(4,019)	4,019	-	-	-
Fees and other income	-	93	-	87	180
Total non-interest income	(6)	992	369	87	1,442
Total income	545	(966)	323	90	(8)
Provision (income) for credit losses	-	(6)	-	-	(6)
Operating and other expenses:					
From externals	212	123	28	13	376
Inter-segmental	-	47	-	-	47
Total operating and other expenses	212	170	28	13	423
Profit (loss) before taxes	333	(1,130)	295	77	(425)
Provision for taxes (tax benefit) on profit (loss)	114	(425)	101	26	(184)
Profit (loss) after taxes	219	(705)	194	51	(241)
The Bank's share in profits of equity-accounted investees	-	-	18	-	18
Net profit (loss) before attribution to non-controlling interests	219	(705)	212	51	(223)
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	219	(705)	212	51	(223)

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2023				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	41,678	216,075	6,571	913	265,237
Of which: investments in equity-accounted investees[1]	-	-	1,179	-	1,179
Average balance of gross credit to the public	-	3,402	-	440	3,842
Gross credit to the public at the end of the reported period	-	1,978	-	440	2,418
Allowance for credit losses at the end of the reported period	-	44	-	-	44
Average balance of liabilities[1]	17,154	72,966	-	922	91,042
Of which: average balance of deposits from the public	-	1,836	-	813	2,649
Deposits from the public at the end of the reported period	-	3,148	-	1,676	4,824
Average balance of risk-adjusted assets[1][2]	7,979	9,930	7,238	-	25,147
Balance of risk-adjusted assets at the end of the reported period[2]	8,540	9,085	7,742	-	25,367
Average balance of assets under management[1][3]	-	-	-	96,136	96,136
Components of net interest income and non-interest income					
Net exchange-rate differences[4]	117	83			
Net CPI differences[4]	-	914			
Net interest exposures[4]	111	(2,542)			
Net share exposures[4]	70	-			
Interest spreads attributed to financial management	-	708			
Total net interest income and non-interest income based on accrual base	298	(837)			
Profits or losses from sale or other-than-temporary impairment of bonds	-	(594)			
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	-	372			
Other non-interest income	247	93			
Total net interest income and non-interest income	545	(966)			

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Including in respect of securities and derivative instruments.

Note 28A Operating Segments Based on the Management Approach

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. The division into operating segments according to the management approach is based on types of products and services or on types of customers. This division is used by the chief operating decision maker of the Bank (CODM – the Board of Management of the Bank) to make decisions and to analyze the Group's business results.

Assignment of customers to segments based on the management approach

Customers' assignments to the operating segments are based on the actual assignment of customers to the organizational units that serve them, which is performed in accordance with the criteria described below. However, it is clarified that customer assignments occasionally take additional criteria into consideration, as in the case of a private customer or a company with a profile or potential for future activity that justifies an assignment to the Private Customer Segment or to the Corporate Segment, as relevant. In assigning a business client to an organizational unit, the client's association with a group of companies is also taken into consideration.

The following reportable segments have been identified by the Bank, in accordance with the management approach:

Retail activity

Private Customer Segment – Customers included in this segment are private customers to whom the Bank provides a range of banking services and financial products, including activity using the Bit payment app and investment advising services.

Small Business Segment – Provides a range of banking services to business customers with total indebtedness (to the Bank or to other lenders) of less than NIS 10 million, or total indebtedness (to the Bank or to other lenders) of more than NIS 10 million but indebtedness to the Bank of less than NIS 6 million and annual revenue of less than NIS 30 million.

Housing Loan Segment – This segment is responsible for providing housing credit services to retail customers.

Business activity

Commercial Segment – This segment includes business customers with total indebtedness (to the Bank or to other lenders) of more than NIS 10 million, up to a total of NIS 100 million; or annual revenue of over NIS 30 million, up to NIS 1 billion. Customers in the construction and real-estate sector included in this segment are customers with total indebtedness higher than NIS 10 million, up to a total of NIS 350 million; or a total credit balance of NIS 150 million or less.

Corporate Segment – Provides financial services to large corporations in Israel and overseas with total indebtedness of NIS 250 million or more, or annual revenue of over NIS 1 billion. Customers in the construction and real-estate sector included in this segment are customers with total indebtedness of NIS 550 million or more, or a total credit balance of NIS 250 million or more.

Groups with total indebtedness of NIS 100 million to NIS 250 million, and groups in the construction and real-estate sector with total indebtedness of NIS 350 million to NIS 550 million, or total credit balances of NIS 150 million to NIS 250 million, are assigned either to the Corporate Segment or to the Commercial Segment, depending on various parameters examined individually for each group.

International Activity Segment – Includes the activities of the offices of the Bank outside Israel, primarily the New York branch.

Financial Management Segment – Responsible for the management of the Bank's assets and liabilities, management of financial capital, management of the nostro activity of the Bank, activity of the dealing rooms (foreign currency and securities), contact and administration of activity with financial entities (in Israel and overseas), and provision of operational services to financial-asset managers and operational services in securities to all customers of the Bank. The results of Poalim Equity are also included in this segment.

Note 28A Operating Segments Based on the Management Approach (continued)

The segment is responsible for the management of market and liquidity risks, performed through proactive management of the nostro portfolio and through the use of financial instruments, such as issuance of various securities, deposits, interest and foreign-currency derivatives, and more.

Adjustments – Includes adjustments between total items attributed to the segments and total items in the consolidated financial statements, and other activities of the Bank Group, each of which does not form a reportable segment, including the results of operations of Diur B.P. Ltd. and Peilim Investment Portfolio Management Ltd.

Rules for the distribution of results of operations among the segments

The following are the main rules applied in dividing the results of operations among the different segments:

Net interest income – Includes, among other things: (1) the spread between the interest rate received from the segment's customers and the wholesale interest rate which the segment is charged in respect of the resource used to provide the loan to the customer; (2) the spread between the wholesale interest rate at which the segment is credited in respect of resources which it makes available to the Bank, and the interest rate paid to the segment's customers in respect of such resources.

Wholesale rates in each operating segment of the Bank are determined based on the Bank's estimated funding costs, and primarily consist of the risk-free interest rate plus estimates of the credit and liquidity risks of the Bank. This rate is calculated based on the contractual term of the relevant assets and liabilities, without taking into consideration assumptions with regard to renewal and term extensions of credit and deposits.

Provision for credit losses – A provision for credit losses is charged to the segment to which the borrower against whose debt the provision is recorded belongs.

Non-interest financing income – Attributed to the segment to which the customer belongs. Income recorded in the Financial Management Segment includes income from realization and adjustment to fair value of bonds, profits from investment in shares, results of activity in derivative instruments, net profit from exchange-rate differences, and financing expenses arising from hedging of investments overseas. Income recorded in the other segments includes profits from the dealing room.

Fees and other income – Attributed to the segment to which the customer belongs.

Operating and other expenses – Expenses are attributed to each operating segment according to predetermined rules and standard prices, either as an expense identified directly with the activity of the segment, or according to charging formulas. Attribution rules are based on the volumes of activity relevant to the types of costs in each segment.

Debiting for inter-segmental services – The assigned segment of a customer receiving services from another segment is charged with an inter-segmental expense, based on standard prices for services provided by other segments to its customers. The costs of the segment providing the service are reduced accordingly, and the costs are concurrently charged to the segment to which the customer belongs. The charge is determined by the Bank based, among other factors, on market prices for the service, internal cost estimates, and participation in income derived directly or indirectly from the said service.

Interest credited on capital – As part of the calculation of the operating results of the various segments, capital is allocated to the operating segments based on the risk-adjusted assets assigned to the segment, and accordingly, theoretical interest income is recorded in respect of the capital attributed to each segment, net of a charge in respect of the cost of Tier 2 capital attributed to each segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

Taxes on income – The provision for tax on the results of operation of each segment was calculated according to the annual effective tax rate, taking into consideration the tax effects applicable to certain segments, as follows: (1) effects of translation differences in respect of offices of the Bank outside Israel – attributed to the Financial Management Segment; (2) expenses not recognized for tax purposes are attributed to the relevant segment; when no specific attribution of the expenses is possible, the expenses are allocated to the segments proportionally; (3) the effect of the special payment was attributed to the segments proportionally, except the one-time effect on the balance of deferred taxes in 2024 as a result of changes in the tax rate, which was attributed to the Others and Adjustments Segment (for further details, see Note 8.E above); (4) tax expenses of subsidiaries, including tax supplementation performed at the Bank – attributed to the segment to which the company is assigned.

A. Information regarding operating segments

	For the year ended December 31, 2025								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	**(2,545)**	**1,324**	**7,138**	**3,236**	**5,363**	**794**	**2,793**	**-**	**18,103**
Inter-segmental	**9,139**	**1,549**	**(5,398)**	**(868)**	**(1,842)**	**299**	**(2,926)**	**47**	**-**
Non-interest financing income (expenses)	**(270)**	**-**	**(25)**	**(34)**	**119**	**(10)**	**1,738**	**-**	**1,518**
Total net financing profit	**6,324**	**2,873**	**1,715**	**2,334**	**3,640**	**1,083**	**1,605**	**47**	**19,621**
Fees and other income	**1,829**	**770**	**34**	**554**	**949**	***481**	**196**	**122**	**4,935**
Total income	**8,153**	**3,643**	**1,749**	**2,888**	**4,589**	**1,564**	**1,801**	**169**	**24,556**
Provision (income) for credit losses	**590**	**364**	**52**	**119**	**94**	**81**	**(1)**	**-**	**1,299**
Operating and other expenses:									
From externals	**4,064**	**1,206**	**477**	**630**	**658**	**428**	**852**	**89**	**8,404**
Inter-segmental	**(11)**	**198**	**32**	**15**	**177**	**-**	**(384)**	**(27)**	**-**

* Includes income in the amount of approximately NIS 432 million due to amounts received from insurers and officers in connection with the settlement of a derivative claim concerning the United States tax investigation. For further details, see Note 25.C.c.1.

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 22,538 million.

(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.

(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments (continued)

	For the year ended December 31, 2025								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Profit (loss) before taxes	**3,510**	**1,875**	**1,188**	**2,124**	**3,660**	**1,055**	**1,334**	**107**	**14,853**
Provision for taxes on profit (loss)	**1,286**	**687**	**438**	**795**	**1,369**	**19**	**486**	**13**	**5,093**
Profit (loss) after taxes	**2,224**	**1,188**	**750**	**1,329**	**2,291**	**1,036**	**848**	**94**	**9,760**
The Bank's share in profits of equity-accounted investees, after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**42**	**-**	**42**
Net profit (loss):									
Before attribution to non-controlling interests	**2,224**	**1,188**	**750**	**1,329**	**2,291**	**1,036**	**890**	**94**	**9,802**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Attributed to shareholders of the Bank	**2,224**	**1,188**	**750**	**1,329**	**2,291**	**1,036**	**890**	**94**	**9,802**
Net credit to the public at the end of the reported period	**42,002**	**38,480**	**149,005**	**69,857**	**176,284**	**21,685**	**5,568**	**-**	**502,881**
Deposits from the public at the end of the reported period	**246,224**	**74,011**	**-**	**48,042**	**109,839**	**30,865**	**83,695**	**-**	**592,676**

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 22,538 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments (continued)

	For the year ended December 31, 2024*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	(3,307)	1,027	6,886	2,758	4,712	839	4,035	-	16,950
Inter-segmental	9,958	1,823	(5,184)	(475)	(1,540)	243	(4,871)	46	-
Non-interest financing income (expenses)	2	4	(42)	(32)	79	(2)	950	-	959
Total net financing profit	6,653	2,854	1,660	2,251	3,251	1,080	114	46	17,909
Fees and other income	1,555	671	39	516	920	46	183	121	4,051
Total income	8,208	3,525	1,699	2,767	4,171	1,126	297	167	21,960
Provision (income) for credit losses	627	281	79	(51)	(278)	36	(1)	-	693
Operating and other expenses:									
From externals	4,508	1,289	501	600	708	416	888	97	9,007
Inter-segmental	159	93	(13)	47	167	-	(406)	(47)	-

* Reclassified.

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 13,999 million.

(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.

(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments (continued)

	For the year ended December 31, 2024*								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Profit (loss) before taxes	2,914	1,862	1,132	2,171	3,574	674	(184)	117	12,260
Provision for taxes on profit (loss)	1,108	709	433	849	1,399	265	(183)	(21)	4,559
Profit (loss) after taxes	1,806	1,153	699	1,322	2,175	409	(1)	138	7,701
The Bank's share in profits of equity-accounted investees, after taxes	-	-	-	-	-	-	(66)	-	(66)
Net profit (loss):									
Before attribution to non-controlling interests	1,806	1,153	699	1,322	2,175	409	(67)	138	7,635
Attributed to non-controlling interests	-	-	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	1,806	1,153	699	1,322	2,175	409	(67)	138	7,635
Net credit to the public at the end of the reported period	39,331	34,479	139,540	62,747	140,180	22,476	4,730	-	443,483
Deposits from the public at the end of the reported period	254,735	72,950	-	44,430	88,325	31,570	82,275	-	574,285

* Reclassified.

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 13,999 million.

(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.

(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments (continued)

	For the year ended December 31, 2023								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	(2,171)	1,375	6,420	2,385	4,142	909	3,025	-	16,085
Inter-segmental	9,015	1,552	(4,759)	(166)	(1,187)	23	(4,490)	12	-
Non-interest financing income (expenses)	8	5	(56)	(34)	71	(1)	1,274	-	1,267
Total net financing profit	6,852	2,932	1,605	2,185	3,026	931	(191)	12	17,352
Fees and other income	1,571	661	46	544	842	40	139	187	4,030
Total income	8,423	3,593	1,651	2,729	3,868	971	(52)	199	21,382
Provision (income) for credit losses	397	393	121	881	3	88	(4)	-	1,879
Operating and other expenses:									
From externals	3,822	1,285	491	580	659	447	845	102	8,231
Inter-segmental	132	85	(5)	45	141	-	(349)	(49)	-

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 15,114 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments (continued)

	For the year ended December 31, 2023								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Profit (loss) before taxes	4,072	1,830	1,044	1,223	3,065	436	(544)	146	11,272
Provision for taxes on profit (loss)	1,411	634	358	430	1,085	181	(220)	51	3,930
Profit (loss) after taxes	2,661	1,196	686	793	1,980	255	(324)	95	7,342
The Bank's share in profits of equity-accounted investees, after taxes	-	-	-	-	-	-	18	-	18
Net profit (loss):									
Before attribution to non-controlling interests	2,661	1,196	686	793	1,980	255	(306)	95	7,360
Attributed to non-controlling interests	-	-	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	2,661	1,196	686	793	1,980	255	(306)	95	7,360
Net credit to the public at the end of the reported period	37,663	32,729	131,057	59,300	123,994	18,072	4,566	-	407,381
Deposits from the public at the end of the reported period	250,792	70,395	-	46,369	94,775	29,129	63,135	-	554,595

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 15,114 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

B. Information regarding geographical segments[1]

	For the year ended December 31			For the year ended December 31			December 31	
	2025	2024	2023	**2025**	2024	2023	**2025**	2024
	Income[2]			Net profit (loss) attributed to shareholders of the Bank			Total assets	
Israel	**22,992**	20,834	20,411	**8,766**	7,226	7,105	**730,571**	684,326
North America	**1,566**	1,119	966	**809**	439	318	**35,373**	35,603
Europe	**(2)**	7	5	**227**	(29)	(62)	**685**	873
Other	**-**	-	-	**-**	(1)	(1)	**36**	42
Total outside Israel	**1,564**	1,126	971	**1,036**	409	255	**36,094**	36,518
Total consolidated	**24,556**	21,960	21,382	**9,802**	7,635	7,360	**766,665**	720,844

(1) The division into geographical segments was performed according to the location of the assets.
(2) Income – net interest income, non-interest financing income, fees, and other income.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses

NIS millions

A. Debts, bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments

1. Change in allowance for credit losses

	2025					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	**5,885**	**675**	**1,343**	**7,903**	**33**	**7,936**
Provision (income) for credit losses	**675**	**85**	**516**	**1,276**	**23**	**1,299**
Charge-offs	**(707)**	**-**	**(660)**	**(1,367)**	**-**	**(1,367)**
Recoveries of debts charged off in previous years	**541**	**-**	**431**	**972**	**-**	**972**
Net charge-offs	**(166)**	**-**	**(229)**	**(395)**	**-**	**(395)**
Allowance for credit losses at end of year[(1)]	**6,394**	**760**	**1,630**	**8,784**	**56**	**8,840**
(1) Of which: in respect of off-balance sheet credit instruments	**1,039**	**93**	**53**	**1,185**	**4**	**1,189**

	2024					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	6,205	628	1,112	7,945	44	7,989
Provision (income) for credit losses	138	47	519	704	(11)	693
Charge-offs	(944)	-	(679)	(1,623)	-	(1,623)
Recoveries of debts charged off in previous years	486	-	391	877	-	877
Net charge-offs	(458)	-	(288)	(746)	-	(746)
Allowance for credit losses at end of year[(1)]	5,885	675	1,343	7,903	33	7,936
(1) Of which: in respect of off-balance sheet credit instruments	962	77	44	1,083	5	1,088

* Net asset balances in respect of a subsidiary that has been sold.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

A. Debts, bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

1. Change in allowance for credit losses (continued)

	2023					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	5,019	519	928	6,466	50	6,516
Provision (income) for credit losses	1,389	117	379	1,885	(6)	1,879
Charge-offs	(534)	(27)	(550)	(1,111)	-	(1,111)
Recoveries of debts charged off in previous years	356	19	355	730	-	730
Net charge-offs	(178)	(8)	(195)	(381)	-	(381)
Other*	(25)	-	-	(25)	-	(25)
Allowance for credit losses at end of year[(1)]	6,205	628	1,112	7,945	44	7,989
(1) Of which: in respect of off-balance sheet credit instruments	884	35	32	951	5	956

* Net asset balances in respect of a subsidiary that has been sold.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

A. Debts, bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts, bonds held to maturity, and bonds available for sale

	December 31, 2025					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial*	Housing	Other private	Total		
Recorded debt balance of debts:						
Examined on an individual basis	**288,777**	**-**	**-**	**288,777**	**127,800**	**416,577**
Examined on a collective basis	**32,448**	**149,559**	**39,696**	**221,703**	**-**	**221,703**
Total debts	**321,225**	**149,559**	**39,696**	**510,480**	**127,800**	**638,280**
Allowance for credit losses in respect of debts:						
Examined on an individual basis	**4,361**	**-**	**-**	**4,361**	**52**	**4,413**
Examined on a collective basis	**994**	**667**	**1,577**	**3,238**	**-**	**3,238**
Total allowance for credit losses	**5,355**	**667**	**1,577**	**7,599**	**52**	**7,651**

	December 31, 2024					
	Credit to the public				Banks, governments, and bonds**	Total
	Commercial*	Housing	Other private	Total		
Recorded debt balance of debts:						
Examined on an individual basis	244,348	-	-	244,348	112,527	356,875
Examined on a collective basis	30,376	139,979	35,600	205,955	-	205,955
Total debts	274,724	139,979	35,600	450,303	112,527	562,830
Allowance for credit losses in respect of debts:						
Examined on an individual basis	4,078	-	-	4,078	28	4,106
Examined on a collective basis	845	598	1,299	2,742	-	2,742
Total allowance for credit losses	4,923	598	1,299	6,820	28	6,848

* The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 113 million, of commercial borrowers, or granted to purchasing groups in the process of construction (December 31, 2024: NIS 160 million).

** Reclassified.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public

1. Credit quality and past-due status

	December 31, 2025					
	Nonproblematic*	Problematic[1]		Total	Accruing debts – additional information	
		Accruing	Non-accruing		Past due by 90 days or more	Past due by 30 to 89 days[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**67,208**	**985**	**76**	**68,269**	**6**	**23**
Construction and real estate – real-estate activities	**37,571**	**706**	**81**	**38,358**	**5**	**5**
Financial services	**64,361**	**6**	**2**	**64,369**	**-**	**1**
Commercial – other	**108,614**	**1,874**	**629**	**111,117**	**40**	**87**
Total commercial	**277,754**	**3,571**	**788**	**282,113**	**51**	**116**
Private individuals – housing loans[3]	**147,652**	**3**	**1,021**	**148,676**	**-**	**1,113**
Private individuals – other	**39,006**	**349**	**274**	**39,629**	**70**	**166**
Total public – activity in Israel	**464,412**	**3,923**	**2,083**	**470,418**	**121**	**1,395**
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	**14,657**	**456**	**52**	**15,165**	**-**	**-**
Commercial other	**22,928**	**718**	**301**	**23,947**	**97**	**-**
Total commercial	**37,585**	**1,174**	**353**	**39,112**	**97**	**-**
Private individuals	**938**	**-**	**12**	**950**	**-**	**23**
Total public – activity outside Israel	**38,523**	**1,174**	**365**	**40,062**	**97**	**23**
Total public	**502,935**	**5,097**	**2,448**	**510,480**	**218**	**1,418**

* Nonproblematic debts include debts not classified as problematic, with payment deferrals of 180 days or more granted during the war to borrowers not experiencing financial difficulty, in the amount of approximately NIS 4 million as at December 31, 2025 (commercial loans in the amount of approximately NIS 4 million, housing loans in the amount of approximately NIS 0 million, and other private individuals in the amount of approximately NIS 0 million).
In this regard, payment deferral includes term extension and includes payment deferral without interest in the deferral period. In cases where a recurring payment deferral has been granted, the duration of the deferral is calculated according to the cumulative deferral period. Deferral of payments does not include deferrals in which an entitlement was exercised to which the borrower is entitled under any law.

(1) Non-accruing, substandard, or special mention credit risk.

(2) Debts past due by 30 to 89 days in the amount of approximately NIS 102 million (December 31, 2024: NIS 93 million) were classified as problematic debts.

(3) Includes a balance of housing loans arranged in a settlement with the borrower, in the amount of approximately NIS 50 million (December 31, 2024: NIS 55 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	December 31, 2024					
	Nonproblematic*	Problematic[1]		Total	Accruing debts – additional information	
		Accruing	Non-accruing		Past due by 90 days or more	Past due by 30 to 89 days[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	56,173	866	161	57,200	7	18
Construction and real estate – real-estate activities	36,152	564	113	36,829	6	4
Financial services	41,921	6	3	41,930	2	1
Commercial – other	98,372	2,200	989	101,561	37	69
Total commercial	232,618	3,636	1,266	237,520	52	92
Private individuals – housing loans[3]	138,423	-	830	139,253	-	953
Private individuals – other	34,929	367	240	35,536	60	145
Total public – activity in Israel	405,970	4,003	2,336	412,309	112	1,190
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	14,429	502	141	15,072	-	-
Commercial other	21,128	818	186	22,132	13	-
Total commercial	35,557	1,320	327	37,204	13	-
Private individuals	775	-	15	790	-	36
Total public – activity outside Israel	36,332	1,320	342	37,994	13	36
Total public	442,302	5,323	2,678	450,303	125	1,226

* Nonproblematic debts include debts not classified as problematic, with payment deferrals of 180 days or more granted during the war to borrowers not experiencing financial difficulty, in the amount of approximately NIS 839 million as at December 31, 2024 (commercial loans in the amount of approximately NIS 143 million, housing loans in the amount of approximately NIS 615 million, and other private individuals in the amount of approximately NIS 81 million).
In this regard, payment deferral includes term extension and includes payment deferral without interest in the deferral period. In cases where a recurring payment deferral has been granted, the duration of the deferral is calculated according to the cumulative deferral period. Deferral of payments does not include deferrals in which an entitlement was exercised to which the borrower is entitled under any law.

(1) Non-accruing, substandard, or special mention credit risk.

(2) Debts past due by 30 to 89 days in the amount of approximately NIS 102 million (December 31, 2024: NIS 93 million) were classified as problematic debts.

(3) Includes a balance of housing loans arranged in a settlement with the borrower, in the amount of approximately NIS 50 million (December 31, 2024: NIS 55 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted

	December 31, 2025							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2025	2024	2023	2022	2021	Previous		
Borrower activity in Israel								
Public – commercial								
Construction and real estate – total	35,218	7,390	4,171	2,078	4,247	2,271	51,252	106,627
Credit at credit execution rating	34,175	7,142	3,977	1,980	4,216	2,231	50,299	104,020
Nonproblematic credit not at credit execution rating	242	176	76	85	24	10	146	759
Accruing problematic credit	786	46	95	7	2	10	745	1,691
Non-accruing credit	15	26	23	6	5	20	62	157
Gross charge-offs	9	17	22	10	19	14	44	135
Commercial – other – total	75,905	19,773	9,526	5,361	5,773	7,136	52,012	175,486
Credit at credit execution rating	74,426	18,918	8,843	4,894	5,589	6,652	50,351	169,673
Nonproblematic credit not at credit execution rating	1,183	657	347	201	80	49	785	3,302
Accruing problematic credit	205	137	244	79	55	380	780	1,880
Non-accruing credit	91	61	92	187	49	55	96	631
Gross charge-offs	46	83	83	61	34	36	136	479
Private individuals – housing loans – total	26,979	19,633	11,674	17,804	21,018	51,568	-	148,676
LTV up to 60%**	15,176	11,502	6,839	10,719	12,800	33,892	-	90,928
LTV over 60% up to 75%**	11,554	7,954	4,628	6,828	7,907	16,433	-	55,304
LTV over 75%**	249	177	207	257	311	1,243	-	2,444
Credit not past due at credit execution rating	26,826	19,429	11,433	17,472	20,706	50,350	-	146,216
Credit not past due not at credit execution rating	39	23	25	25	42	172	-	326
Past due by 30–89 days	94	121	118	159	145	476	-	1,113
Non-accruing credit	20	60	98	148	125	570	-	1,021
Gross charge-offs	-	-	-	-	-	-	-	-
Private individuals – other – total	22,082	7,756	3,881	1,825	814	601	2,670	39,629

* As at December 31, 2025, there are no revolving loans converted into fixed-term loans.

** Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted (continued)

	December 31, 2025							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2025	2024	2023	2022	2021	Previous		
Borrower activity in Israel (continued)								
Public – commercial (continued)								
Credit not past due at credit execution rating	20,599	6,618	3,185	1,498	649	439	2,042	35,030
Credit not past due not at credit execution rating	1,373	1,014	599	270	133	135	565	4,089
Past due by 30–89 days	40	40	25	10	5	3	43	166
Past due by 90 days or more	15	18	12	4	1	2	18	70
Non-accruing credit	55	66	60	43	26	22	2	274
Gross charge-offs	43	176	171	86	44	38	102	660
Total credit to the public – activity in Israel	160,184	54,552	29,252	27,068	31,852	61,576	105,934	470,418
Borrower activity outside Israel								
Total credit to the public – activity outside Israel	18,104	8,648	5,741	3,521	1,046	878	2,124	40,062
Nonproblematic credit	17,999	8,331	5,150	3,083	1,002	835	2,123	38,523
Accruing problematic credit	9	304	454	354	44	8	1	1,174
Non-accruing credit	96	13	137	84	-	35	-	365
Gross charge-offs	-	2	-	88	-	-	3	93
Total credit to the public	178,288	63,200	34,993	30,589	32,898	62,454	108,058	510,480

* As at December 31, 2025, there are no revolving loans converted into fixed-term loans.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted (continued)

	December 31, 2024							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2024	2023	2022	2021	2020	Previous		
Borrower activity in Israel								
Public – commercial								
Construction and real estate – total	32,297	8,475	3,525	5,663	1,798	2,911	39,360	94,029
Credit at credit execution rating	31,133	8,284	3,352	5,530	1,716	2,565	39,108	91,688
Nonproblematic credit not at credit execution rating	233	105	82	49	28	43	97	637
Accruing problematic credit	885	50	64	46	39	284	62	1,430
Non-accruing credit	46	36	27	38	15	19	93	274
Gross charge-offs	5	27	25	10	6	9	34	116
Commercial – other – total	60,357	15,352	8,454	9,504	3,283	7,721	38,820	143,491
Credit at credit execution rating	58,902	14,396	7,788	9,139	2,987	7,239	36,525	136,976
Nonproblematic credit not at credit execution rating	1,115	583	365	205	76	157	816	3,317
Accruing problematic credit	264	280	98	73	188	237	1,066	2,206
Non-accruing credit	76	93	203	87	32	88	413	992
Gross charge-offs	25	111	298	33	38	115	159	779
Private individuals – housing loans – total	20,984	13,396	20,309	23,486	15,773	45,305	-	139,253
LTV up to 60%**	12,144	7,818	11,993	14,051	9,163	30,066	-	85,235
LTV over 60% up to 75%**	8,671	5,349	8,009	9,072	6,347	13,967	-	51,415
LTV over 75%**	169	229	307	363	263	1,272	-	2,603
Credit not past due at credit execution rating	20,871	13,226	20,041	23,196	15,517	44,238	-	137,089
Credit not past due not at credit execution rating	63	20	31	34	33	200	-	381
Past due by 30–89 days	40	108	147	143	118	397	-	953
Non-accruing credit	10	42	90	113	105	470	-	830
Gross charge-offs	-	-	-	-	-	-	-	-
Private individuals – other – total	19,667	7,003	3,536	1,751	554	492	2,533	35,536

* As at December 31, 2024, there are no revolving loans converted into fixed-term loans.

** Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted (continued)

	December 31, 2024							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2024	2023	2022	2021	2020	Previous		
Borrower activity in Israel (continued)								
Public – commercial (continued)								
Credit not past due at credit execution rating	18,468	5,972	3,000	1,445	444	269	1,972	31,570
Credit not past due not at credit execution rating	1,113	912	458	256	91	185	506	3,521
Past due by 30–89 days	29	40	19	11	3	5	38	145
Past due by 90 days or more	11	20	8	3	1	2	15	60
Non-accruing credit	46	59	51	36	15	31	2	240
Gross charge-offs	45	209	147	82	29	61	106	679
Total credit to the public – activity in Israel	133,305	44,226	35,824	40,404	21,408	56,429	80,713	412,309
Borrower activity outside Israel								
Total credit to the public – activity outside Israel	16,138	9,318	6,818	1,255	216	978	3,271	37,994
Nonproblematic credit	15,957	8,472	6,314	1,255	216	848	3,270	36,332
Accruing problematic credit	175	692	443	-	-	9	1	1,320
Non-accruing credit	6	154	61	-	-	121	-	342
Gross charge-offs	1	1	-	-	-	44	3	49
Total credit to the public	149,443	53,544	42,642	41,659	21,624	57,407	83,984	450,303

* As at December 31, 2024, there are no revolving loans converted into fixed-term loans.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts

	December 31, 2025					
	Balance[1] of non-accruing debts for which an allowance exists	Allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance of non-accruing debts	Balance of contractual principal of non-accruing debts	Interest income recorded[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**58**	**25**	**18**	**76**	**681**	**2**
Construction and real estate – real-estate activities	**21**	**4**	**60**	**81**	**667**	**1**
Financial services	**2**	**1**	**-**	**2**	**124**	**-**
Commercial – other	**579**	**203**	**50**	**629**	**3,596**	**9**
Total commercial	**660**	**233**	**128**	**788**	**5,068**	**12**
Private individuals – housing loans	**1,021**	**87**	**-**	**1,021**	**1,135**	**-**
Private individuals – other	**274**	**166**	**-**	**274**	**1,050**	**13**
Total public – activity in Israel	**1,955**	**486**	**128**	**2,083**	**7,253**	**25**
Borrower activity outside Israel						
Total credit to the public – activity outside Israel	**240**	**139**	**125**	**365**	**714**	**4**
Total*	**2,195**	**625**	**253**	**2,448**	**7,967**	**29**
* Of which:						
Measured individually at present value of cash flows	**578**	**159**	**136**	**714**		
Measured individually at fair value of collateral	**95**	**59**	**117**	**212**		
Measured on a collective basis	**1,522**	**407**	**-**	**1,522**		

(1) Recorded debt balance.
(2) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 205 million would have been recorded in 2025.
Additional information: the total average recorded debt balance of non-accruing debts in 2025 is NIS 2,463 million.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts (continued)

	December 31, 2024					
	Balance[1] of non-accruing debts for which an allowance exists	Allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance of non-accruing debts	Balance of contractual principal of non-accruing debts	Interest income recorded[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	136	41	25	161	806	3
Construction and real estate – real-estate activities	97	16	16	113	690	2
Financial services	3	3	-	3	122	-
Commercial – other	915	268	74	989	3,875	22
Total commercial	1,151	328	115	1,266	5,493	27
Private individuals – housing loans	830	76	-	830	944	-
Private individuals – other	240	148	-	240	980	14
Total public – activity in Israel	2,221	552	115	2,336	7,417	41
Borrower activity outside Israel						
Total credit to the public – activity outside Israel	256	93	86	342	687	1
Total*	2,477	645	201	2,678	8,104	42
* Of which:						
Measured individually at present value of cash flows	552	114	108	660		
Measured individually at fair value of collateral	604	139	93	697		
Measured on a collective basis	1,321	392	-	1,321		

(1) Recorded debt balance.
(2) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 329 million would have been recorded in 2024.
Additional information: the total average recorded debt balance of non-accruing debts in 2024 is NIS 3,420 million.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Information regarding debts of borrowers experiencing financial difficulty the terms of which have been modified*

a. Credit quality and past-due status of debts of borrowers experiencing financial difficulty the terms of which have been modified

	December 31, 2025					December 31, 2024				
	Recorded debt balance									
	Problematic		Nonproblematic		Total	Problematic		Nonproblematic		Total
	Non-accruing	Accruing interest income	Past due by 30 days or more	Not past due		Non-accruing	Accruing interest income	Past due by 30 days or more	Not past due	
Borrower activity in Israel										
Commercial	**198**	**726**	**-**	**33**	**957**	184	144	-	114	442
Private individuals – housing loans	**41**	**1**	**17**	**97**	**156**	31	-	4	36	71
Private individuals – other	**228**	**205**	**1**	**29**	**463**	202	248	1	19	470
Total credit to the public – activity in Israel	**467**	**932**	**18**	**159**	**1,576**	417	392	5	169	983
Total credit to the public – activity outside Israel	**50**	**202**	**-**	**1**	**253**	37	179	-	-	216
Total credit to the public*	**517**	**1,134**	**18**	**160**	**1,829**	454	571	5	169	1,199

* Including debts of borrowers experiencing financial difficulty in the amount of NIS 39 million the terms of which were modified more than twice (December 31, 2024: NIS 23 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Information regarding debts of borrowers experiencing financial difficulty the terms of which have been modified* (continued)

b. Credit quality and past-due status of debts of borrowers experiencing financial difficulty the terms of which were modified during the reported period

	Debts of borrowers experiencing financial difficulty the terms of which were modified during the year ended December 31, 2025					
	December 31, 2025					**In the year ended December 31, 2025**
	Recorded debt balance					Net charge-offs (recoveries)
	Problematic		Nonproblematic		Total	
	Non-accruing	Accruing interest income	Past due by 30 days or more	Not past due		
Borrower activity in Israel						
Commercial	**152**	**633**	**-**	**10**	**795**	**69**
Private individuals – housing loans	**17**	**-**	**14**	**66**	**97**	**-**
Private individuals – other	**182**	**22**	**-**	**17**	**221**	**87**
Total credit to the public – activity in Israel	**351**	**655**	**14**	**93**	**1,113**	**156**
Total credit to the public – activity outside Israel	**26**	**75**	**-**	**-**	**101**	**-**
Total credit to the public	**377**	**730**	**14**	**93**	**1,214**	**156**

	Debts of borrowers experiencing financial difficulty the terms of which were modified during the year ended December 31, 2024					
	December 31, 2024					In the year ended December 31, 2024
	Recorded debt balance					Net charge-offs (recoveries)
	Problematic		Nonproblematic		Total	
	Non-accruing	Accruing interest income	Past due by 30 days or more	Not past due		
Borrower activity in Israel						
Commercial	119	57	-	15	191	83
Private individuals – housing loans	20	-	4	35	59	-
Private individuals – other	157	24	1	15	197	83
Total credit to the public – activity in Israel	296	81	5	65	447	166
Total credit to the public – activity outside Israel	1	179	-	-	180	1
Total credit to the public	297	260	5	65	627	167

* Including debts of borrowers experiencing financial difficulty in the amount of NIS 39 million the terms of which were modified more than twice (December 31, 2024: NIS 23 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

B. Credit to the public (continued)

4. Information regarding debts of borrowers experiencing financial difficulty the terms of which have been modified* (continued)

c. Debts of borrowers experiencing financial difficulty the terms of which were modified during the reported period

	Debts of borrowers experiencing financial difficulty the terms of which were modified					
	In the year ended December 31, 2025					
	Total		Type of modification[1]			
	Recorded debt balance	% of balance of relevant credit	Interest-rate reduction	Term extension	Deferral of payments and interest-rate reduction	Term extension and interest-rate reduction
	NIS millions/Percent					
Borrower activity in Israel						
Commercial	**795**	**0.28**	**8**	**741**	**-**	**46**
Private individuals – housing loans	**97**	**0.07**	**7**	**78**	**-**	**12**
Private individuals – other	**221**	**0.56**	**34**	**78**	**-**	**109**
Total credit to the public – activity in Israel	**1,113**	**0.24**	**49**	**897**	**-**	**167**
Total credit to the public – activity outside Israel	**101**	**0.25**	**-**	**-**	**101**	**-**
Total credit to the public – in and outside Israel	**1,214**	**0.24**	**49**	**897**	**101**	**167**

	Debts of borrowers experiencing financial difficulty the terms of which were modified					
	In the year ended December 31, 2024					
	Total		Type of modification[2]			
	Recorded debt balance	% of balance of relevant credit	Interest-rate reduction	Term extension	Deferral of payments and interest-rate reduction	Term extension and interest-rate reduction
	NIS millions/Percent					
Borrower activity in Israel						
Commercial	191	0.08	10	132	-	49
Private individuals – housing loans	59	0.04	6	50	-	3
Private individuals – other	197	0.55	19	71	-	107
Total credit to the public – activity in Israel	447	0.11	35	253	-	159
Total credit to the public – activity outside Israel	180	0.47	-	180	-	-
Total credit to the public – in and outside Israel	627	0.14	35	433	-	159

* Including debts of borrowers experiencing financial difficulty in the amount of NIS 39 million the terms of which were modified more than twice (December 31, 2024: NIS 23 million).

(1) During the year ended December 31, 2025, principal forgiveness in the amount of approximately NIS 233 million was applied to debts in respect of which accounting charge-offs were performed. See additional information in the table on financial effects, below

(2) During the year ended December 31, 2024, principal forgiveness in the amount of approximately NIS 244 million was applied to debts in respect of which accounting charge-offs were performed. See additional information in the table on financial effects, below.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

B. Credit to the public (continued)

4. Information regarding debts of borrowers experiencing financial difficulty the terms of which have been modified* (continued)

c. Debts of borrowers experiencing financial difficulty the terms of which were modified during the reported period (continued)

	Financial effects of modifications of the terms of debts of borrowers experiencing financial difficulty			
	In the year ended December 31, 2025			
	Type of modification			
	Principal forgiveness (NIS millions)	Average interest-rate reduction (%)	Average term extension (in months)	Average payment deferral (in months)
Borrower activity in Israel				
Commercial	**80**	**2.11**	**13**	**-**
Private individuals – housing loans	**1**	**1.14**	**52**	**-**
Private individuals – other	**152**	**3.23**	**40**	**-**
Total credit to the public – activity in Israel	**233**	**2.76**	**21**	**-**
Total credit to the public – activity outside Israel	**-**	**-**	**-**	**9**
Total credit to the public in and outside Israel	**233**	**2.76**	**21**	**9**

	Financial effects of modifications of the terms of debts of borrowers experiencing financial difficulty			
	In the year ended December 31, 2024			
	Type of modification			
	Principal forgiveness (NIS millions)	Average interest-rate reduction (%)	Average term extension (in months)	Average payment deferral (in months)
Borrower activity in Israel				
Commercial	95	2.22	35	-
Private individuals – housing loans	2	1.75	40	-
Private individuals – other	147	3.06	41	-
Total credit to the public – activity in Israel	244	2.74	38	-
Total credit to the public – activity outside Israel	-	-	12	36
Total credit to the public in and outside Israel	244	2.74	30	36

* Including debts of borrowers experiencing financial difficulty in the amount of NIS 39 million the terms of which were modified more than twice (December 31, 2024: NIS 23 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Information regarding debts of borrowers experiencing financial difficulty the terms of which have been modified* (continued)

c. Debts of borrowers experiencing financial difficulty the terms of which were modified during the reported period (continued)

	Debts of borrowers experiencing financial difficulty that defaulted[1] during the reported period after a modification of terms				
	In the year ended December 31, 2025				
	Total	Type of modification			
	Recorded debt balance	Interest-rate reduction	Term extension	Deferral of payments and interest-rate reduction	Term extension and interest-rate reduction
Borrower activity in Israel					
Commercial	**77**	**2**	**60**	**-**	**15**
Private individuals – housing loans	**61**	**3**	**57**	**-**	**1**
Private individuals – other	**52**	**11**	**13**	**-**	**28**
Total credit to the public – activity in Israel	**190**	**16**	**130**	**-**	**44**
Total credit to the public – activity outside Israel	**-**	**-**	**-**	**-**	**-**
Total credit to the public – in and outside Israel	**190**	**16**	**130**	**-**	**44**

	Debts of borrowers experiencing financial difficulty that defaulted[1] during the reported period after a modification of terms
	In the year ended December 31, 2024
	Total[2]
	Recorded debt balance
Borrower activity in Israel	
Commercial	78
Private individuals – housing loans	17
Private individuals – other	70
Total credit to the public – activity in Israel	165
Total credit to the public – activity outside Israel	3
Total credit to the public – in and outside Israel	168

* Including debts of borrowers experiencing financial difficulty in the amount of NIS 39 million the terms of which were modified more than twice (December 31, 2024: NIS 23 million).

(1) Debts of borrowers experiencing financial difficulty that became debts past due by 30 days or more during the reported year, the terms of which were modified during the 12 months preceding the date when they became past due.

(2) Of that amount, approximately NIS 84 million in debts of borrowers experiencing financial difficulty the terms of which were modified in the year ended December 31, 2024, that defaulted during the reported period: NIS 54 million in respect of a modification of term extension, NIS 22 million in respect of a modification of term extension and interest-rate reduction, and NIS 8 million in respect of a modification of interest-rate reduction. In addition, debts in the amount of approximately NIS 84 million classified as troubled debt restructuring prior to the initial implementation of the new rules defaulted during the reported period.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

5. Additional information regarding non-accruing credit and past-due balances

	December 31, 2025							
	Not past due or past due by up to 89 days	Past due by 90 to 180 days	Past due by over 180 days, up to 1 year	Past due by over 1 year, up to 3 years	Past due by over 3 years, up to 5 years	Past due by over 5 years, up to 7 years	Past due by more than 7 years	Total
Commercial	**573**	**46**	**75**	**312**	**126**	**4**	**5**	**1,141**
Housing loans	**36**	**442**	**301**	**184**	**33**	**10**	**26**	**1,032**
Private individuals – other	**271**	**4**	**-**	**-**	**-**	**-**	**-**	**275**
Total	**880**	**492**	**376**	**496**	**159**	**14**	**31**	**2,448**

	December 31, 2024							
	Not past due or past due by up to 89 days	Past due by 90 to 180 days	Past due by over 180 days, up to 1 year	Past due by over 1 year, up to 3 years	Past due by over 3 years, up to 5 years	Past due by over 5 years, up to 7 years	Past due by more than 7 years	Total
Commercial	779	106	224	413	35	-	36	1,593
Housing loans	42	377	202	160	27	8	28	844
Private individuals – other	238	3	-	-	-	-	-	241
Total	1,059	486	426	573	62	8	64	2,678

6. Additional information regarding housing loans – private individuals

Year-end balances by financing ratio (LTV),* repayment type, and interest type

		December 31, 2025			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
First lien: financing rate	Up to 60%	**90,845**	**4,630**	**54,517**	**7,569**
	Over 60%	**57,831**	**1,524**	**36,297**	**5,303**
Secondary lien or no lien		**883**	**100**	**550**	**-**
Total		**149,559**	**6,254**	**91,364**	**12,872**

		December 31, 2024			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
First lien: financing rate	Up to 60%	85,431	3,206	51,769	6,605
	Over 60%	54,154	1,278	34,098	4,324
Secondary lien or no lien		394	80	219	-
Total		139,979	4,564	86,086	10,929

* Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

C. Sale and acquisition of credit to the public during the year

1. Sale and acquisition of credit to the public

	Risk of credit to the public sold									
	For the year ended December 31, 2025					For the year ended December 31, 2024				
	Credit to the public sold this year	Off-balance sheet credit risk* sold this year	Of which: problematic credit	Total profit (loss) in respect of credit sold	Year-end balance of credit sold for which the Bank provides service	Credit to the public sold this year	Off-balance sheet credit risk* sold this year	Of which: problematic credit	Total profit (loss) in respect of credit sold	Year-end balance of credit sold for which the Bank provides service
Total commercial	**-**	**-**	**-**	**-**	**2,202**	231	-	-	-	2,553
Private individuals – housing loans	**-**	**-**	**-**	**-**	**139**	-	-	-	-	168
Total risk of credit to the public	**-**	**-**	**-**	**-**	**2,341**	231	-	-	-	2,721

	Risk of credit to the public acquired					
	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Credit to the public acquired this year[1]	Off-balance sheet credit risk* acquired this year	Of which: problematic credit	Credit to the public acquired this year[1]	Off-balance sheet credit risk* acquired this year	Of which: problematic credit
Total commercial	**21,713**	**40**	**5**	16,002	55	3
Private individuals – other	**-**	**-**	**-**	-	-	-
Total risk of credit to the public	**21,713**	**40**	**5**	16,002	55	3

* Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, excluding in respect of derivative instruments.

(1) Mostly includes short-term discounting transactions.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

C. Sale and acquisition of credit to the public during the year (continued)

2. Syndications and participation in loan syndications

	Balance as at December 31, 2025					
	Syndication transactions initiated by the Bank*				Syndication transactions initiated by others	
	Share of the Bank		Share of others		Share of the Bank	
	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**
Total commercial	**20,103**	**15,353**	**28,975**	**16,391**	**9,217**	**4,183**
Private individuals – other	**-**	**-**	**-**	**-**	**-**	**-**
Total credit to the public	**20,103**	**15,353**	**28,975**	**16,391**	**9,217**	**4,183**

	Balance as at December 31, 2024					
	Syndication transactions initiated by the Bank*				Syndication transactions initiated by others	
	Share of the Bank		Share of others		Share of the Bank	
	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**
Total commercial	16,877	12,896	27,358	14,848	10,401	4,309
Private individuals – other	-	-	-	-	-	-
Total credit to the public	16,877	12,896	27,358	14,848	10,401	4,309

* Including if the Bank is a material service provider in the syndication transaction; includes transactions managed as syndications that were treated as credit sales in the past.

** Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, excluding in respect of derivative instruments.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Balances of credit to the public[1] and of off-balance sheet credit risk[1][2] by volume of credit per borrower

	December 31, 2025		
	Number of borrowers[1]	Credit*[2]	Off-balance sheet credit risk[2][3]
Credit per borrower in NIS thousands			
Up to 10	**400,044**	**1,405**	**977**
10 to 20	**261,372**	**1,062**	**2,289**
20 to 40	**247,042**	**2,495**	**4,499**
40 to 80	**222,914**	**5,651**	**7,000**
80 to 150	**163,635**	**10,611**	**7,403**
150 to 300	**130,038**	**20,525**	**6,936**
300 to 600	**85,132**	**31,408**	**5,253**
600 to 1,200	**87,497**	**68,632**	**7,515**
1,200 to 2,000	**38,583**	**50,926**	**6,872**
2,000 to 4,000	**13,093**	**28,976**	**5,332**
4,000 to 8,000	**2,995**	**12,744**	**3,507**
8,000 to 20,000	**1,551**	**14,460**	**5,043**
20,000 to 40,000	**829**	**16,179**	**7,165**
40,000 to 200,000	**1,398**	**82,686**	**40,597**
200,000 to 400,000	**257**	**47,975**	**24,482**
400,000 to 800,000	**117**	**35,816**	**27,923**
800,000 to 1,200,000	**52**	**30,579**	**20,992**
1,200,000 to 1,600,000	**20**	**14,638**	**12,870**
1,600,000 to 2,000,000	**12**	**12,482**	**8,864**
2,000,000 to 3,200,000	**11**	**18,085**	**8,451**
Over 3,200,000	**4**	**8,810**	**7,700**
Total	**1,656,596**	**516,145**	**221,670**

* Debts, bonds of the public, securities borrowed or purchased under agreements to resell, and credit risk in respect of derivative instruments, in the amount of NIS 503,012; 7,646; 3,034; and 2,453 million, respectively.

(1) The number of borrowers is calculated according to total credit and off-balance sheet credit risk, based on the recorded balance.

(2) Credit and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Balances of credit to the public[(1)] and of off-balance sheet credit risk[(1)(2)] by volume of credit per borrower (continued)

	December 31, 2024		
	Number of borrowers[(1)]	Credit*[(2)]	Off-balance sheet credit risk[(2)(3)]
Credit per borrower in NIS thousands			
Up to 10	409,375	558	945
10 to 20	272,163	1,046	2,310
20 to 40	244,333	2,521	4,404
40 to 80	219,716	5,829	6,650
80 to 150	161,536	10,829	6,948
150 to 300	121,703	19,367	6,252
300 to 600	79,329	29,590	4,776
600 to 1,200	85,399	66,906	7,238
1,200 to 2,000	34,819	45,775	6,152
2,000 to 4,000	11,071	24,617	4,342
4,000 to 8,000	2,713	11,611	3,131
8,000 to 20,000	1,440	13,149	4,893
20,000 to 40,000	821	15,532	7,368
40,000 to 200,000	1,361	80,621	41,861
200,000 to 400,000	225	41,386	20,680
400,000 to 800,000	94	29,502	22,170
800,000 to 1,200,000	41	22,544	17,699
1,200,000 to 1,600,000	18	13,572	10,958
1,600,000 to 2,000,000	10	8,335	9,977
2,000,000 to 3,200,000	9	13,123	9,104
Over 3,200,000	2	1,846	8,324
Total	1,646,178	458,259	206,182

* Debts, bonds of the public, securities borrowed or purchased under agreements to resell, and credit risk in respect of derivative instruments, in the amount of NIS 446,874; 9,369; 367; and 1,649 million, respectively.

(1) The number of borrowers is calculated according to total credit and off-balance sheet credit risk, based on the recorded balance.

(2) Credit and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

E. Off-balance sheet financial instruments

	2025	2024	**2025**	2024
	Contract balances*		Allowance for credit losses	
Transactions in which the balance represents credit risk:				
(a) Credit guarantees	**9,395**	9,235	**86**	77
(b) Guarantees to purchasers of homes	**(1)34,624**	(1)34,889	**23**	45
(c) Guarantees and other commitments**	**41,018**	38,722	**247**	256
(d) Commitments to issue guarantees	**52,781**	46,872	**9**	19
(e) Irrevocable commitments to grant credit approved but not yet drawn***	**(1)79,004**	(1)69,280	**690**	583
(f) Unutilized revolving overdraft and other credit facilities in on-demand accounts	**29,855**	27,878	**76**	62
(g) Unutilized credit-card credit facilities	**22,346**	20,183	**46**	34
(h) Documentary credit	**1,945**	1,665	**12**	12
Total	**270,968**	248,724	**1,189**	1,088

* Contract balances or the nominal amounts thereof at the end of the period, before the effect of the allowance for credit losses.

** Includes the Bank's liabilities in respect of its share in the risk fund of the Maof Clearing House, in the amount of NIS 96 million (December 31, 2024: NIS 47 million).

*** Includes commitments to grant credit given to customers in loans "approved in principle with a hold on the interest rate," under Proper Conduct of Banking Business Directive 451, "Procedures for Granting Housing Loans."

(1) Includes off-balance sheet credit risk in respect of which insurance was acquired from foreign insurers.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

F. Guarantees

The Bank provides a wide range of guarantees and indemnities for its customers, in order to enable them to complete a wide variety of transactions. The maximum amount of potential future payments is established according to the nominal amount of the guarantees, without taking into consideration possible reimbursements or collateral held or pledged. To the extent necessary, the Bank customarily receives collateral or commitments of various kinds, such as deposits, securities, real estate, commitments to comply with obligations and maintain financial ratios, etc. Most of the guarantees at the Bank are assigned the rating at which the credit was granted.

	December 31, 2025					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
Credit guarantees	**6,703**	**1,711**	**477**	**504**	**-**	**9,395**
Guarantees to purchasers of homes	**6,153**	**126**	**-**	**-**	**28,345**	**34,624**
Guarantees and other commitments	**14,004**	**6,085**	**3,116**	**4,952**	**12,861**	**41,018**
Commitments to issue guarantees	**31,581**	**18,386**	**2,748**	**66**	**-**	**52,781**
Total	**58,441**	**26,308**	**6,341**	**5,522**	**41,206**	**137,818**

	December 31, 2024					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
Credit guarantees	6,483	1,815	302	635	-	9,235
Guarantees to purchasers of homes	4,599	37	-	-	30,253	34,889
Guarantees and other commitments	12,667	5,879	2,720	5,359	12,097	38,722
Commitments to issue guarantees	29,919	15,895	959	99	-	46,872
Total	53,668	23,626	3,981	6,093	42,350	129,718

Note 30 Assets and Liabilities by Linkage Base

NIS millions

	December 31, 2025						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	**61,111**	**-**	**8,143**	**349**	**308**	**1,981**	**71,892**
Securities	**81,862**	**7,389**	**43,678**	**3,771**	**574**	**6,971**	**144,245**
Securities borrowed or purchased under agreements to resell	**959**	**-**	**6,460**	**-**	**-**	**-**	**7,419**
Net credit to the public[2]	**372,332**	**58,777**	**54,055**	**9,752**	**5,391**	**2,574**	**502,881**
Credit to governments	**888**	**-**	**110**	**1,483**	**-**	**-**	**2,481**
Investments in equity-accounted investees	**-**	**-**	**-**	**-**	**-**	**989**	**989**
Buildings and equipment	**-**	**-**	**-**	**-**	**-**	**4,192**	**4,192**
Assets in respect of derivative instruments	**15,639**	**645**	**3,512**	**788**	**500**	**3,965**	**25,049**
Other assets	**5,445**	**22**	**179**	**8**	**2**	**1,861**	**7,517**
Total assets	**538,236**	**66,833**	**116,137**	**16,151**	**6,775**	**22,533**	**766,665**
Liabilities							
Deposits from the public	**[3]432,437**	**14,158**	**124,519**	**13,244**	**3,762**	**4,556**	**592,676**
Deposits from banks	**5,590**	**-**	**3,722**	**100**	**955**	**-**	**10,367**
Deposits from the government	**644**	**-**	**885**	**2**	**-**	**-**	**1,531**
Securities lent or sold under agreements to repurchase	**-**	**-**	**17,413**	**-**	**-**	**-**	**17,413**
Bonds and subordinated notes	**15,054**	**17,682**	**3,160**	**-**	**-**	**-**	**35,896**
Liabilities in respect of derivative instruments	**17,202**	**444**	**3,350**	**905**	**528**	**3,966**	**26,395**
Other liabilities	**10,426**	**5,368**	**547**	**41**	**159**	**1,169**	**17,710**
Total liabilities	**481,353**	**37,652**	**153,596**	**14,292**	**5,404**	**9,691**	**701,988**
Surplus assets (liabilities)	**56,883**	**29,181**	**(37,459)**	**1,859**	**1,371**	**12,842**	**64,677**
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	**(31,131)**	**(720)**	**36,170**	**(1,797)**	**(1,545)**	**(977)**	**-**
Options in the money, net (in terms of underlying asset)	**115**	**-**	**(303)**	**(45)**	**233**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**952**	**-**	**(756)**	**(46)**	**(150)**	**-**	**-**
Overall total	**26,819**	**28,461**	**(2,348)**	**(29)**	**(91)**	**11,865**	**64,677**
Options in the money, net (nominal present value)	**(66)**	**-**	**53**	**43**	**(30)**	**-**	**-**
Options out of the money, net (nominal present value)	**1,399**	**-**	**(1,959)**	**79**	**481**	**-**	**-**

* Including derivative instruments whose underlying asset refers to a non-monetary item, and non-monetary items exposed to changes in foreign-currency exchange rates.

(1) Including linked to foreign currency.

(2) After deduction of allowances for credit losses attributed to the linkage bases.

(3) The unlinked segment includes option deposits that pay NIS interest not lower than the consumer price index, of which a total of approximately NIS 0.2 billion may be paid in the CPI track, according to the CPI rate accrued and the inflation expectations.

Note 30 Assets and Liabilities by Linkage Base (continued)

NIS millions

	December 31, 2024						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	107,070	-	8,751	318	497	417	117,053
Securities	69,799	2,125	40,715	3,275	1,057	4,867	121,838
Securities borrowed or purchased under agreements to resell	656	-	1,571	-	-	-	2,227
Net credit to the public[2]	317,687	63,754	48,622	5,590	4,735	3,095	443,483
Credit to governments	130	-	186	1,554	-	-	1,870
Investments in equity-accounted investees	-	-	-	-	-	1,460	1,460
Buildings and equipment	-	-	-	-	-	3,883	3,883
Assets in respect of derivative instruments	9,352	869	8,251	123	435	3,119	22,149
Other assets	5,402	47	187	26	1	1,218	6,881
Total assets	510,096	66,795	108,283	10,886	6,725	18,059	720,844
Liabilities							
Deposits from the public	[3]417,018	11,710	124,829	13,488	3,722	3,518	574,285
Deposits from banks	7,267	-	3,188	70	312	-	10,837
Deposits from the government	612	-	313	7	-	-	932
Securities lent or sold under agreements to repurchase	-	-	18,201	-	-	-	18,201
Bonds and subordinated notes	4,346	12,358	3,486	-	-	-	20,190
Liabilities in respect of derivative instruments	9,991	1,138	6,184	91	424	3,087	20,915
Other liabilities	11,849	4,236	574	28	225	422	17,334
Total liabilities	451,083	29,442	156,775	13,684	4,683	7,027	662,694
Surplus assets (liabilities)	59,013	37,353	(48,492)	(2,798)	2,042	11,032	58,150
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(41,321)	(4,673)	45,947	2,414	(2,336)	(31)	-
Options in the money, net (in terms of underlying asset)	(1,311)	-	662	479	170	-	-
Options out of the money, net (in terms of underlying asset)	175	-	226	(241)	(160)	-	-
Overall total	16,556	32,680	(1,657)	(146)	(284)	11,001	58,150
Options in the money, net (nominal present value)	(1,333)	-	800	501	32	-	-
Options out of the money, net (nominal present value)	588	-	(132)	(781)	325	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item, and non-monetary items exposed to changes in foreign-currency exchange rates.

(1) Including linked to foreign currency.

(2) After deduction of allowances for credit losses attributed to the linkage bases.

(3) The unlinked segment includes option deposits that pay NIS interest not lower than the consumer price index, of which a total of approximately NIS 1.2 billion may be paid in the CPI track, according to the CPI rate accrued and the inflation expectations.

Note 31 Cash Flows by Contractual Maturity Date

	December 31, 2025			
	Cash flows by contractual maturity date			
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months
	NIS millions			
Cash, deposits, and tradable bonds[3]				
Cash and deposits with banks	**57,971**	**2,610**	**4,510**	**50**
Tradable government bonds.	**37**	**14**	**2,080**	**6,722**
Other tradable bonds	**50**	**122**	**77**	**1,184**
Total cash, deposits, and tradable bonds	**58,058**	**2,746**	**6,667**	**7,956**
Other monetary assets				
Credit to the public[4]	**25,922**	**22,454**	**78,294**	**30,454**
Other monetary assets excluding derivatives	**7,302**	**1,133**	**1,224**	**138**
Total monetary assets excluding derivatives	**91,282**	**26,333**	**86,185**	**38,548**
Monetary liabilities				
Deposits from the public[5]	**296,269**	**44,632**	**35,668**	**77,440**
Of which: households and small businesses	**179,135**	**11,913**	**24,606**	**29,914**
Deposits from banks	**7,837**	**-**	**163**	**318**
Securities lent or sold in repurchase agreements	**325**	**1,672**	**3,946**	**8,447**
Bonds and subordinated notes	**18**	**-**	**52**	**2,289**
Other monetary liabilities excluding derivatives	**8,211**	**-**	**957**	**673**
Total monetary liabilities excluding derivatives	**312,660**	**46,304**	**40,786**	**89,167**
Employee benefits and off-balance sheet items				
Effect of derivative instruments	**-**	**(10)**	**122**	**(439)**
Commitments to provide credit	**(13,515)**	**(1,895)**	**(9,971)**	**(36,637)**
Employee benefits	**-**	**-**	**-**	**(292)**
Effect of employee benefits and off-balance sheet items	**(13,515)**	**(1,905)**	**(9,849)**	**(37,368)**
Total net cash flows (including in NIS and foreign currency)	**(234,893)**	**(21,876)**	**35,550**	**(87,987)**
Of which:				
Total cash, deposits, and tradable bonds in foreign currency	**4,106**	**133**	**2,229**	**3,626**
Total other monetary assets in foreign currency	**18,388**	**6,050**	**6,870**	**4,322**
Total monetary liabilities in foreign currency	**78,117**	**8,883**	**15,938**	**23,774**
Effect of employee benefits and off-balance sheet items in foreign currency	**(2,871)**	**1,413**	**10,079**	**(10,585)**
Total net cash flows in foreign currency	**(58,494)**	**(1,287)**	**3,240**	**(26,411)**

(1) As included in Note 30, "Assets and Liabilities by Linkage Base," including off-balance sheet amounts in respect of derivatives that are not settled on a net basis.
(2) The interest rate discounting the expected contractual future cash flows in respect of a monetary item to its balance sheet balance.
(3) The fair value of unpledged cash, deposits, and tradable bonds stands at NIS 161,510 million as at December 31, 2025 (NIS 192,379 million as at December 31, 2024).
(4) Future cash flows of loans to the public are presented according to the contractual maturity date of the loans. Credit in current accounts or current drawing accounts, on-call credit, and credit past due by 30 days or more are presented in the "no maturity date" column. The allowance for credit losses is deducted from the relevant cash flows.
(5) Future cash flows of deposits are presented according to the earliest possible withdrawal date under the contract. Deposits that can contractually be withdrawn immediately are presented in the "on demand up to 1 day" column.

December 31, 2025							
Cash flows by contractual maturity date					Balance sheet balance[1]		
Over 3 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total cash flows	No maturity date	Total	Effective rate of return[2]
NIS millions							In %
199	117	87	4,445	69,989	-	69,911	1.71%
16,232	26,988	64,274	26,600	142,947	-	125,582	4.12%
1,035	3,076	4,889	3,781	14,214	-	11,692	4.12%
17,466	30,181	69,250	34,826	227,150	-	207,185	3.31%
63,120	101,822	57,031	192,353	571,450	36,629	500,307	5.01%
353	1,057	580	1,267	13,054	2,680	15,556	-
80,939	133,060	126,861	228,446	811,654	39,309	723,048	4.41%
110,072	16,956	7,905	6,041	594,983	-	588,120	3.52%
56,244	9,334	2,212	3,396	316,754	-	313,742	3.26%
173	1,704	27	270	10,492	-	10,367	1.76%
3,024	-	-	-	17,414	-	17,413	4.45%
11,450	10,266	5,003	10,974	40,052	-	35,896	3.55%
1,689	418	381	1,033	13,362	78	13,363	-
126,408	29,344	13,316	18,318	676,303	78	665,159	3.45%
(189)	334	213	270	301	-	(368)	
(103,142)	(60,336)	(20,318)	(24,048)	(269,862)	(1,106)	-	
(382)	(716)	(1,761)	(2,674)	(5,825)	-	(4,709)	
(103,713)	(60,718)	(21,866)	(26,452)	(275,386)	(1,106)	(5,077)	
(149,182)	42,998	91,679	183,676	(140,035)	38,125	52,812	
2,532	9,650	25,575	16,570	64,421	-	56,823	4.06%
13,576	18,659	6,200	1,808	75,873	6,209	77,385	5.75%
36,508	5,760	817	668	170,465	-	168,408	3.85%
19,012	(10,572)	(2,811)	(1,436)	2,229	(203)	31,148	
(1,388)	11,977	28,147	16,274	(27,942)	6,006	(3,052)	

Note 31 Cash Flows by Contractual Maturity Date (continued)

	December 31, 2024			
	Cash flows by contractual maturity date			
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months
	NIS millions			
Cash, deposits, and tradable bonds	58,960	53,004	5,452	6,724
Other monetary assets excluding derivatives	22,880	13,207	56,864	28,047
Deposits from the public	302,755	48,596	38,971	66,295
Other monetary liabilities excluding derivatives	7,510	5,384	10,728	6,163
Effect of employee benefits and off-balance sheet items*	(8,579)	(2,077)	(8,113)	(35,412)
Total net cash flows	(237,004)	10,154	4,504	(73,099)
Of which: net cash flows in foreign currency*	(57,117)	1,892	2,613	(19,228)

* Reclassified.

(1) As included in Note 30, "Assets and Liabilities by Linkage Base," including off-balance sheet amounts in respect of derivatives that are not settled on a net basis.

(2) The interest rate discounting the expected contractual future cash flows in respect of a monetary item to its balance sheet balance.

December 31, 2024							
Cash flows by contractual maturity date					Balance sheet balance[1]		
Over 3 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total cash flows	No maturity date	Total	Effective rate of return[2]
NIS millions							In %
13,631	31,813	42,380	42,888	254,852	-	233,607	3.97%
64,140	95,172	56,446	181,473	518,229	33,006	450,148	5.26%
86,876	22,869	3,900	6,135	576,397	-	570,767	3.86%
10,979	8,221	3,396	13,096	65,477	214	62,299	2.85%
(101,625)	(61,576)	(13,963)	(21,501)	(252,846)	(652)	(3,583)	
(121,709)	34,319	77,567	183,629	(121,639)	32,140	47,106	
(3,788)	11,331	19,411	15,212	(29,674)	7,115	(2,537)	

Note 32 Balances and Fair Value Estimates of Financial Instruments

Fair value of financial instruments

This note includes information concerning the assessment of the fair value of financial instruments and financial liabilities. The note does not include non-financial assets and liabilities, such as fixed assets, investments in equity-accounted investees, employee benefit liabilities, deferred taxes, and more.

A "market price" cannot be quoted for the majority of financial instruments at the Bank because no active market exists in which they are traded. Fair value is therefore estimated by means of accepted pricing models, such as the present value of future cash flows discounted by a discounting interest rate that reflects the level of risk inherent in the financial instrument. An estimate of fair value by means of an assessment of future cash flows and the setting of a discounting interest rate is subjective. Therefore, for the majority of financial instruments, the assessment of fair value does not necessarily constitute an indication of the disposal value of the financial instrument on the reporting date. The fair value is assessed on the basis of the interest rates valid at the reporting date, and does not take interest-rate volatility into account. Under the assumption of different interest rates, fair values would be obtained that may differ materially. This mainly applies to financial instruments that bear a fixed rate of interest or that do not bear interest. In addition, the assessment of fair value does not take into consideration fees to be received or paid in the course of business activity, and does not include tax effects. Moreover, the difference between the balance sheet amount and fair value balances may not be realized, because in the majority of cases the financial instrument may be held to maturity by the Bank. Due to all of these factors, it should be emphasized that data included in this note are insufficient to indicate the value of the Bank.

Principal methods and assumptions used to estimate the fair value of financial instruments

Deposits with banks, nonmarketable bonds and loans, and credit to the government – By discounting future cash flows according to the interest rates at which the Bank executed similar transactions at the reporting date.

Marketable securities – According to market value in the principal market.

Credit to the public – The fair value of the balance of credit to the public is estimated using the method of the present value of future cash flows. The balance of credit was segmented into homogeneous categories. In each category, the flow of future receipts (principal and interest) was calculated and discounted by an interest rate reflecting the level of risk inherent in the credit in that category.

This interest rate was usually determined according to the interest rate at which similar transactions were executed at the Bank at the reporting date.

The fair value of non-accruing debts was calculated using discount rates reflecting the high credit risk inherent in such debts. In any case, these discount rates were not lower than the highest interest rate used by the Bank in its transactions at the reporting date.

Future cash flows for non-accruing debts and other debts were calculated after the deduction of the effects of charge-offs and of allowances for credit losses. An increase of 1% in discounting interest rates of impaired debts would reduce their fair value by a total of NIS 1 million.

The calculation of fair value includes assumptions regarding prepayment of housing loans, in accordance with the estimates of the Bank, based on an examination of the historical data regarding prepayment in relation to parameters that explain such prepayment. The effect of the application of these assumptions on fair value is a decrease of the fair value by NIS 92 million.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

Deposits, bonds, and notes – For current accounts, the balance reported in the balance sheet represents an estimate of fair value, i.e. the calculation does not include the current-account layout model, as applied in the calculation of adjusted fair value. Other deposits are calculated by discounting future cash flows according to the interest rates at which the corporation raises similar deposits or the Bank issues similar bonds and notes at the reporting date (if a price quoted in an active market is not available). With regard to bonds and subordinated notes traded as an asset in an active market, fair value is based on quoted market prices or on quotes from traders for an identical liability traded as an asset in an active market.

Inter-customer lending – Presented as credit and deposits, and measured according to the value of the loaned securities on the stock market.

Derivative financial instruments – Derivative financial instruments that have an active market were assessed at the market value established in the principal market.

Derivative financial instruments not traded in an active market were assessed on the basis of models used by the Bank in its routine operations, taking into account the risks inherent in the financial instrument.

Estimates of the fair value of assets in respect of derivative instruments also reflect the credit risk of the counterparty, and estimates of the fair value of liabilities in respect of derivative instruments also reflect the credit risk of the Bank.

Off-balance sheet financial instruments in which the balance represents credit risk – Fair value is presented according to the carrying amount of the related fees in the aforesaid transactions, which constitutes an approximation of the fair value.

Assets and liabilities for which fair value is measured based on Level 3 data – Items for which fair value is determined based on an indicative price from an independent entity, indicative price of a counterparty to the transaction, or evaluation models in which some of the significant inputs are unobservable; and items for which fair value is determined based on internal models or service bureaus, some of the inputs of which are unobservable.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

A. Balances and fair-value estimates of financial instruments

	December 31, 2025				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	**71,892**	**5,532**	**60,749**	**5,596**	**71,877**
Securities*	**144,245**	**117,924**	**21,860**	**4,278**	**144,062**
Securities borrowed or purchased under agreements to resell	**7,419**	**-**	**7,418**	**-**	**7,418**
Net credit to the public	**502,881**	**19,591**	**-**	**480,763**	**500,354**
Credit to governments	**2,481**	**-**	**-**	**2,481**	**2,481**
Assets in respect of derivative instruments	**25,049**	**1,775**	**16,309**	**6,965**	**25,049**
Other financial assets	**1,618**	**733**	**-**	**885**	**1,618**
Total financial assets**	**755,585**	**145,555**	**106,336**	**500,968**	**752,859**
Financial liabilities					
Deposits from the public***	**592,676**	**27,249**	**268,535**	**297,276**	**593,060**
Deposits from banks	**10,367**	**-**	**-**	**10,360**	**10,360**
Deposits from the government	**1,531**	**-**	**-**	**1,532**	**1,532**
Securities lent or sold under agreements to repurchase	**17,413**	**-**	**17,293**	**-**	**17,293**
Bonds and subordinated notes	**35,896**	**31,910**	**-**	**3,901**	**35,811**
Liabilities in respect of derivative instruments	**26,395**	**1,781**	**11,883**	**12,731**	**26,395**
Other financial liabilities	**7,957**	**733**	**-**	**7,224**	**7,957**
Total financial liabilities**	**692,235**	**61,673**	**297,711**	**333,024**	**692,408**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	**-**	**-**	**-**	**160**	**160**

* Includes shares and options without a readily determinable fair value, which are stated at cost, in the amount of NIS 3,662 million. For further details regarding the balance sheet balance and fair value of securities, see Note 12.

** Of which: assets and liabilities in the amount of NIS 176,574 million and in the amount of NIS 249,186 million, respectively, the balance sheet balance of which constitutes an approximation of fair value. For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B–F.

*** Of which, a total of NIS (21) million in respect of embedded derivative instruments is included in the item of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

A. Balances and fair-value estimates of financial instruments (continued)

	December 31, 2024				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	117,053	3,884	107,437	5,701	117,022
Securities*	121,838	92,044	25,441	3,760	121,245
Securities borrowed or purchased under agreements to resell	2,227	-	2,223	-	2,223
Net credit to the public	443,483	13,619	-	425,029	438,648
Credit to governments	1,870	-	-	1,868	1,868
Assets in respect of derivative instruments	22,149	1,606	15,654	4,889	22,149
Other financial assets	1,138	11	-	1,127	1,138
Total financial assets**	709,758	111,164	150,755	442,374	704,293
Financial liabilities					
Deposits from the public***	574,285	25,394	280,372	267,791	573,557
Deposits from banks	10,837	-	-	10,813	10,813
Deposits from the government	932	-	-	933	933
Securities lent or sold under agreements to repurchase	18,201	-	18,062	-	18,062
Bonds and subordinated notes	20,190	18,516	-	1,048	19,564
Liabilities in respect of derivative instruments	20,915	1,608	12,807	6,500	20,915
Other financial liabilities	6,739	11	-	6,728	6,739
Total financial liabilities**	652,099	45,529	311,241	293,813	650,583
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	153	153

* Includes shares and options without a readily determinable fair value, which are stated at cost, in the amount of NIS 3,261 million. For further details regarding the balance sheet balance and fair value of securities, see Note 12.

** Of which: assets and liabilities in the amount of NIS 140,575 million and in the amount of NIS 250,382 million, respectively, the balance sheet balance of which constitutes an approximation of fair value. For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B–F.

*** Of which, a total of NIS (36) million in respect of embedded derivative instruments is included in the item of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

B. Items measured at fair value on a recurring basis

	December 31, 2025			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	**56,886**	**9,693**	**-**	**66,579**
Foreign government bonds	**19,733**	**945**	**-**	**20,678**
Bonds of financial institutions in Israel	**-**	**213**	**-**	**213**
Bonds of foreign financial institutions	**120**	**9,548**	**-**	**9,668**
Bonds of foreign others	**-**	**1,212**	**-**	**1,212**
Total bonds available for sale	**76,739**	**21,611**	**-**	**98,350**
Investments in shares not held for trading	**2,141**	**192**	**-**	**2,333**
Securities held for trading				
Israeli government bonds	**17,890**	**57**	**-**	**17,947**
Foreign government bonds	**4,775**	**-**	**-**	**4,775**
Tradable shares	**976**	**-**	**-**	**976**
Total securities held for trading	**23,641**	**57**	**-**	**23,698**
Assets in respect of derivative instruments				
NIS-CPI contracts	**-**	**395**	**175**	**570**
Other interest contracts	**-**	**7,318**	**767**	**8,085**
Foreign-currency contracts	**161**	**6,054**	**5,048**	**11,263**
Share contracts	**1,614**	**2,516**	**971**	**5,101**
Commodity and other contracts	**-**	**26**	**4**	**30**
Assets in respect of embedded derivatives	**-**	**22**	**-**	**22**
Total assets in respect of derivative instruments	**1,775**	**16,331**	**6,965**	**25,071**
Credit in respect of securities lending	**21,583**	**-**	**-**	**21,583**
Assets in respect of activity in the Maof market	**7**	**-**	**-**	**7**
Other[(1)]	**726**	**-**	**-**	**726**
Total assets	**126,612**	**38,191**	**6,965**	**171,768**

(1) Balances in respect of the activity of the dealing rooms measured at fair value.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

B. Items measured at fair value on a recurring basis (continued)

	December 31, 2025			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	**-**	**274**	**165**	**439**
Other interest contracts	**-**	**6,822**	**1,048**	**7,870**
Foreign-currency contracts	**191**	**3,295**	**9,623**	**13,109**
Share contracts	**1,590**	**1,465**	**1,891**	**4,946**
Commodity and other contracts	**-**	**27**	**4**	**31**
Liabilities in respect of embedded derivatives	**-**	**-**	**1**	**1**
Total liabilities in respect of derivative instruments	**1,781**	**11,883**	**12,732**	**26,396**
Deposits in respect of inter-customer lending	**18,990**	**-**	**-**	**18,990**
Liabilities in respect of activity in the Maof market	**7**	**-**	**-**	**7**
Liabilities in respect of securities lending	**8,259**	**-**	**-**	**8,259**
CLN	**-**	**-**	**3,901**	**3,901**
Other[(1)]	**726**	**-**	**-**	**726**
Total liabilities	**29,763**	**11,883**	**16,633**	**58,279**

(1) Balances in respect of the activity of the dealing rooms measured at fair value.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

B. Items measured at fair value on a recurring basis (continued)

	December 31, 2024			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	40,850	8,609	-	49,459
Foreign government bonds	16,841	1,558	-	18,399
Bonds of financial institutions in Israel	-	246	-	246
Bonds of foreign financial institutions	170	12,889	-	13,059
Bonds of foreign others	16	1,786	-	1,802
Total bonds available for sale	57,877	25,088	-	82,965
Investments in shares not held for trading	1,466	140	-	1,606
Securities held for trading				
Israeli government bonds	14,872	99	-	14,971
Foreign government bonds	790	-	-	790
Bonds of foreign financial institutions	-	114	-	114
Total securities held for trading	15,662	213	-	15,875
Assets in respect of derivative instruments				
NIS-CPI contracts	-	555	132	687
Other interest contracts	-	8,915	572	9,487
Foreign-currency contracts	123	3,992	2,832	6,947
Share contracts	1,483	2,188	1,348	5,019
Commodity and other contracts	-	4	5	9
Assets in respect of embedded derivatives	-	42	-	42
Total assets in respect of derivative instruments	1,606	15,696	4,889	22,191
Credit in respect of securities lending	14,043	-	-	14,043
Assets in respect of activity in the Maof market	11	-	-	11
Other	1	-	-	1
Total assets	90,666	41,137	4,889	136,692

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

B. Items measured at fair value on a recurring basis (continued)

	December 31, 2024			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	536	228	764
Other interest contracts	-	7,907	631	8,538
Foreign-currency contracts	129	2,163	4,399	6,691
Share contracts	1,479	2,198	1,237	4,914
Commodity and other contracts	-	3	5	8
Liabilities in respect of embedded derivatives	-	4	2	6
Total liabilities in respect of derivative instruments	1,608	12,811	6,502	20,921
Deposits in respect of inter-customer lending	12,121	-	-	12,121
Liabilities in respect of activity in the Maof market	11	-	-	11
Liabilities in respect of securities lending	13,273	114	-	13,387
CLN	-	-	1,039	1,039
Other	1	-	-	1
Total liabilities	27,014	12,925	7,541	47,480

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

C. Items measured at fair value on a nonrecurring basis

	December 31, 2025				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended December 31, 2025
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Collateral-dependent non-accruing credit	**-**	**-**	**212**	**212**	**(1)(10)**
Investments in shares	**-**	**-**	**502**	**502**	**(2)26**
Total	**-**	**-**	**714**	**714**	**16**

(1) Gains (losses) included in the statement of profit and loss under the item "provision for credit losses."
(2) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income." Of which: positive revaluations in the amount of NIS 103 million and impairments in the amount of NIS (77) million.

	December 31, 2024				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended December 31, 2024
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Collateral-dependent non-accruing credit	-	-	697	697	(1)12
Investments in shares	-	-	168	168	(2)(47)
Total	-	-	865	865	(35)

(1) Gains (losses) included in the statement of profit and loss under the item "provision for credit losses."
(2) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income." Of which: positive revaluations in the amount of NIS 9 million and impairments in the amount of NIS (56) million.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3

	For the year ended December 31, 2025								
	Fair value as at December 31, 2024	Gains (losses) included in statement of profit and loss[1][3]	Gains (losses) included in equity[2]	Acquisitions/ issuances	Discharges	Transfers to Level 3	Transfers from Level 3	Fair value as at December 31, 2025	Unrealized gains (losses) in respect of instruments held as at December 31, 2025
Net assets									
Bonds available for sale									
Bonds of foreign financial institutions	-	-	-	-	-	-	-	-	-
CLN	**(1,039)**	**(172)**	-	**(3,128)**	**438**	-	-	**(3,901)**	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	**(96)**	**94**	-	-	**12**	-	-	**10**	[3]**1**
Other interest contracts	**(59)**	**(225)**	-	**2**	**1**	-	-	**(281)**	[3][1]**(70)**
Foreign-currency contracts	**(1,567)**	**(5,602)**	-	**1,145**	**1,449**	-	-	**(4,575)**	[3]**(4,910)**
Share contracts	**111**	**(9,812)**	-	-	**8,781**	-	-	**(920)**	[3]**(921)**
Commodity and other contracts	-	**3**	-	**1**	**(4)**	-	-	-	[3]**(9)**
Embedded derivatives	**(2)**	**1**	-	-	-	-	-	**(1)**	-
Total	**(2,652)**	**(15,713)**	-	**(1,980)**	**10,677**	-	-	**(9,668)**	**(5,909)**

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the year ended December 31, 2024								
	Fair value as at December 31, 2023	Gains (losses) included in statement of profit and loss[1][3]	Gains (losses) included in equity[2]	Acquisitions	Discharges	Transfers to Level 3	Transfers from Level 3	Fair value as at December 31, 2024	Unrealized gains (losses) in respect of instruments held as at December 31, 2024
Net assets									
Bonds available for sale									
Bonds of foreign financial institutions	185	(7)	-	-	(178)	-	-	-	-
CLN	-	(18)	-	(1,021)	-	-	-	(1,039)	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	(190)	56	-	-	38	-	-	(96)	[3]45
Other interest contracts	(107)	(41)	-	-	89	-	-	(59)	[3][1](7)
Foreign-currency contracts	172	(2,364)	-	638	(13)	-	-	(1,567)	[3](2,185)
Share contracts	(1,802)	52	-	-	1,861	-	-	111	[3](2)
Commodity and other contracts	(4)	3	-	5	(4)	-	-	-	[3]6
Embedded derivatives	-	(2)	-	-	-	-	-	(2)	[3](1)
Total	(1,746)	(2,321)	-	(378)	1,793	-	-	(2,652)	(2,144)

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

E. Transfers to and from Level 3

During the period, there were no transfers of items measured at fair value from Level 3 measurement to Level 2 measurement or vice versa, with the exception of transfers due to transaction counterparty risk. In accordance with the policy of the Bank, transfers from level to level are recognized as occurring at the end of the reported period.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3

	December 31, 2025			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Net assets				
Bonds of foreign financial institutions	**-**	Quote from transaction counterparty		
CLN	**(3,901)**	Discounted cash flows	Probability of default	0.14%–2.79% (1.30%)
Net balances in respect of derivative instruments				
NIS-CPI contracts	**10**	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.18%–2.02% (0.48%)
Other interest contracts	**(282)**	Interest-rate derivatives pricing model	Transaction counterparty risk	0.11%–2.02% (0.46%)
Foreign-currency contracts	**(4,575)**	Option pricing model	Transaction counterparty risk	0.15%–4.02% (0.64%)
Share contracts	**(920)**	Share derivatives pricing model	Transaction counterparty risk	0.56%–2.02% (0.63%)
Share contracts	**-**	Option pricing model	Quote from counterparty	
Commodity and other contracts	**-**	Currency derivatives pricing model	Transaction counterparty risk	0.46%–2.02% (0.71%)
Embedded derivatives[1]	**(1)**	Option pricing model	Quote from counterparty	
Other interest contracts	**1**	Option pricing model	Standard deviation	7.00%–7.00% (7.00%)
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	**502**	Valuation		
Collateral-dependent non-accruing credit	**212**	Tradable assets – market value less an appropriate haircut		
		Non-tradable assets – discounted cash flow less an appropriate haircut		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	December 31, 2024			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Net assets				
Bonds of foreign financial institutions	-	Quote from transaction counterparty		
CLN	(1,039)	Discounted cash flows	Probability of default	0.81%–2.79% (1.19%)
Net balances in respect of derivative instruments				
NIS-CPI contracts	(96)	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.18%–1.82% (0.56%)
Other interest contracts	(59)	Interest-rate derivatives pricing model	Transaction counterparty risk	0.18%–2.20% (0.58%)
Foreign-currency contracts	(1,567)	Option pricing model	Transaction counterparty risk	0.18%–3.62% (0.34%)
Share contracts	109	Share derivatives pricing model	Transaction counterparty risk	0.18%–1.59% (0.27%)
Share contracts	2	Option pricing model	Quote from counterparty	
Commodity and other contracts	-	Currency derivatives pricing model	Transaction counterparty risk	0.18%–1.76% (0.40%)
Embedded derivatives[1]	(2)	Option pricing model	Quote from counterparty	
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	168	Valuation		
Collateral-dependent non-accruing credit	697	Tradable assets – market value less an appropriate haircut		
		Non-tradable assets – discounted cash flow less an appropriate haircut		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 33 Interested and Related Parties

NIS millions

Parent companies, controlling shareholder, and subsidiaries

Interested party and related party transactions were carried out in the ordinary course of business, in general, based on business considerations, at terms similar to terms of transactions with entities unrelated to the Bank. In a few cases, the Bank supported subsidiaries, according to common practice, through investment in capital, loans, comfort letters, indemnity letters, etc. Income or expenses related to such transactions are included in the appropriate items of the statement of profit and loss.

For details regarding settlements with insurers, see Note 25.C.c.2. For details regarding letters of indemnity granted to officers, see Note 25.B.3.

A. Balance sheet balances

	December 31, 2025							
	Interested parties							
	Shareholders		Interested party at the time of the transaction		Officers*		Others	
	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**
Assets								
Securities	-	-	-	-	-	-	-	-
Credit to the public	**269**	**585**	**367**	**536**	**24**	**32**	**8,243**	**11,222**
Allowance for credit losses	-	-	**(2)**	**(3)**	-	-	**(23)**	**(29)**
Net credit to the public	**269**	**585**	**365**	**533**	**24**	**32**	**8,220**	**11,193**
Investments in equity-accounted investees	-	-	-	-	-	-	-	-
Other assets	**256**	**256**	-	**13**	-	-	**2,140**	**4,352**
Liabilities								
Deposits from the public	**928**	**1,705**	-	-	**38**	**111**	**40,327**	**51,790**
Bonds and subordinated notes	-	-	-	-	-	-	-	**3**
Other liabilities	**540**	**703**	-	-	**18**	**25**	**5,136**	**7,478**
Credit risk in off-balance sheet financial instruments* **	**207**	**229**	**219**	**219**	**3**	**6**	**4,989**	**6,824**

* Pursuant to Section 80D(3) of the Public Reporting Directives.
** Based on the balance at the end of each month.
*** As calculated for the purpose of the limit on borrower indebtedness.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2025					
	Related parties held by the Bank and its consolidated companies					
	Unconsolidated subsidiaries		Equity-accounted investees		Others	
	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*
Assets						
Securities	-	-	-	-	-	-
Credit to the public	-	-	**793**	**979**	**1,774**	**1,960**
Allowance for credit losses	-	-	**(33)**	**(28)**	**(16)**	**(15)**
Net credit to the public	-	-	**760**	**951**	**1,758**	**1,945**
Investments in equity-accounted investees	-	-	**989**	**1,531**	-	-
Other assets	-	-	**4**	**7**	**1**	**1**
Liabilities						
Deposits from the public	-	**8**	**142**	**322**	**111**	**207**
Bonds and subordinated notes	-	-	-	-	-	-
Other liabilities	-	-	**6**	**12**	**2**	**6**
Shares (included in equity)	-	-	-	-	-	-
Credit risk in off-balance sheet financial instruments**	-	-	**815**	**889**	**1,843**	**2,618**

* Based on the balance at the end of each month.
** As calculated for the purpose of the limit on borrower indebtedness.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2024							
	Interested parties							
	Shareholders		Interested party at the time of the transaction		Officers*		Others	
	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**
Assets								
Securities	-	-	-	-	-	-	-	-
Credit to the public	132	197	398	1,000	18	20	4,813	5,365
Allowance for credit losses	-	-	(3)	(7)	-	-	(18)	(25)
Net credit to the public	132	197	395	993	18	20	4,795	5,340
Investments in equity-accounted investees	-	-	-	-	-	-	-	-
Other assets	92	222	9	342	-	-	662	1,009
Liabilities								
Deposits from the public	1,355	2,046	-	-	34	58	16,718	19,926
Bonds and subordinated notes	-	-	-	-	-	-	3	5
Other liabilities	135	241	-	-	21	25	1,255	1,654
Credit risk in off-balance sheet financial instruments* **	152	313	231	1,601	9	10	1,998	2,883

* Pursuant to Section 80D(3) of the Public Reporting Directives.
** Based on the balance at the end of each month.
*** As calculated for the purpose of the limit on borrower indebtedness.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2024					
	Related parties held by the Bank and its consolidated companies					
	Unconsolidated subsidiaries		Equity-accounted investees		Others	
	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*
Assets						
Securities	-	-	-	-	712	712
Credit to the public	-	-	452	600	1,586	1,648
Allowance for credit losses	-	-	(36)	(20)	(18)	(17)
Net credit to the public	-	-	416	580	1,568	1,631
Investments in equity-accounted investees	-	-	1,460	1,558	-	-
Other assets	-	-	1	4	2	3
Liabilities						
Deposits from the public	2	3	214	337	58	98
Bonds and subordinated notes	-	-	-	-	-	-
Other liabilities	-	-	6	13	5	12
Shares (included in equity)	-	-	-	-	-	-
Credit risk in off-balance sheet financial instruments**	-	-	138	248	1,832	2,074

* Based on the balance at the end of each month.
** As calculated for the purpose of the limit on borrower indebtedness.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss

	For the year ended December 31, 2025						
	Interested parties			Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Officers**	Others	Unconsolidated subsidiaries	Equity-accounted investees	Others***	
Net interest income*	**(39)**	**(1)**	**(1,204)**	**-**	**40**	**112**	**(1,092)**
Income (provision) in respect of credit losses	**-**	**-**	**(3)**	**-**	**(6)**	**(3)**	**(12)**
Non-interest income (expenses)[2]	**(586)**	**1**	**(2,994)**	**-**	**164**	**14**	**(3,401)**
Of which: management and service fees	**(144)**	**-**	**(23)**	**-**	**6**	**15**	**(146)**
Operating and other expenses[3]	**(18)**	**[1](73)**	**(33)**	**-**	**(28)**	**-**	**(152)**
Of which: interested party employed by or on behalf of the corporation: 18	**-**	**(61)**	**-**	**-**	**-**	**-**	**(61)**
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 10	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Total	**(643)**	**(73)**	**(4,234)**	**-**	**170**	**123**	**(4,657)**

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Short-term employee benefits – NIS 42 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 2 million; share-based payment – NIS 5 million.
(2) Includes the effect of the results of activity in derivative instruments executed in the ordinary course of business with the Bank, in respect of which the Bank obtains coverage through counter-transactions with third parties that are not interested or related parties.
(3) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 1.4 million.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss (continued)

	For the year ended December 31, 2024						
	Interested parties			Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Officers**	Others	Unconsolidated subsidiaries	Equity-accounted investees	Others***	
Net interest income*	(61)	-	(424)	-	21	99	(365)
Income (provision) in respect of credit losses	-	-	31	-	(15)	(4)	12
Non-interest income (expenses)	30	-	(195)	-	(68)	11	(222)
Of which: management and service fees	(88)	-	66	-	2	13	(7)
Operating and other expenses[2]	(20)	[1](76)	(4)	(4)	(26)	(3)	(133)
Of which: interested party employed by or on behalf of the corporation: 20	-	(64)	-	-	-	-	(64)
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 10	-	(12)	-	-	-	-	(12)
Total	(51)	(76)	(592)	(4)	(88)	103	(708)

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Short-term employee benefits – NIS 44 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 2 million; share-based payment – NIS 5 million.
(2) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 1.7 million.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss (continued)

	For the year ended December 31, 2023						
	Interested parties			Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Officers**	Others	Unconsolidated subsidiaries	Equity-accounted investees	Others***	
Net interest income*	(72)	(1)	(524)	-	121	8	(468)
Income (provision) in respect of credit losses	-	-	(45)	-	(31)	(2)	(78)
Non-interest income (expenses)	169	-	418	-	39	(17)	609
Of which: management and service fees	(16)	-	84	-	19	5	92
Operating and other expenses[2]	(21)	[1](70)	(14)	(5)	(30)	(2)	(142)
Of which: interested party employed by or on behalf of the corporation: 21	-	(59)	-	-	-	-	(59)
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 10	-	(11)	-	-	-	-	(11)
Total	76	(71)	(165)	(5)	99	(13)	(79)

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Short-term employee benefits – NIS 43 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 1 million; share-based payment – NIS 4 million.
(2) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 0.9 million.

Note 33 Interested and Related Parties (continued)

NIS millions

C. Net interest income in transactions with interested and related parties

	2025	2024	2023
Income (expenses)			
In respect of assets			
From credit to the public	**443**	241	243
From deposits with banks	**-**	-	-
From securities borrowed or purchased under agreements to resell	**-**	-	-
From bonds	**-**	-	-
From other assets	**-**	-	-
In respect of liabilities			
On deposits from the public	**(1,535)**	(606)	(711)
On deposits from banks	**-**	-	-
On securities borrowed or purchased under agreements to repurchase	**-**	-	-
On bonds and subordinated notes	**-**	-	-
On other liabilities	**-**	-	-
Other			
Financing transaction fees	**-**	-	-
Other financing income	**-**	-	-
Total	**(1,092)**	(365)	(468)

Note 34 Condensed Financial Statements of the Bank

NIS millions

A. Condensed statement of profit and loss

	2025	2024	2023
Interest income	**36,658**	35,409	32,922
Interest expenses	**(18,760)**	(18,634)	(17,054)
Net interest income	**17,898**	16,775	15,868
Provision (income) for credit losses	**1,299**	693	1,879
Net interest income after provision for credit losses	**16,599**	16,082	13,989
Non-interest income			
Non-interest financing income (expenses)	**1,127**	800	1,009
Fees	**4,319**	3,876	3,782
Other income	**474**	43	97
Total non-interest income	**5,920**	4,719	4,888
Operating and other expenses			
Salaries and related expenses	**4,596**	4,414	(1)4,494
Maintenance and depreciation of buildings and equipment	**1,451**	1,449	(1)1,481
Other expenses	**2,211**	3,045	(1)2,116
Total operating and other expenses	**8,258**	8,908	8,091
Profit before taxes	**14,261**	11,893	10,786
Provision for taxes on profit	**4,927**	4,496	3,834
Profit after taxes	**9,334**	7,397	6,952
The Bank's share in profits (losses) of other affiliates	**468**	238	408
Net profit (loss)			
Attributed to shareholders of the Bank	**9,802**	7,635	7,360

(1) Reclassified.

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

B. Condensed balance sheet

	December 31	
	2025	2024
Assets		
Cash and deposits with banks	**71,766**	116,955
Securities	**136,857**	116,318
Securities borrowed or purchased under agreements to resell	**7,419**	2,227
Credit to the public	**510,480**	450,303
Allowance for credit losses	**(7,599)**	(6,820)
Net credit to the public	**502,881**	443,483
Credit to governments	**2,481**	1,870
Investments in other affiliates	**11,257**	10,478
Buildings and equipment	**4,042**	3,726
Assets in respect of derivative instruments	**25,049**	22,150
Other assets	**7,356**	6,626
Total assets	**769,108**	723,833
Liabilities and capital		
Deposits from the public	**595,349**	577,382
Deposits from banks	**10,479**	10,964
Deposits from the government	**1,531**	932
Securities lent or sold under agreements to repurchase	**17,413**	18,201
Bonds and subordinated notes	**35,896**	20,190
Liabilities in respect of derivative instruments	**26,395**	20,915
Other liabilities	**17,368**	17,099
Total liabilities	**704,431**	665,683
Capital	**64,677**	58,150
Total liabilities and capital	**769,108**	723,833

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

C. Condensed statement of cash flows

	2025	2024	2023
Cash flows from operating activity			
Net profit for the year	**9,802**	7,635	7,360
Adjustments necessary to present cash flows from operating activity			
The Bank's share in losses (profits) of affiliates	**(468)**	(238)	(408)
Depreciation of buildings and equipment (including impairment)	**755**	756	795
Provision (income) for credit losses	**1,299**	693	1,879
Loss (gain) from sale and impairment of bonds available for sale	**(199)**	742	592
Realized and unrealized loss (gain) from adjustments to fair value of bonds held for trading	**(15)**	1	(25)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	**(17)**	(272)	(121)
Gain from realization of buildings and equipment	**(21)**	(27)	(71)
Change in benefit due to share-based payment transactions	**18**	15	13
Issuance of shares to customers	**77**		
Net change in liabilities in respect of employee benefits	**43**	635	74
Deferred taxes, net	**(319)**	(556)	(510)
Loss (gain) from sale of credit portfolios	**-**	-	-
Dividends received from affiliates	**-**	-	1,528
Adjustments in respect of exchange-rate differences	**1,982**	(131)	15
Accumulation differentials included in investing and financing activities*	**816**	984	302
Net change in current assets			
Assets in respect of derivative instruments	**(2,899)**	3,080	(3,404)
Securities held for trading	**(14,739)**	2,649	(9,058)
Other assets	**(512)**	(411)	685
Net change in current liabilities			
Liabilities in respect of derivative instruments	**5,480**	(3,325)	5,200
Other liabilities	**(127)**	1,017	631
Net cash from operating activity	**956**	13,247	5,477

* Reclassified.

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

	2025	2024	2023
Cash flows for investing activity			
Deposits with banks	**133**	82	88
Credit to the public	**(53,052)**	(36,657)	(18,007)
Credit to governments	**(605)**	1,300	(1,024)
Securities borrowed or purchased under agreements to resell	**(5,192)**	2,496	(3,825)
Acquisition of bonds held to maturity	**(778)**	(5,872)	(5,314)
Proceeds from redemption of bonds held to maturity*	**2,644**	3,471	183
Acquisition of bonds available for sale	**(76,052)**	(56,726)	(65,844)
Proceeds from sale of bonds available for sale*	**44,359**	46,502	37,739
Proceeds from redemption of bonds available for sale	**17,794**	17,217	22,873
Acquisition of credit portfolios	**-**	(47)	(315)
Proceeds from sale of credit portfolios	**-**	231	942
Investments in affiliates	**(300)**	(200)	(2,103)
Proceeds from realization of investments in affiliates	**40**	2	3
Acquisition of buildings and equipment	**(1,072)**	(977)	(966)
Proceeds from realization of buildings and equipment	**22**	32	84
Net cash for investing activity	**(72,059)**	(29,146)	(35,486)
Cash flows from financing activity			
Deposits from banks	**(485)**	1,764	527
Deposits from the public	**18,029**	18,287	18,065
Deposits from the government	**599**	(1,504)	(826)
Securities lent or sold under agreements to repurchase	**(788)**	11,922	(7,598)
Issuance of bonds and subordinated notes	**19,578**	1,673	384
Redemption of bonds and subordinated notes	**(4,644)**	(4,192)	(3,643)
Dividend paid to shareholders of the Bank	**(3,466)**	(2,284)	(2,431)
Buyback of shares	**(794)**	(463)	-
Net cash from financing activity	**28,029**	25,203	4,478
Increase (decrease) in cash	**(43,074)**	9,304	(25,531)
Balance of cash at beginning of year	**116,511**	107,076	132,622
Effect of changes in exchange rates on cash balances	**(1,982)**	131	(15)
Balance of cash at end of year	**71,455**	116,511	107,076
Interest and taxes paid and/or received			
Interest received	**27,969**	28,146	26,232
Interest paid	**(16,844)**	(17,801)	(14,319)
Dividends received	**-**	-	1,520
Income tax paid, net of refunds received[1]	**(6,843)**	(4,809)	(3,463)

* Reclassified.

(1) The amount of taxes paid (net of refunds received), divided into local and foreign tax, in 2025 totaled approximately NIS 6,698 million and approximately NIS 145 million, respectively.

Bank Hapoalim

Corporate Governance, Additional Information, and Appendices

2025

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5. Corporate governance

5.1. The Board of Directors and the Board of Management

Members of the Board of Directors of the Bank*

Noam Hanegbi	Chairperson of the Board; external director pursuant to Directive 301
Yair Avidan	External director pursuant to Directive 301
David Avner	External director pursuant to the Companies Law
Ronit Abramson-Rokach	External director pursuant to the Companies Law
Michal Halperin	External director pursuant to the Companies Law
Israel Trau	Director
Odelia Levanon	Director
Yoel Mintz	External director pursuant to Directive 301
David Zvilichovsky	Director
Ronit Schwartz	Director

Activity of the Board of Directors

49 meetings of the Board of Directors of the Bank in plenary session and 79 meetings of the committees of the Board of Directors were held in the course of 2025, as well as two tour days of the members of the Board of Directors.

Ten directors serve on the Board of Directors of the Bank at this time.

For details regarding appointments of serving directors for additional terms of service in the course of 2025, see the section "Other matters," below.

Report on directors with accounting and financial expertise

In December 2022, the Board of Directors of the Bank determined that the minimum number of directors with accounting and financial expertise would be three, and that the minimum number of directors with accounting and financial expertise who should be members of the Audit Committee was two. This takes into consideration the duties of the Board of Directors of the Bank, and in particular its responsibility for the preparation and approval of the financial statements of the Bank, given the size of the Bank and the complexity of its operations, and the high importance accorded to the functioning of the control functions at the Bank and the supervision thereof.

Based on their education, experience, skills, and knowledge, and as estimated by the Board of Directors, seven directors with accounting and financial expertise serve on the Board of Directors of the Bank: Yair Avidan, David Avner, Ronit Abramson-Rokach, Israel Trau, David Zvilichovsky, Yoel Mintz, and Ronit Schwartz. For details regarding the education, occupation, and experience of these directors, see Standard 26 of the Periodic Report.

Four directors with accounting and financial expertise serve on the Audit Committee.

* For additional details regarding the members of the Board of Directors of the Bank, their education, occupations, and experience (including the accounting and financial expertise of some of the directors), the committees of the Board of Directors on which they serve, additional corporations at which they serve, and more, see Standard 26 of the Periodic Report and the Magna website of the Israel Securities Authority: http://www.magna.isa.gov.il.

Members of the Board of Management of the Bank*

Yadin Antebi	President and Chief Executive Officer
Amit Oberkovich	Head of Human Resources
Yael Almog	Chief Legal Advisor
Shmulik Arbel	Head of Corporate Banking
Merav Ben Shushan Cohen	Chief Risk Officer (CRO)
Ram Gev	Chief Financial Officer (CFO)
Pazit Garfinkel	Head of Retail Banking
Adi Dauber	Head of Financial Markets
Zeev Hayo	Head of Banking Services
Guy Kalif	Chief Accountant
Erez Rachmil	Head of Information Technology

Chief Internal Auditor –	
Amir Bachar	Head of Internal Audit in Israel and Abroad

5.2. Internal audit

Information regarding the Internal Auditor – Dr. Amir Bachar, Adv., serves as Chief Internal Auditor of the Bank as of June 1, 2022, in a full-time position, with the rank of a Member of the Board of Management. Dr. Bachar has worked at the Bank Group since 2010; prior to his appointment to the office of auditor, he served as Chief Risk Officer. Dr. Bachar is licensed in law in Israel; holds a B.A. degree in Law and Economics, an M.A. degree in Economics, and a Ph.D. in Law from the Hebrew University of Jerusalem; has experience in the areas of banking; and meets the conditions stipulated in Section 3(A) of the Internal Audit Law, 1992 (the "Internal Audit Law").

The Internal Auditor meets the directives of Section 146(B) of the Companies Law, 1999, and the directives of Section 8 of the Internal Audit Law.

The Internal Auditor is not an interested party of the Bank or its subsidiaries, and holds no other office in addition to his position as Chief Internal Auditor of the Bank. The appointment and termination of internal audit employees are subject to approval by the Chief Internal Auditor; audit employees receive instructions on audit-related matters only from the Chief Internal Auditor or from internal audit executives authorized by him; internal audit employees meet the directives of Sections 11 and 12 of Proper Conduct of Banking Business Directive 307, "Internal Audit Function."

Appointment method – The appointment of the Internal Auditor was approved by the Board of Directors of the Bank on February 27, 2022, following the recommendation and approval of the Audit Committee on February 27, 2022, which cited considerations including his professional qualifications, personal qualities, education, and experience.

Superior officer of the Internal Auditor – The Chief Internal Auditor reports organizationally to the Chairperson of the Board of Directors.

* For additional details regarding the members of the Board of Management and additional officers, see Standard 26A of the Periodic Report and the section "Other matters," below, and the Magna website of the Israel Securities Authority: http://www.magna.isa.gov.il.

Work plan – Internal auditing is conducted in accordance with an annual work plan and a three-year long-term work plan. The annual and multi-annual audit work plans are prepared in accordance with the Internal Audit Law and with Proper Conduct of Banking Business Directive 307, "Internal Audit Function." The work plan for 2025 was derived from the multi-year plan, which is based on the following, among other matters: risk assessment at audited units; a risk survey; the current organizational structure of the Bank; audit rounds at various units; and findings discovered in previous audits. In order to formulate the work plan, the audit team held discussions and consultations with the Bank's senior managers and other management functions, as well as the external auditors. The audit work plan at the Bank's subsidiaries was established in a similar manner, and is carried out by the Internal Audit unit of the Bank, according to the working methods practiced at the Bank, adjusted for the regulation relevant to these companies.

The audit work plan also includes examination of the approval processes of material transactions, all based on a comprehensive perspective focusing on risks.

Following the formulation of the audit work plan by Internal Audit, the plan was submitted for discussion and approval by the Audit Committee; subsequently, taking the committee's recommendations into consideration, the plan was discussed and approved by the Board of Directors.

The Chief Internal Auditor has the discretion to diverge from the work plan in response to changing, unexpected needs. Among other matters, the work plan includes resource allocation for audits of special events and unplanned audits, including audits by demand of authorized parties, such as the Board of Directors, the Audit Committee, Bank management officials, and regulators. Material changes to the work plan are discussed and approved by the Audit Committee and by the Board of Directors.

The internal audit work plan also addresses the Bank's activity overseas through branches and representative offices, and, as noted, the Bank's subsidiaries in Israel. At the date of the report, an internal-audit function outside Israel exists only at the New York branch, through a local internal auditor reporting to the Chief Internal Auditor of the Bank.

Internal Audit in Israel performs oversight and ensures that the internal auditing at the New York branch is executed at an adequate professional level, as required under Proper Conduct of Banking Business Directive 307, "Internal Audit Function," and Proper Conduct of Banking Business Directive 306, "Supervision of Overseas Branches."

In 2025, auditing in Israel and at the local audit unit at the New York branch continued to operate in accordance with the expanded audit plan (EAP) submitted in late July 2020 to the United States authorities, as required under the resolutions of the Bank with the United States authorities.

The EAP addresses auditing in the following areas, among other matters: compliance, prohibition of money laundering, and activity with American customers.

Manpower – The number of positions in Internal Audit was determined in accordance with the multi-year work plan, based on a risk survey. The internal auditing team at the Bank and at the overseas offices (the New York branch) numbered an average of approximately 108 employee positions and 6 outsourced positions in 2025, as detailed below.

Table 5-1: Average number of positions of Internal Audit staff

	Average number of employee positions in 2025		
	Bank	Subsidiaries	Total
Activity in Israel	**95**	**1**	**96**
Activity overseas	**12**	**-**	**12**
Total	**107**	**1**	**108**

In addition, approximately 6 positions were invested in outsourcing.

Performing audits – Internal Audit at the Bank operates under laws; regulations; directives and guidelines of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 307, "Internal Audit Function"; global standards; professional guidelines of the Institute of Internal Auditors in Israel and of the global Institute of Internal Auditors (IIA); and guidelines of the Audit Committee and of the Board of Directors.

Having examined the Internal Audit work plan and the actual execution of said plan, the Board of Directors and the Audit Committee believe, also based on the statement of the Internal Auditor, that the Bank's internal auditing complies with the requirements established in the global standards and in the directives of the Supervisor of Banks.

In 2022, an external evaluation of the activity of the internal audit function was performed by a certified external evaluator selected by the Audit Committee. In addition, Internal Audit performs a self-evaluation each year, in accordance with the guideline included in Proper Conduct of Banking Business Directive 307.

Access to information – Internal Audit has access to all information at the Bank, including continuous unmediated access to the Bank's information systems, including financial data. This authority is anchored in the audit charter and procedures. This policy is applied to the activity of the Bank in Israel, overseas, and at its subsidiaries, with adjustments to local regulatory requirements, as relevant.

Internal Auditor's report – Internal audit reports, including periodic reports, are submitted in writing.

A list of all audit reports published during the preceding month is presented to the Board of Directors' Audit Committee each month, after being submitted to the Chairperson of the Audit Committee. Audit reports are presented to the Chairperson of the Board of Directors, the Chairperson of the Audit Committee, the members of the Audit Committee, and the CEO of the Bank. Substantial audit reports are discussed in meetings of the committee.

In 2025, semiannual and annual summaries reviewing internal audit activities during the reported period were presented to and discussed by the Board of Directors' Audit Committee. A summary of audit activities for 2024 was distributed to the Audit Committee on March 6, 2025, and discussed by the committee on March 9, 2025; a summary of audit activities in the first half of 2025 was distributed to the Audit Committee on September 15, 2025, and discussed by the committee on September 18, 2025. A summary of audit activities in 2025 is planned to be discussed by the Audit Committee by the end of the first quarter of 2026.

Evaluation of the activity of the Internal Auditor by the Board of Directors – In the opinion of the Board of Directors and of the Audit Committee, the volume, nature, continuity of activity, and work plan of Internal Audit are reasonable under the circumstances, and are sufficient to realize the Bank's internal auditing objectives.

Remuneration – For details regarding the remuneration of Dr. Amir Bachar (who, as noted, has served as Chief Internal Auditor since June 2022), see Section 6.5 herein, below. The salary, salary terms, and terms of employment of the Internal Auditor are approved by the Remuneration Committee and by the Board of Directors, based on the recommendation of the Audit Committee. The remuneration of the Auditor is appropriate to his office and based on the prevalent principles also used for the remuneration of the members of the Board of Management (defined as control functions). In the opinion of the Board of Directors, the remuneration of the Internal Auditor is not such that would bias his professional judgment.

5.3. Disclosure regarding the procedure for approval of the financial statements

The Board of Directors of the Bank is the organ charged with overarching control at the Bank, and with the approval of its financial statements. The Audit Committee of the Board of Directors discusses and examines the drafts of the financial statements presented to it and makes a recommendation to the Board of Directors with regard to the approval of the financial statements. The Audit Committee received reports and held discussions regarding deficiencies and material weaknesses in internal control over the financial statements, if and as found, and received reports of any fraud, whether material or immaterial, if and inasmuch as any existed, in which the Board of Management is involved, or in which other employees are involved who take part in the Bank's internal control over financial reporting. The Audit Committee examined the material issues and critical estimates applied in the financial statements; the reasonableness of the data; the accounting policies applied and the changes thereto, if any; and the accounting treatment applied to material matters. The committee also examined the implementation of the due-disclosure principle in the financial statements and in the accompanying information, through detailed presentation of the issues by officers and others at the Bank, including the Chief Executive Officer and the Chief Accountant, and examined the effectiveness of the internal control over financial reporting.

As part of the discussion of the financial statements, the Audit Committee discussed, among other matters, the problematic debts of the Bank, examined the value of the Bank's holdings in securities, and discussed the provision for impairment of securities and provision for credit losses of the Bank. In addition, the Audit Committee discussed and examined the Bank's exposures to risks and the reflection and impact of such risks on the financial statements.

The Bank's external auditors, Ziv Haft CPA (Isr.) and Somekh Chaikin CPA (Isr.), are invited to the meetings of the Audit Committee in which the financial statements are discussed (to which the other members of the Board of Directors are also invited), and to the meetings of the Board of Directors in which the financial statements are discussed and approved, and they attend all such meetings. The Bank's Internal Auditor is invited to the discussions of the Audit Committee and the Board of Directors regarding the approval of the financial statements.

For additional information regarding the procedure for the approval of the financial statements, see the Corporate Governance Questionnaire, Sections 25, 26, and 27.

5.4. Remuneration of auditors[1][2][3]

Table 5-2: Remuneration of auditors

	Consolidated		Bank	
	2025	2024	**2025**	2024
	NIS thousands			
For auditing activity*[4]				
Joint auditors	**17,124**	18,342	**15,097**	16,139
For audit-related services[5]				
Joint auditors	**4,360**	5,280	**4,307**	5,172
For tax services[6]				
Joint auditors	**2,199**	1,923	**2,199**	1,864
For other services[7]				
Joint auditors	**2,373**	5,104	**2,259**	4,816
Total remuneration of auditors	**26,056**	30,649	**23,862**	27,991

* Reclassified.
(1) Report by the Board of Directors to the annual general meeting on the remuneration of auditors for audit activities.
(2) The remuneration of the external auditors includes payments to partnerships and corporations under their control, as well as payments in accordance with the Value Added Tax Law.
(3) Including remuneration paid and accrued remuneration.
(4) Audit of the annual financial statements and review of interim reports, including an audit of the internal control of financial reporting (SOX 404) and a review of the Bank's offices outside Israel.
(5) Audit-related fees mainly include consultation regarding the implementation of new regulation, special examinations, prospectuses, and special approvals.
(6) Mainly includes tax adjustment reports, tax assessment discussions, and tax consulting in Israel and abroad.
(7) Mainly includes assistance with preparation of the Corporate Social Responsibility Report and consulting on the prohibition of money laundering.

In 2022, the Audit Committee adopted a policy with regard to the receipt of non-audit services from the external auditors, aimed at preserving the objectivity and non-dependence of the external auditors. Among other matters, the policy includes periodic monitoring and oversight by the Audit Committee of the additional services received.

5.5. Remuneration for interested parties and senior officers

The remuneration policy for officers of the Bank for 2024–2026, which is aligned with the directives of the Remuneration of Office Holders in Financial Corporations Law (Special Approval and Non-Deductibility of Expenses for Tax Purposes due to Excessive Remuneration), 2016 (the "Remuneration Law"), was approved by the general meeting in November 2023. For further details regarding the remuneration policy and the terms of service of the office-holders, see Notes 22 and 23 to the Financial Statements.

Salaries, compensation, value of benefits, and employer payments and provisions for the senior office-holders of the Bank Group are set out below (in NIS thousands).

Table 5-3: Details of salaries, compensation, value of benefits, employer payments, and provisions for the senior office-holders of the Bank Group in 2025 (in NIS thousands, excluding wage tax and VAT)

		2025							
Name	Position	Rate of holdings in the capital of the Bank (%)	Wages[1]	Bonuses	Benefit in respect of share-based payment	Value of additional benefits[2]	Employer payments and provisions[3]	Total remuneration pursuant to Regulation 21[4][5][8]	Loans granted with regular terms[7]
Noam Hanegbi	Chairperson of the Board of Directors	*-	**3,106	-	-	-	-	3,106	2
Ruben Krupik	Former Chairman of the Board of Directors	-	431	-	-	-	-	431	-
Yadin Antebi	President and Chief Executive Officer	0.02	2,605	497	497	23	759	4,381	37
Amir Bachar	Member of the Board of Management	0.01	1,855	1,030	370	105	619	3,979	181
Yael Almog	Member of the Board of Management	0.01	1,908	884	370	19	467	3,648	20
Merav Ben Shushan Cohen	Member of the Board of Management	0.01	1,649	922	331	106	552	3,560	3,011
Guy Kalif	Member of the Board of Management	0.01	1,626	876	310	32	559	3,403	2,041
Amit Oberkovich	Member of the Board of Management	*-	1,654	826	330	130	426	3,366	1,517

* Holding rate lower than 0.01 percent.

** Includes a total of NIS 92 thousand in respect of directors' compensation, until the day of his appointment as Chairperson of the Board of Directors.

(1) Also includes payments classified as fixed remuneration that does not grant entitlement to benefits, as detailed in Note 22 to the Financial Statements.

(2) Includes payments for vehicle expenses, daily allowances, and gross-up.

(3) Includes provisions for severance pay, compensation, pensions, study funds, vacation, National Insurance, and sick days, as well as unforeseen expenses (income) due to actuarial adjustments recorded to the capital reserve. It is clarified that employer payments and provisions (and accordingly the total cost of remuneration) do not include the interest cost in respect of actuarial liabilities (the interest component, which is stated, in accordance with accounting standards, within the item "other expenses"). The following are details of the unforeseen expense due to actuarial adjustments recorded to the capital reserve: Yadin Antebi – adjustment in the amount of NIS 322 thousand; Amir Bachar – adjustment in the amount of NIS 124 thousand; Merav Ben Shushan Cohen – adjustment in the amount of NIS 125 thousand; Guy Kalif – adjustment in the amount of NIS 159 thousand; Amit Oberkovich – negative adjustment in the amount of NIS 5 thousand.

(4) Excluding wage tax and VAT.

(5) Total wages and related expenses pursuant to the Remuneration Limit Law,*** as follows: Yadin Antebi – NIS 3,657 thousand; Amir Bachar – NIS 3,564 thousand; Yael Almog – NIS 3,360 thousand; Merav Ben Shushan Cohen – NIS 3,174 thousand; Guy Kalif – NIS 2,998 thousand; Amit Oberkovich – NIS 3,122 thousand.

*** Does not include wage tax, an unforeseen expense due to actuarial adjustments recorded to the capital reserve, and provisions for past benefits accrued before the inception of the Remuneration Limit Law, and does not include employer contributions and provisions for severance pay and compensation (including disability) in accordance with the law, which are not included in the definition of "remuneration" for the purposes of the Remuneration Limit Law.

(6) Former CEO Mr. Dov Kotler was entitled to a payment in respect of a non-competition period in the amount of NIS 1,078 thousand in 2025.

(7) Includes loans, housing loans, and charges in respect of credit cards.

(8) Seven officers of the Bank who are members of the Board of Management "reporting to the CEO" (also including the Internal Auditor, who has the status of a member of the Board of Management and reports to the Chairperson of the Board of Directors) received remuneration in 2025 (excluding benefits in accordance with the law) in excess of the wage limit pursuant to Section 2(A) of the Remuneration Law, which stands at a total of approximately NIS 3 million.

Table 5-3: Details of salaries, compensation, value of benefits, employer payments, and provisions for the senior officer-holders of the Bank Group in 2024 (in NIS thousands, excluding wage tax and VAT) (continued)

		2024							
Name	Position	Rate of holdings in the capital of the Bank (%)	Wages[1]	Bonuses	Benefit in respect of share-based payment	Value of additional benefits[2]	Employer payments and provisions[3]	Total remuneration pursuant to Regulation 21[4][5][7]	Loans granted with regular terms[6]
Ruben Krupik	Chairperson of the Board of Directors	-	3,199	-	-	-	-	3,199	33
Yadin Antebi	President and Chief Executive Officer	0.02	2,156	706	417	31	890	4,200	20
Dov Kotler	Former President and Chief Executive Officer	*0.0	2,618	500	84	19	734	3,955	18
Amir Bachar	Chief Internal Auditor	0.01	1,796	832	370	102	571	3,671	209
Yael Almog	Member of the Board of Management	0.01	1,796	721	370	95	457	3,439	30
Adi Dauber[8]	Member of the Board of Management	*0.0	1,259	**727	222	66	1,037	**3,311	3,716
Amit Oberkovich	Member of the Board of Management	*0.0	1,608	668	330	134	358	3,098	31
Ram Gev	Member of the Board of Management	*0.0	1,602	657	330	91	400	3,080	15

* Holding rate lower than 0.01 percent.

** Restated.

(1) Also includes payments classified as fixed remuneration that does not grant entitlement to benefits, as detailed in Note 22 to the Financial Statements.

(2) Includes payments for vehicle expenses, daily allowances, and gross-up.

(3) Includes provisions for severance pay, compensation, pensions, study funds, vacation, National Insurance, and sick days, as well as unforeseen expenses (income) due to actuarial adjustments recorded to the capital reserve. It is clarified that employer payments and provisions (and accordingly the total cost of remuneration) do not include the interest cost in respect of actuarial liabilities (the interest component, which is stated, in accordance with accounting standards, within the item "other expenses"). The following are details of the unforeseen expense due to actuarial adjustments recorded to the capital reserve: Yadin Antebi – adjustment in the amount of NIS 441 thousand; Dov Kotler – adjustment in the amount of NIS 143 thousand; Amir Bachar – adjustment in the amount of NIS 141 thousand; Adi Dauber – adjustment in the amount of NIS 718 thousand; Amit Oberkovich – adjustment in the amount of NIS 4 thousand; Ram Gev – negative adjustment in the amount of NIS 4 thousand.

(4) Excluding wage tax and VAT.

(5) Total wages and related expenses pursuant to the Remuneration Law,* as follows: Yadin Antebi – NIS 3,431 thousand; Dov Kotler – NIS 3,431 thousand; Amir Bachar – NIS 3,247 thousand; Yael Almog – NIS 3,156 thousand; Adi Dauber – NIS 2,407 thousand; Amit Oberkovich – NIS 2,853 thousand; Ram Gev – NIS 2,841 thousand.

***Does not include wage tax, an unforeseen expense due to actuarial adjustments recorded to the capital reserve (see footnote (3) above), and provisions for past benefits accrued before the inception of the Remuneration Limit Law, and does not include employer contributions and provisions for severance pay and compensation (including disability) in accordance with the law, which are not included in the definition of "remuneration" for the purposes of the Remuneration Law.

(6) Includes loans, housing loans, and charges in respect of credit cards.

(7) Four officers of the Bank who are members of the Board of Management "reporting to the CEO" (also including the Internal Auditor, who has the status of a member of the Board of Management and reports to the Chairperson of the Board of Directors) received remuneration in 2024 (excluding benefits in accordance with the law) in excess of the wage limit pursuant to Section 2(A) of the Remuneration Law, which stood at that time at a total of approximately NIS 2.93 million.

(8) The amount of the bonus and the total compensation were restated, and include an addition to the bonus in the amount of approximately NIS 126 thousand approved after the publication of the annual financial statements for 2024.

General notes

The recipients of the remuneration are employed in full-time (100%) positions.

All employees of the Bank, including officers of the Bank (with the exception of the directors and the Chairperson), enjoy various benefits in the management of their bank accounts. The benefits mainly refer to an exemption from fixed account-management fees; fees for recording transactions in accounts, information printouts, checkbooks, securities custody, cash withdrawals, and money transfers to other accounts; and credit-card membership fees. In addition, there are benefits in the form of reduced fee rates for buying and selling securities and foreign currency, standing instructions for payments executed through the account, and safe-deposit box rentals. Further, like all other employees of the Bank, the officers (with the exception of the directors and the chairperson) enjoy preferred interest rates on credit and debit balances in current accounts. The entire range of benefits given to officers totals negligible amounts, which do not exceed a total of NIS 50 thousand per year for each officer.

For further details regarding lateral remuneration components (including share-based payment) to which all members of the Board of Management of the Bank are entitled, including retirement terms, bonuses, etc., and with regard to the remuneration plan and the effects of the Remuneration Limit Law, see Notes 22 and 23 to the Financial Statements.

For additional information in accordance with the detailed disclosure requirements of Basel Pillar 3, see the disclosure published on the Bank's website and on the Magna website.

The bonuses approved by the Remuneration Committee and the Board of Directors of the Bank were determined in accordance with the remuneration policy and plan. The component of the performance of the Bank was determined in 2025 according to the return on equity attained, the return on equity in relation to the return on equity of the rest of the banking system, and the return of the Bank's share in relation to the return of the other banks' shares.

The discussions of the Board of Directors regarding bonuses for officers were preceded by preliminary discussions of this matter by the Remuneration Committee. In discussions held as noted, specific criteria established in advance according to the officer's position were examined, separately for each officer (particularly with regard to officers in supervision and control functions), as well as the officer's fulfillment of these criteria, the alignment of the officer's remuneration with the directives of the remuneration policy, and compliance with the directives of the Remuneration Law.

The terms of service and employment of the officers serving at the Bank are consistent with the employment agreements with the officers, which were lawfully approved by the organs of the Bank; with the remuneration policy and remuneration plan of the Bank that were in effect in 2024 and 2025; and with the directives of the Remuneration Law, the Companies Law, and Directive 301A of the Supervisor of Banks concerning remuneration policy at banking corporations. For further details, see Notes 22 and 23 to the Financial Statements.

For details regarding compensation paid to directors in 2025, see Note 33 to the Financial Statements.

Mr. Noam Hanegbi

Mr. Noam Hanegbi was elected to serve as Chairperson of the Board of Directors of the Bank (the Chairperson) on January 26, 2025, and began to serve in the office of Chairperson of the Board of Directors of the Bank on February 18, 2025. Until that date he served as an external director pursuant to Proper Conduct of Banking Business Directive 301 ("301 External Director"). With regard to the terms of service of Mr. Noam Hanegbi, see Note 22.C.2 to the Financial Statements.

Mr. Ruben Krupik

Mr. Ruben Krupik served as Chairperson of the Board of Directors of the Bank (the "Chairperson") from June 28, 2020, to February 17, 2025.

Mr. Yadin Antebi

Mr. Yadin Antebi took office as CEO of the Bank on August 15, 2024. Until that date, he served as Head of Financial Markets and International Banking. The remuneration of Yadin Antebi for 2024 includes remuneration in respect of his service as Senior Deputy Managing Director and in respect of his service as CEO, proportionally to the period of service. With regard to the terms of service and employment of Mr. Antebi as CEO, see Note 22.C.3 to the Financial Statements.

Ms. Yael Almog

Ms. Yael Almog serves as Deputy CEO, in the role of Chief Legal Advisor of the Bank, as of March 1, 2018. In January 2026, Ms. Yael Almog gave notice of her intention to leave the Bank.

Mr. Amir Bachar

Mr. Amir Bachar serves as Chief Internal Auditor of the Bank, with the rank of a member of the Board of Management, as of March 2022. His current employment agreement covers the period until March 31, 2028.

Mr. Ram Gev

Mr. Ram Gev serves as Head of Finance as of January 2020. His current employment agreement ends on December 31, 2028.

Ms. Merav Ben Shushan

Ms. Merav Ben Shushan serves as Deputy CEO, in the role of Head of Risk Management, as of June 2022. Her current employment agreement covers the period until June 30, 2028.

Mr. Amit Oberkovich

Mr. Amit Oberkovich serves as Deputy CEO, in the role of Head of Human Resources, as of December 2019. His current employment agreement covers the period until December 31, 2028.

Mr. Adi Dauber

Mr. Adi Dauber serves as Deputy CEO, in the role of Head of Financial Markets, as of October 2024. His current employment agreement covers the period until December 31, 2027.

Mr. Guy Kalif

Mr. Guy Kalif serves as Deputy CEO, in the role of Chief Accountant, as of January 2020. His current employment agreement covers the period until December 31, 2026.

5.6. Other matters

On March 19, 2025, after the approval of the Supervisor of Banks for the appointment was received, the appointment of Erez Rachmil as Deputy CEO and Head of Information Technology, replacing Eti Ben-Zeev, took effect.

In April 2025, the Bank released the Environment, Social, and Governance (ESG) Report of the Bank for 2024. This was the eighteenth consecutive annual report, and was written in accordance with the GRI and SASB standards. The report also included the Climate Report (TCFD) for 2024, which describes the Bank's preparations for climate change, in light of the derived risks and opportunities.

In June 2025, the Remuneration Committee, pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (the "Relief Regulations"), and the Board of Directors of the Bank approved the renewal of the acquisition of an insurance policy providing coverage for liability of directors and officers at the Bank Group and monetary indebtedness that may be imposed upon them due to their function as officers, also including coverage for the company in respect of amounts for which it indemnifies officers and in respect of securities claims. The insurance coverage has liability limits of USD 185 million, as well as additional coverage for directors and officers (Side A) with liability limits of USD 70 million (total coverage of USD 255 million), beginning July 1, 2025, for a period of twelve months. The total premium for the aforesaid insurance coverage is USD 3.0 million.

The annual general meeting of shareholders of the Bank for 2025 was held on August 21, 2025, where the following resolutions were passed: (1) the Financial Statements and the Report of the Board of Directors of the Bank for the year 2024 were discussed; (2) the reappointment of Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, as the joint auditors of the Bank until the end of the next annual meeting of the Bank was approved; (3) the appointment of Noam Hanegbi for an additional (third) term of office as an external director pursuant to Proper Conduct of Banking Business Directive 301 was approved; (4) the appointment of David Avner for an additional (third) term of office as an external director pursuant to the provisions of the Companies Law was approved; (5) the appointment of Odelia Levanon and David Zvilichovsky for additional terms of office (second and third, respectively) as "other" directors who are not external directors was approved; and (6) the terms of service of the Chairperson of the Board of Directors, Noam Hanegbi, were approved (for details, see Note 22.C to the Financial Statements). All of the candidates for service as directors were proposed by the Committee for the Appointment of Directors at Banking Corporations, in response to the request of the Bank. The approvals of the Supervisor of Banks for the service of the directors appointed as stated were received in September 2025, and the appointments took effect.

On October 22, 2025, Itamar Furman, who served as Head of Corporate Banking, gave notice of his expected departure from the Bank, due to his appointment as CEO of Isracard Ltd. On November 2, 2025, at the recommendation of the CEO, the Board of Directors of the Bank approved the appointment of Shmulik Arbel as Deputy CEO and Head of Corporate Banking. The approval of the Supervisor of Banks for the appointment was received on November 6, 2025. The appointment of Shmulik Arbel took effect and he replaced Itamar Furman on December 1, 2025.

On January 18, 2026, Yael Almog, Deputy CEO and Chief Legal Advisor, gave notice of her intention to leave the Bank after approximately nine years of service as a member of the Board of Management. The end date of her service is to be determined.

As part of the Bank's preparations for the annual general meeting of 2026, in January 2026 the Bank contacted the Committee for the Appointment of Directors at Banking Corporations to request that it issue a public call for applications of candidates for service as directors at the Bank, in advance of the annual meeting. Three offices of directors will be presented for election at this meeting: two offices of external directors pursuant to the Companies Law (for the office of Ronit Abramson Rokach, who will complete a third term of service in February 2027, and for the office of Michal Halperin, who will complete a first term of office in April 2027), and one office of a director with "other" status who is not an external director (for the office of Israel Trau, who will complete a second term of service in November 2026).

Monetary sanctions and proceedings with government agencies; demands for data by the Competition Authority

The Bank's activity is subject to supervision and auditing by the Banking Supervision Department and supervisory bodies outside Israel (specifically, in the United States), as well as other supervisory agencies in specific areas of activity, such as the Israel Securities Authority; the Supervisor of the Capital Market, Insurance, and Savings at the Ministry of Finance; and the Competition Commissioner. These agencies perform checks and audits in Israel and the United States, from time to time, in relation to the various areas of activity, and demand information and data from the Bank within their authority under the law. The Bank has received several demands for data from the Competition Authority, including the following: in July 2024, a demand for data was received in connection with the interest rates offered to customers of the household and small-business segments on positive balances in current accounts, and in connection with interest rates charged; in March 2025, two demands for data were received in connection with the areas of payments, credit cards, and BCC, in the course of a proceeding at the Competition Tribunal concerning the holding of BCC (see the section "Regulatory initiatives" below); in April 2025, a demand for data was received in connection with covenants in credit in the area of residential project financing; in May 2025, an demand for data was received in connection with information about offers of deposits or savings in digital services. See also details regarding a consent decree of the Competition Authority regarding a minority investment executed by the Bank, in Note 25.C.c.3 to the Financial Statements. For details regarding a hearing to which the Bank was invited regarding the possible declaration of the banks as an oligopoly, see the section "Regulatory initiatives," below.

5.7. Standards concerning interested party transactions

The following are details of the main points of the various standards established by the Audit Committee, in the past, and recently in February 2026, with regard to the approval and reporting of interested party transactions of the Bank in accordance with the directives of the Companies Law and the Securities Law. At the date of publication of the financial statements, the Bank is a banking corporation without a controlling core, and has no controlling party. Accordingly, the standards are primarily used by the Bank in the classification of transactions with officers, or in which officers have a personal interest, and for reporting on interested party transactions.

Extraordinary/non-extraordinary transactions

Pursuant to the directives of the Companies Law, a transaction shall be considered a non-extraordinary transaction if it fulfills the following cumulative conditions: the transaction is in the ordinary course of business of the company, it is performed at market terms, and it is not material for the company. The standards established by the Audit Committee, as noted, include the following main directives with regard to this matter:

Ordinary course of business of the Bank. A transaction shall be considered one that is performed in the ordinary course of business of the Bank if the contractual engagement is performed within the routine transactions of the Bank in practice, and it is not a nonrecurring transaction or a transaction that is exceptional within the activity of the Bank. Transactions of the following types shall be considered transactions in the ordinary course of business of the Bank, unless special considerations apply: a banking transaction of any type whatsoever, including granting of credit of all kinds, guarantees, and the related contractual engagements, depositing and taking deposits, transactions in securities, participation units in mutual funds or other funds, execution of investments of any kind whatsoever (non-financial, in tradable or nontradable securities), etc., provided that the transaction is of a type of transaction in which the Bank has engaged in the past during the course of its business, and is similar to such transactions in its characteristics (for example, with respect to lending – the credit is in an amount that the Bank customarily grants to borrowers with similar characteristics); a transaction that is part of the core business of the Bank, or that is related to the business activity of the Bank or is in the service thereof, even if it is not in the core of its business (for example, a transaction for rental of a property to be used as a branch of the Bank, an insurance transaction related to the activity of the Bank, a contractual engagement with external service providers to promote business activity, activity to instill the vision of the Bank, etc.), which is of a type of transaction in

which the Bank customarily engages or which it has executed in the past in the course of its activity; transactions for the acquisition/sale of an asset (including a yield-generating asset or other fixed assets), product, or service, which is of a type of transaction in which the Bank customarily engages or which it has executed in the past in the course of its activity; and contractual engagements related to the service and/or employment of officers and employees of the company (including insurance, exemption, and indemnification), of a type of contractual engagement customary and practiced at the Bank, or similar in characteristics to past contractual engagements of the Bank.

Market terms. A transaction shall be considered one that is performed at market terms if the price and other principal and material terms of the transaction reflect the price and principal terms of a similar transaction, if it were executed between the company and an unrelated third party, or between other unrelated parties. The existence of market terms in a transaction with an interested party can be determined if a market for transactions of the type of the examined transaction exists, or if external evidence exists for the transaction that can indicate the price and other principal terms prevalent for transactions of this type. Among other matters, the existence of market terms can be determined in one or more of the following ways: the terms of the transaction are similar to the terms of at least two transactions similar in characteristics (such as the type of customer or counterparty to the transaction and characteristics thereof, the volume of the transaction, and other characteristics relative to market terms, such as collateral or the extent of the customer's activity with the Bank), performed by the Bank in the period near the date of the contractual engagement in the transaction under examination (including quotes / binding offers proposed by the Bank to its customers, and binding offers proposed to the Bank), provided that they are prepared (or quoted, as relevant) with a party unrelated to the Bank, and a controlling party / officer of the Bank had no personal interest therein; the terms of the transaction are similar to the terms of at least two transactions in the relevant market, known to the Bank and similar in characteristics (such as the type of customer or counterparty to the transaction and characteristics thereof, the volume of the transaction, and other characteristics relative to market terms, such as collateral), performed in the period near the date of the contractual engagement in the transaction under examination, provided that they are performed between unrelated parties; a price set in an orderly market of buyers and sellers, such as prices of tradable securities or commodity prices, provided that sufficient tradability exists in that market with respect to the relevant asset, product, or service; based on the terms of transactions similar in essence to the transaction under examination in which the other party in the transaction contracted, or received an offer to contract (and was willing to contract, even if it did not actually contract) with unrelated parties, provided that the other party affirms the same to the company in writing; or if the terms of the transaction between the company and the related party were established before it was a related party, and under the circumstances there is no concern over bias in the terms of the transaction, and no significant change in market terms is known, as shall be determined by the Audit Committee.

Materiality of the transaction. The materiality of a transaction with an interested party is examined based on a quantitative and qualitative test. In the absence of special qualitative considerations arising from the overall circumstances of the matter, the following interested party transactions shall be considered immaterial transactions: any transaction involving the granting of credit by the Bank, if the increase in indebtedness ("indebtedness" as defined in Proper Conduct of Banking Business Directive 312 of the Supervisor of Banks) of the borrower after the transaction does not exceed 2% of the supervisory capital ("supervisory capital" – Tier 1 capital after supervisory adjustments and deductions, as defined in Proper Conduct of Banking Business Directive 202) in the most recent financial statements of the Bank, and after the execution thereof the total indebtedness of the borrower does not exceed 5% of the supervisory capital (the Audit Committee shall discuss the classification of each transaction in an amount exceeding 0.5% of supervisory capital). A number of transactions executed consecutively with the same borrower and related to one another shall be considered a single transaction, such that for the purpose of the classification of the aforesaid transactions the cumulative amount of such transactions shall be examined; a transaction of depositing moneys of any kind whatsoever, if following the transaction the total deposits of the depositor do not exceed 2% of total deposits from the public, as reported in the most recent consolidated balance sheet of the Bank published to the public prior to the deposit; a transaction of deposit and/or acquisition and/or sale of securities, participation units in mutual funds and/or other funds, and any other investment

held by the Bank as an asset of the customer (not as a balance sheet liability), when the amount of such a transaction does not exceed 0.5% of the total balance of off-balance sheet monetary assets of the customers in the Bank Group, as reported in the most recent consolidated balance sheet of the Bank published to the public at the date of execution of the transaction; and any other transaction of the Bank not mentioned above, if the amount of the transaction does not exceed NIS 300 million. The materiality of transactions executed frequently, regularly, and repeatedly over a period of time shall be examined based on the annual volume of the transactions. In multi-year transactions, the volume of the transaction for the purpose of examining its materiality shall be calculated on an annual basis. The examination of qualitative considerations may affect the classification of a transaction as material/immaterial. Thus, for example, a transaction with quantitative characteristics slightly higher than those noted above may be considered immaterial, if in qualitative terms and under the circumstances it is reasonable to determine that it is not likely to materially affect the Bank.

Negligible transactions

An interested party transaction shall be considered a negligible transaction for the purposes of approval and reporting procedures if the following cumulative conditions apply to it: the transaction is not extraordinary (whether classified as such based on the standards, or by the Audit Committee); the transaction is of a type of transaction in which the Bank engages in the ordinary course of its business, including banking transactions of any kind and transactions in connection with financial products and services, the acquisition of products and services, rental, and renting of property; the transaction is compliant with the limits on indebtedness of related persons based on Directive 312; and one of the following conditions applies to the transaction: (a) it is a banking transaction of the type of transactions that the Bank usually executes with the public in the ordinary course of its business, and its volume does not exceed 0.1% of the supervisory capital in the most recent financial statements of the Bank; or (b) it is another transaction the volume of which does not exceed NIS 10 million, provided that the total transactions of its type in the calendar year with the interested party do not exceed 0.1% of supervisory capital.



6. Additional information regarding the business of the banking corporation and the management thereof

The Bank Group provides banking and financial services in various operating segments, in and outside Israel.

6.1. Control of the Bank

The Bank is a banking corporation without a controlling core, and has no controlling party or shareholder holding a control permit.

6.2. Fixed assets

Table 6-1: Fixed assets

	December 31			
	2025			2024
	Cost	Accrued depreciation	Amortized cost	Amortized cost
	NIS millions			
Buildings and land (including installations and improvements to rented properties)	**5,165**	**2,807**	**2,358**	2,009
Equipment, including computers, furniture, and vehicles	**2,665**	**2,244**	**421**	439
Software	**5,665**	**4,252**	**1,413**	1,435
Total	**13,495**	**9,303**	**4,192**	3,883

The buildings in which the Bank's business is conducted in Israel are under its ownership (directly or under the ownership of wholly-owned property companies), or rented for various rental periods.

Most of the properties in which the Bank Group's business is conducted overseas are rented.

Space at the disposal of the branches of the Bank in Israel (owned and rented) totaled 78,201 square meters as at December 31, 2025, compared with 80,052 square meters on December 31, 2024.

Table 6-2: Distribution of all areas at the disposal of the Bank

	2025	2024
	In thousands of square meters	
Owned	**168**	170
Rented	**78**	81
Total	**246**	251

For additional data regarding buildings and equipment, including with regard to the engagement for the construction of the headquarters building and the possibility of vacating existing properties and their eventual disposal, see Note 16 and Note 25.B.9 to the Financial Statements.

On June 21, 2021, the Bank (through a wholly owned subsidiary) entered into a sale agreement with the companies Vitania Ltd. (the "Developer") and DMR Assets (1995) Ltd. (jointly, the "Sellers") pursuant to which the Bank would acquire a property to be built in Tel Aviv, consisting of a tower with office space (at the level of the building envelope, before finishing work and adaptation to the needs of the Bank) of approximately 60,000 square meters, service spaces, technical spaces, and additional other spaces, as well as more than 1,100 parking spaces, in consideration for approximately NIS 970 million, to be paid according to milestones over the period of the project (the "Headquarters Building"). Within the contract, the Bank had an option to acquire additional spaces in the compound (at the level of the building envelope) of approximately 6,000 square meters, which was exercised in October 2022, in consideration for approximately NIS 80 million. In 2024–2025, the Bank contracted with several suppliers for the execution of finishing work at the Headquarters Building and in additional spaces owned by the Bank at the compound, at a total cost of approximately NIS 420 million. The Headquarters Building acquired will be used by the Bank and its employees; the Bank plans to concentrate the head-office units of the Bank in this building. The centralization of the units in one building is expected to contribute significantly to enhancing work interfaces and synergies among the units, and to cultural values in this area. The relocation is planned during 2027. The relocation will allow the future vacating and eventual disposal of existing properties, which, under an initial assumption, may yield pre-tax profit for the Bank in the range of NIS 800–900 million. The profit will be recognized when the holding of the properties is transferred, and is estimated to be recognized in 2027–2028.

Accordingly, the Bank is examining alternatives for the betterment of properties currently used by head-office units, which are expected to be vacated, as noted, in the course of the relocation to the Headquarters Building that has been acquired (with area of more than 50,000 sq. m). During the second quarter of 2023, the Local Committee on Planning and Construction of Tel Aviv approved a new Urban Construction Plan for the headquarters compound, primarily on Rothschild Boulevard in Tel Aviv. The total constructed area of the existing properties, according to the current Urban Construction Plan, is approximately 16,000 sq. m, in respect of which construction rights of approximately 47,000 sq. m were approved in the new Urban Construction Plan.

The foregoing, with regard to the sale of properties to be vacated, the estimated profit, and the date of recognition thereof, reflects estimates by the Board of Management of the Bank, which constitute forward-looking information, the materialization of which is uncertain and is not under the control of the Bank. These estimates may not materialize, in full or in part, or may materialize in a materially different manner, mainly due to changes in the business environment, economic situation, and macro conditions (including interest rates and inflation); market variables, including supply and demand; the planning status of the properties; and delays in the relocation to the Headquarters Building or in the process of selling the properties.

IT infrastructures

General information

The Bank has two central IT sites, at different geographical locations distant from each other – a primary production site and a secondary site. The Bank's core system is installed on an IBM mainframe computer.

Additional systems operate alongside the core system (Linux, Unix, and Windows-based systems, and private cloud infrastructure – hereinafter: the "Open Systems"), for specific needs, based on a platform that allows dynamic distribution and optimal utilization of resources.

These systems operate in a high-availability configuration between the primary and secondary sites.

The Bank Group's branches, regional administrations, business centers, and head-office units are computerized and connected online to the computer centers of the Information Technology Division.

The Bank uses advanced methodologies and systems to streamline development and production processes.

The Bank is gradually updating its core systems, in order to adapt these systems to coping with the challenges of the future.

Information backup and storage

As noted above, the Bank has two central IT sites (at two geographical locations).

In addition, the Bank has databases that store copies of paper documents, mortgage documents, etc., for everyday use in data retrieval and in order to retain an accessible historical copy of these data.

Every action executed on the Bank's computers is simultaneously updated at the primary site and at the secondary site, so that in case of disaster or physical malfunction, a backup exists for the Bank's critical systems, and damage to the hardware at one of the sites would not cause information loss. Beyond that, the Bank retains a copy of the data at a separate site, in accordance with the policy of the Bank of Israel.

Each of the two active sites of the Bank (primary and secondary) has the required capability to allow full operation of the Bank, without dependence on the other site.

In the event of an emergency switch to the secondary site, the Bank has the ability to immediately increase the power of the backup computer (MF) to the power level of the production computer, by operating dormant engines; in other words, the secondary site has the capacity for the computer power (MF) required for all of the Bank's routine business activity.

Communications

The Bank has an advanced data and voice communications network, with high data transmission speeds. The communications network has high survivability and includes backups that allow work with the Bank's IT centers. The Bank's communications network also connects the Bank's branches and offices worldwide and transmits data services, speech, and video conferences.

Subsidiaries and affiliates overseas

The IT and operational systems of the subsidiaries and affiliates of the Bank in Israel and overseas are based on independent systems, with the exception of subsidiaries in Israel whose systems are on the infrastructure of the Bank and which receive IT services from the Bank. In both cases, managerial responsibility rests with the managements and boards of directors of the subsidiaries and affiliates, or with the member of the Board of Management responsible for the activity, as relevant.

Suppliers

From time to time, the Bank enters into contractual engagements with suppliers from Israel and elsewhere to receive the various services it requires in the area of information systems, including agreements for the purchase and maintenance of equipment, implementation of information systems, and purchase of software. Among other matters, the Bank acquires IT infrastructure components for the mainframe from IBM (through its representative in Israel, IBM Israel) and receives maintenance services from it for these components, on which the core systems of the Bank are operated. The Bank has dependence with respect thereto.

The Bank has contracted with suppliers for the provision of outsourcing services, at this stage mainly in the areas of development, testing, and support services.

Information security

The Bank views information security and cyber defense as matters of key importance and invests extensive technological and human resources in the protection of customer privacy, secrecy of banking information, and the assets of customers and of the Bank, using some of the most advanced cyber defense methods and information security products in the world.

Information security for the systems of the Bank is operated by embedding defense technologies and cybersecurity controls in multiple layers. Controls are applied on the levels of human resources, organizational infrastructures, policies, procedures, business aspects, technologies, and more.

The Bank has a dedicated information security operations center (SOC) to manage all cyber events and fraud attempts in real time. The SOC, which is staffed by analysts and researchers at all times (24/7), uses automated tools and work processes to identify and address cyber events and fraud.

Projects in the area of information systems at the Bank are accompanied from their inception and throughout the development and maintenance stages by an information-security team that ensures secure development processes and strict compliance with rules, including protection of the privacy of information and restriction of access to information. The Bank routinely tests the information security of its systems, including through external parties, as required by regulation. In addition, periodic evaluations are performed of the Bank's compliance with its cyber defense policy.
Cyber defense at the Bank is managed in accordance with the requirements of the relevant regulatory directives. The Bank is also certified under the information security standards ISO 27001 and ISO 27032.

Main projects

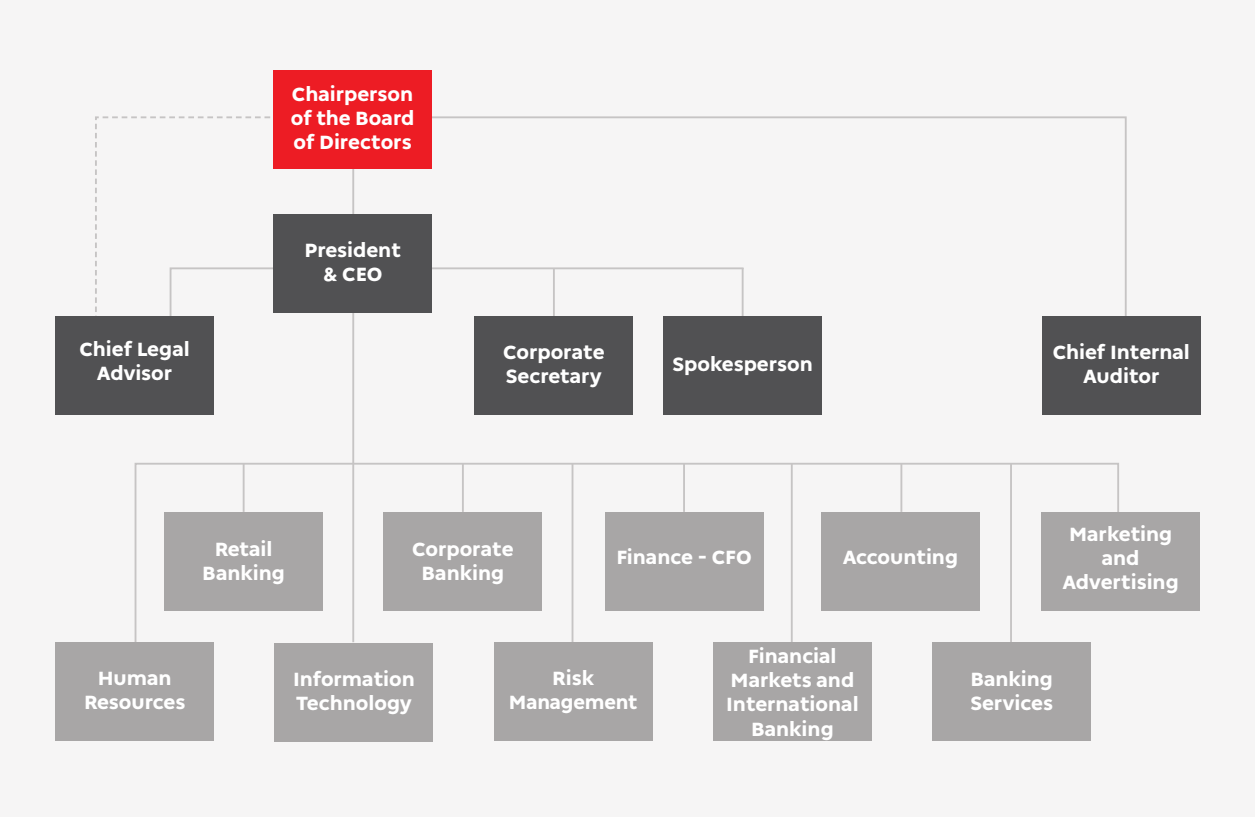
- **Public cloud plan –** Several years ago, the Bank began to carry out significant processes, led by the Technology Division, to improve time to market. These efforts prepared the Bank for its next leap forward – the transition to rapid, effective work via public cloud, with the Bank's readiness. The goal is to pave the road towards working via public cloud based on the strategic principles that have been approved.
- **CRM –** A leap forward in the Bank's ability to manage cross-channel processes in the areas of service and sales; improvement of its digital capabilities, including reflection and participation of customers in the process; realization of optimization processes in handling customer requests; and improvement of management and monitoring capabilities of all functions involved in the process.
- **Data & GenAI –** Embedding predictive models and generative artificial intelligence capabilities in sales processes, service improvement, and excellence in processes and operations.
- **Mortgages –** An annual plan in the area of mortgages is aimed at stepping up service improvement and efficiency and the customer experience.
    1. CRM – Integration of an end-to-end customer journey management system, as noted above.
    2. Process digitization, as noted above.
    3. Upgrade of technological infrastructures – Including the creation of infrastructure to allow new developments.
- **Capital-market infrastructures –** Improvement of trading infrastructures and improvements to operational systems.
- **Bit –** Expansion of the banking value proposition for Bit customers with expanded balance management, launch of new products, ongoing developments, and response to regulation.

Scope of investment

Costs of the information-technology system are recorded as assets in the financial statements only during the development stage of the IT system. Costs that can be capitalized as assets include direct costs of hardware, services, and labor.
Other costs, such as pre-project costs, software development costs that do not exceed the materiality threshold, absorption and training costs, routine maintenance costs, administrative costs, and other costs that cannot be attributed directly to software development, are recognized as an expense in the statement of profit and loss as incurred.
For details regarding costs of the information-security system, see the Report of the Board of Directors and Board of Management, above.

6.3. Human capital

Diagram 6-1: Organizational structure chart of the Bank



Human-resources strategy

Human-resources strategy is multi-annual, and is derived from the strategy of the Bank, its business needs, and trends in the banking industry and in the labor market. The essential purpose of this strategy is to regularly increase return on human capital, such that the ratio of the total expenditure on human capital to its direct and indirect contribution to the growth of the Bank progressively rises. Increasing the return on human capital is based on methodical, ongoing processes to focus and reduce expenses, alongside systemic processes at the level of the organization and of the individual to raise productivity. These efforts are aimed at adapting the Bank to coping with the challenges of competition in the financial industry, the business growth objectives derived from the strategic plan of the Bank, and the future world of work.

Within this process, adjustments to organizational structures, operating models, and core processes are considered and executed, to allow optimization among business strategy, customer service, and resources.

The Human Resources Division has formulated an approach of business partnership, linking employee engagement, organizational culture, and the business results of the Bank. To implement this approach, the division operates through a structure of expert centers and human-resource administrations for each division. This structure allows integrative management of broad systemic processes as well as in-depth initiatives supporting the divisions' strategic objectives, as part of an integrative business plan backed by clear targets and success indicators.

In accordance with this approach, the division has launched a multi-year strategic workforce planning process, at the level of the Bank and at the level of each sub-unit. This effort will make it possible to attune, over time, the workforce structure needed to realize the future strategy of the Bank, and to maintain an ongoing process of mapping, adaptation, mobility, and development, based on the required skills. Further to the concept of a skills-oriented organization, the division continued the process of further implementation and development of the remote-learning system, which is also based on skills and connects to growth, mobility, and career development processes.

In addition, a new platform for banking knowledge management has been implemented, to improve support for bankers and thus their ability to respond optimally to the Bank's customers. In the same vein, the division continued to support direct processes aimed at improving the employee experience and employee engagement.

Within the ongoing process of cultural organizational change, a multi-year effort under the heading "Change The Bank," the division continued to lead structured measures to strengthen cross-unit partnership and develop leadership at mid-level and senior ranks, including management.

In light of the Swords of Iron War and Operation Rising Lion, the division, jointly with all of the divisions of the Bank, led efforts to maintain business continuity and support customers and employees; intra-organizational measures to enhance personal, unit, and organizational resilience; and processes based on the social banking approach, to support the public and the community. Within these processes, the division led the operation of the Poalim Rebuild Fund, founded by the Board of Directors and Board of Management of the Bank and led by a public committee, to support restoration of the Otef Aza (Gaza Envelope) region and northern Israel.

Principal changes in the headcount of the Bank Group at the end of 2025, in comparison to the end of 2024, are set out below.

Table 6-3: Data regarding the headcount of the Bank Group, in terms of positions[1]

	2025		2024	
	Annual average	Year-end balance	Annual average	Year-end balance
Bank				
In Israel	**8,097**	**8,031**	8,084	8,090
Outside Israel	**265**	**263**	256	264
Bank total	**8,362**	**8,294**	8,340	8,354
Subsidiaries				
In Israel	**114**	**112**	128	123
Outside Israel	**3**	**3**	3	3
Subsidiaries total	**117**	**115**	131	126
Bank Group total	**8,479**	**8,409**	8,471	8,480

(1) The number of positions also includes translation of overtime costs into employee positions, plus the positions of external personnel who are not employees of the Bank but who provide labor services as required for the adjustment of manpower needs in the course of routine operations and for the introduction of projects, less 539 positions of employees whose wages were capitalized to fixed assets in 2025 (2024: 568 positions).

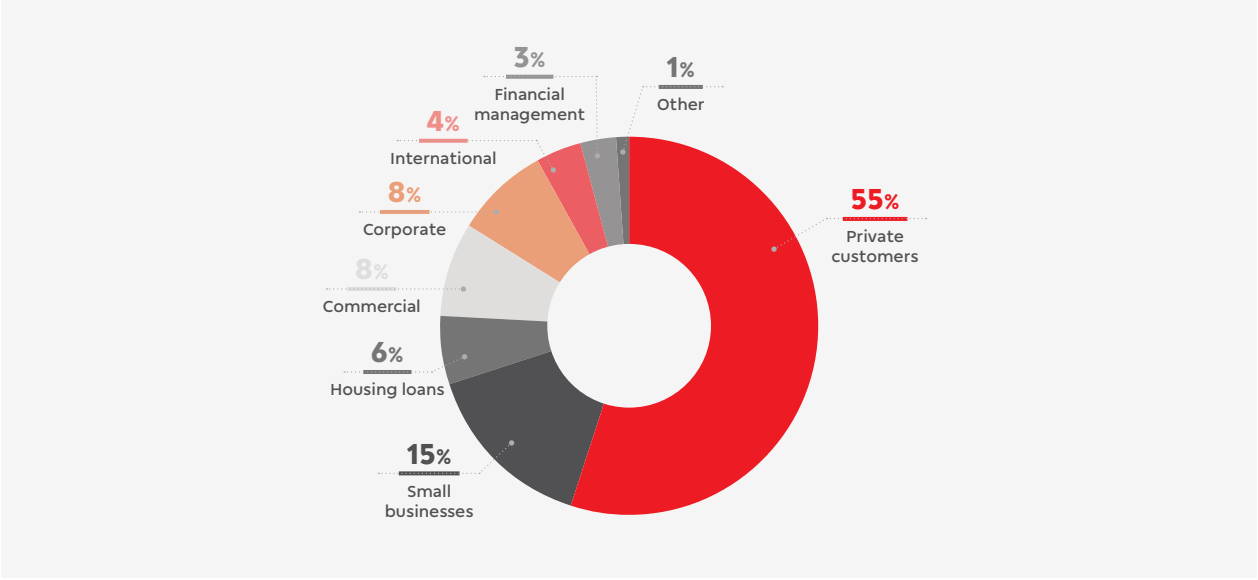
The number of positions at the Bank Group as at December 31, 2025, decreased by 71 compared with the number of positions at the end of 2024. The decrease primarily resulted from a change in the scope of positions of employees in the area of banking, offset by an increase in manpower in the areas of technology and a decrease in technological manpower capitalized as assets. The average number of employee positions remained at a similar level to the preceding year.

Table 6-4: Distribution of the average number of employee positions in the Bank Group by management approach operating segment[1]

	For the year ended December 31		Change
	2025	2024	
Private customers	**4,646**	4,499	3.3%
Small businesses	**1,254**	1,354	(7.4%)
Housing loans	**478**	501	(4.6%)
Commercial	**717**	700	2.4%
Corporate	**713**	727	(1.9%)
International activity	**300**	306	(2.0%)
Financial management	**289**	299	(3.3%)
Adjustments	**82**	85	(3.5%)
Total	**8,479**	8,471	0.1%

(1) Includes positions of Head Office employees whose cost of employment was charged to the segments.

Diagram 6-2: Average employee positions by operating segment in the year ended December 31, 2025



Human resource characteristics

The policy of the Bank is to employ, promote, and make decisions concerning employees based on pertinent considerations such as skills and the evaluation of performance, without discrimination on the basis of religion, race, sex, age, views, sexual orientation, disability, place of residence, etc. The Bank encourages the hiring of employees belonging to population segments underrepresented in the labor market, as part of its hiring policy, in recognition of the advantages inherent in a diverse workforce in terms of a better understanding of various customer segments, and the encouragement of innovation and creativity in an open and diverse work environment.

The average seniority of the Bank's employees was 17.2 years in 2025, compared with 17.5 years in 2024. The average age of employees of the Bank remained at 45.1, similar to 2024. In 2025, approximately 65.2% of all employees of the Bank were women, versus 65% in 2024. The percentage of women in the Bank's management personnel (at or above the rank of section managers at the Head Office and department managers at branches) was 57.2% in 2025, similar to 2024.

Efficiency at the Bank

From time to time, the Bank carries out efficiency plans within which, when the desires of both parties align, employees take early retirement with preferred terms; this refers to employees who meet the conditions established in the plan. The Bank reflects employee retirement costs, according to management expectations, in its actuarial assumptions in connection with early retirement.

On December 29, 2024, the Board of Directors, at the recommendation of the Board of Management of the Bank, approved an efficiency plan based on voluntary retirement for 2025–2028. The plan is based on the goals of the Bank's strategic plan, focused on improving operational efficiency and operating models, as part of the preparations of the Bank for the changes underway in the banking industry. Implementation of the efficiency plan is expected to lead to a net cumulative decrease of approximately 770 employee positions in the Bank's headcount over the years of the plan, with due attention to staffing, support, and replacement needs in the focus areas of its business.

Permanent employees who take early retirement will be offered benefits in the form of an early pension or increased severance pay, depending on their age and seniority. The pace of retirement in practice will support the realization of the Bank's strategic plan and will be aligned with the progress of its various components.

For further details, see Note 22 to the Financial Statements.

Remuneration policy and remuneration plan

The Bank aspires to motivate its employees to act to create long-term economic value for the Bank and its stakeholders, strengthening the connection between remuneration and the creation of value for the stakeholders of the Bank while maintaining fair employment, encouraging excellence, and promoting a culture of performance.

The salaries paid to the managers and employees of the Bank are derived from a scale of ranks, which allows promotion and reflects the authority and responsibility of the various levels of the organizational hierarchy. Annual bonuses (if granted) are based, among other matters, on the return on equity of the Bank, and may also be determined by the achievement of quantitative and qualitative individual performance objectives, as well as long-term plans and objectives adapted to the overall strategic plan of the Bank and of its sub-units and to the derived work plans.

For further details, see Notes 22 and 23 to the Financial Statements.

Cost and wages per employee position

Table 6-5: Details of cost per employee position and salary* per employee position at the Bank (in NIS thousands)

	2025	2024
Cost per employee position, excluding bonuses	**470**	469
Cost per employee position, including bonuses[(1)]	**549**	529
Salary* per employee position, excluding bonuses	**293**	292
Salary* per employee position, including bonuses[(1)]	**357**	342

* Salary – calculated according to gross salary as paid to the employee. The cost and wages per employee position were calculated based on the division of the salary expenses at the Bank included in the note on salaries and related expenses by the average number of employee positions at the Bank.

(1) In 2025, the volume of the bonuses includes performance-based bonuses as well as a provision in connection with the labor dispute at the Bank.

Vision, values, and ethics

In late 2021, the vision of the Bank and the accompanying five values were introduced.

The vision of the Bank – "Committed to growth through impactful, innovative, fair banking for our customers" – is the organizational compass representing the ambitions and commitment of the Bank. To ensure our ability to realize the vision of the Bank and integrate its organizational, business, and cultural components, five core values were redefined that guide the way we operate, do business, and benefit the economy, society, and the environment. Each of the core values is relayed into key behaviors for application of the values in practice. Taken together, they form a comprehensive organizational approach integrating a customer-centric worldview with quick, flexible deployment to deliver optimal responsiveness grounded in partnership, boldness, and aspiration to continual improvement.

The Bank's code of ethics and conduct reflects the values underlying the Bank and delineates the expectations and behaviors we are all adopting and striving to uphold, among ourselves and towards our customers and other stakeholders. The code is designed to be used by employees and managers, in all units and at all ranks, as a compass for appropriate conduct in coping with ethical dilemmas during their routine work. Minor updates were made to the code of ethics in 2025, with the addition of references to tolerance and diversity, and an update of the strategic focus areas of the Bank.

Formulating the leadership model – In the awareness that the organizational culture of the Bank is primarily created and influenced by its management culture, the leadership model was designed through a shared process by employees and managers, with the aim of defining "the leadership we need today." The five components of the model are:

1. Leadership that is authentic and brave.
2. Leadership that is performance-oriented and creates value.
3. Leadership that is proactive and steers change.
4. Leadership that realizes potential.
5. Leadership that promotes partnership.

Each component of the model is accompanied by a set of behaviors expected of leaders. The model has been instilled, since 2022, through a variety of means, such as: all manager training programs were redeveloped in light of the components of the leadership model; the model serves as the foundation for manager hiring and promotion processes; it is an integral part of measurement in the performance evaluation and feedback process; and the Bank embeds messaging in the spirit of the model in targeted lectures and workshops.

Diagram 6-3: Leadership model



Manager training and development – The Leadership and Organizational Development Center assists managers and units in the entry of managers into new positions, in the management of change processes, and in implementing organizational culture and values, according to the vision and strategy of the Bank. The center works on developing management and leadership capabilities, resilience, the ability to cope with change, and individual empowerment and development for employees and managers.

In addition, throughout and after the period of the war, managers received tools for strengthening personal and team resilience, based on the awareness that the managers' leadership is a significant factor and anchor in moments of truth experienced by employees during times of crisis. Workshops and group Zoom conversations were held to provide tools for attentive, flexible, sensitive management and discuss how to succeed in this area while maintaining business continuity. Kits were also distributed to managers providing practical tools for management during a crisis, strengthening resilience, and support for employees in reserve military service, or whose spouses are in reserve service; later, practical tools were provided for welcoming employees returning from reserve service, to create a supportive environment and allow an optimal return to routines and work.

Cultivation, development, and management of human capital

The Bank is steering an organizational policy encouraging personal growth and development as an impetus for business growth. The Bank considers its employees, who guide customers and businesses and help them achieve astute conduct, make better financial decisions, move forward, and evolve, an essential key to its success. Accordingly, the Bank is committed to cultivating its human capital, caring for employees' well-being, and aspiring to provide its employees with broad opportunities for development and the tools to grow, thrive, and develop as a way of life. We believe that employees should take responsibility for their personal development; towards that end, the Bank involves senior management in employee guidance and support processes, to build an expanse of opportunities.

As part of the effort to instill a culture of personal, professional, and business growth, the Bank maintains continual dialogue to implement ways for employees and managers to participate in and influence future change processes and enterprise-wide issues, based on the awareness that this partnership creates more accurate and better impact, meaning, and value for both the Bank and its employees.

The Bank upholds the idea of centering its customers and employees, which leads us to recognize the importance of the employee experience as a leading value, from the initial hiring stage. Thus, the Bank works to improve and adapt processes and tools to align with the changes in the job market, including adaptation of hiring processes and the use of digital platforms and advanced diagnostics to help create a professional, innovative experience.

Alongside innovative processes in hiring, the Bank emphasizes guidance for employees during onboarding for a new role, in light of the professional, social, and personal challenges they face. The Bank is leading a digital onboarding process to support employees' quick adjustment, professional development, and positive onboarding experience, strengthening their sense of connection with the Bank.

In view of the accelerated technological developments and automation processes, the Bank continued to formulate a strategic plan for a skills-driven organization, to serve as the foundation for human-resource processes and for the promotion of the development of human capital at the Bank. In 2025, the Bank moved from the planning stage to the implementation and absorption of the plan.

During the year, an innovative catalogue was created listing 20 essential skills for success at various roles within the Bank, and the first skills-based catalogue of occupations was prepared, with full profile descriptions for approximately 90 occupations at the Bank. The model was integrated and embedded in hiring, mobility, and learning processes, as part of the Bank's preparations for the challenges of the future.

Performance evaluation process

The key element of the annual performance evaluation and feedback process is dialogue shared by managers and employees to review the achievements of the last year and plan future objectives and development, as derived from work plans and the strategic focus areas. The process is based on open discussion and transparency, and supports employee empowerment and professional and personal development. The process is part of an annual sequence of managerial actions to encourage excellence and provide evaluation, appreciation, and compensation.

As part of this process, as in every year, adjustments were made to the evaluation process, for optimal adaptation to organizational changes, the Agile operating model, and working in "Tribes." In addition, the 360 Evaluation – a process of evaluation by peers and evaluation of managers by employees – was performed at the Bank for the second year.

In addition, this year, top talent selections were updated and renewed (after two years), as part of a separate talent review process aimed at identifying and flagging outstanding talent within the organization, at the division level.

Development of top talents

The Bank sees strategic importance in the development and cultivation of top talents in the various ranks. For that purpose, the Bank invests in the development of designated programs combining professional and personal promotion, development of adapted management potential pools, participation in targeted meetings for top talents, and ongoing development through managers and within the division. This investment strengthens the human capital of the Bank and contributes to our ability to lead and renew ourselves over time.

Intra-organizational communication

The Bank views its employees as full partners in its business and organizational processes. The changes in the job market and in the world at large have repeatedly highlighted the need for continual, rapid communication and dialogue on equal terms with the employees of the organization, and for heightened organizational engagement. The importance of communication with employees and the employee experience has been highlighted since the beginning of the Swords of Iron War.

The Bank is a microcosm of Israeli society; as such, the Bank was called upon to respond to its employees in a national, organizational, and personal moment of truth. Beyond regular communication, which increases feelings of confidence, resilience, and organizational pride, in 2024 a broad network of support continued to be given to employees who were evacuated from their homes, were called up for reserve military service (or had members of their families called up), or had relatives killed, murdered, abducted, or injured in battle. The management of the Bank, representatives of each division, and the Employee Union took part in the network of guidance and response to employees' needs.

The Knowledge, Communication, and Employee Experience Center in the Human Resources Area oversaw banking and professional information for employees, ensuring rapid response, up-to-date information, and accessibility of information in a clear form, in order to allow professional service for our customers under circumstances of large quantities of information and frequent changes.

The following internal communication channels are in use at the Bank:

- The organizational portal, which serves as a central, advanced communications channel supporting the sharing of information with employees and the absorption of intra-organizational change processes.
- Portal Laderech ("Portal To Go") – A mobile application designed for employees of the Bank, which allows them to continue to obtain updates and information on various organizational subjects off the premises of the Bank and beyond work hours. Over 8,000 employees are connected to this application.
- A mechanism for immediate text messages sent to employees to provide real-time updates from the Business Continuity Committee.
- Organizational listening processes – Throughout the year, several round-table events were held for employees with the CEO, as well as employee experience "pulse" surveys and an annual BDI survey.
- Employee experience – The Employee Experience Community was founded, with the aim of leading an advanced approach of a holistic employee experience, centering employees in processes, initiatives, infrastructures, communications, listening, and leadership, while promoting partnerships and the One Bank concept.
- Poalimnikim Community – Forms deeper connections with employees in reserve military service and their families, organizes appreciation events for this group, and provides tools to managers. The community gained nationwide appreciation in 2025.
- Organizational knowledge management – An advanced knowledge-management system was introduced, to improve the user experience and customer service. The process of adding professional content to the system continued in 2025.

A culture of continual learning

The Bank leads a culture of continual learning and development of human capital – life-long learning (LLL), and works to maintain and strengthen its employees' professional qualifications, emphasizing professional skills and capabilities as well as personal and interpersonal competencies needed to cope with present and future challenges. The goal of these efforts is to create business value for customers, and ensure a competitive advantage, while strengthening and enhancing human capital, and employees' sense of pride and engagement at the Bank.

In 2025, amid the continued challenges in the business environment and the Swords of Iron War, the Bank deepened processes of instilling a culture of learning and of professional and personal development, with adaptation to the changes and developments in the world of work.

The Bank has continued to lead a hybrid learning approach, combining independent learning at any place and time through a world-leading learning system with in-person study sessions. The Bank emphasizes learning adapted to the work environment, with hands-on experience and ongoing feedback to improve performance. The organizational learning system Boost offers advanced possibilities for online learning through a dedicated application and from home computers, and allows employees to connect to global repositories of learning materials to develop new abilities. These changes enable the Bank to cope with the current business challenges and prepare for future challenges, with an emphasis on individual development and self-actualization of human capital at the Bank. The scope of employee-driven "pull" learning is progressively growing, reflecting the greater absorption of a culture of learning at the Bank.

The Poalim Learning Hub Campus

The campus is responsible for professional development of human capital, and operates a range of hybrid training programs to strengthen employees' professional capabilities, in order to deliver professional, adapted services to the Bank's customers. The training and development programs make it possible to execute the Bank's strategic plan and achieve the goals it has set for its business. The programs are designed jointly with the various divisions based on learning needs required to respond to the challenges that the divisions face, including mapping of the capabilities and skills required for a range of positions, and identifying knowledge gaps among employees and managers at each of the divisions.

Professionalism and excellence in service

Delivering business value to the customers of the Bank in a dynamic environment requires investment in human capital and in the acquisition of knowledge, tools, skills, and capabilities. This year, we focused on strengthening the professionalism of the bankers and improving service, through several measures:

- A process of strengthening professional competencies – The Bank set a goal of leading in professional, excellent banking to serve its customers. As part of this effort, the Campus and the Retail Banking Division led a process to map and assess the professional competencies of all employees in the branch network and call centers. Employees completed questionnaires according to their occupation, tenure, and level of expertise. The questionnaires were analyzed to allow identification of knowledge gaps requiring a response in the form of targeted learning development. The learning plan for 2026 was developed based on the insights from this process.
- Strengthening service, retention, sales, and customer experience skills – In 2025, we continued and deepened the Manager as Coach program in the Retail Banking Division, including manager training, tools, and routines to lead a customer-centric culture of continual improvement of performance. We also conducted observation and feedback processes for selected bankers at prioritized branches, along with processes to listen to and analyze calls and provide feedback to selected bankers at the call centers, and observation and feedback processes for bankers in the written communication teams.

- Capabilities for working with artificial intelligence – With the progress of technology and the changes and impacts generated by artificial intelligence (AI) in the labor market, we focused on instilling advanced AI competencies through targeted workshops and digital learning programs for independent study, allowing hands-on experience with market leading tools, as well as programs for deeper understanding of advanced models. The learning process included specification questionnaires for different population groups, to classify knowledge levels and match individualized content to each employee according to their level. Concurrently, AI-based learning content was embedded in business processes, such as service and sales simulators, written communication simulators, and more, with the aim of providing a personalized learning experience and ongoing feedback in order to improve service and the customer experience.
- Investment in manager training – This year, along with in-person learning, the organizational learning system developed targeted learning programs for managers containing content for independent study on managerial topics important for the leadership model at the Bank: strengthening partnerships, effective feedback and evaluation, performance and task management, and more.

6.4. Material agreements

The following is a summary of the agreements to which the Bank is a party that may be considered material:

- Collective wage agreement for 2023–2027 – The Bank, the Histadrut General Federation of Labor in Israel, and the Employee Union signed a wage agreement for 2023–2027 in August 2023. For further details, including regarding the labor dispute at the Bank, see Note 22.A to the Financial Statements.
- For details regarding letters of indemnity received by the officers serving at the Bank, officers who served in the past, and certain employees who are not officers under special circumstances, see Note 25.B.3 to the Financial Statements.
- For details regarding letters of indemnity granted in connection with prospectuses and issuances of the Bank Group, see Note 25.B.5 to the Financial Statements.
- For details regarding contractual engagements of the Bank with international organizations and credit-card companies, see Note 25.B.11 to the Financial Statements.
- For details regarding IT infrastructures of the Bank and contractual engagements with IBM, see Section 6.2 above.
- For details regarding letters of immunity and indemnity received by the Bank from the Attorney General and the Ministry of Finance in connection with the provision of correspondent services to Palestinian banks, see Section 3.6, "Compliance risk," in the Report of the Board of Directors and Board of Management.
- For details regarding resolutions with the United States authorities in connection with the tax investigation and FIFA, see Note 25.D to the Financial Statements.
- For details regarding the acquisition and use of land insurance policies that protect the Bank against credit losses in respect of the portfolio of loans secured by a lien on land, insurance policies for Sale Law guarantees, and insurance policies for housing loans (secured by mortgages), see Note 25.B.10 to the Financial Statements and the section "Credit risk – construction and real estate" in the Report of the Board of Directors and Board of Management.
- For details regarding agreements with the tax authorities, see Note 8 to the Financial Statements.
- For details regarding the contractual engagement of the Bank for the acquisition of a building for use as headquarters, see Note 25.B.9 to the Financial Statements.



6.5. Operating segments based on the management approach

6.5.1. Private Customer Segment

General information and segment structure

The Bank provides a wide range of services to private customers, including routine account-management services, lending for various purposes, deposits, savings plans, and capital-market activity. In addition, the Bank offers services and solutions to customers with complex financial needs, through advanced products, global asset management, and a professional service package, which includes meetings, proactively initiated telephone calls, and an advanced advisory system aided by decision support tools.

As at the date of the report, services are provided to customers through a network of 160 branches, in addition to Poalim Close to You service points, advising centers, Platinum Centers for selected customers, and three mobile branches, which serve customers during routine and emergency periods.

In addition to the extensive branch network, the Bank offers its customers a wide range of self-service and digital service options, allowing customers to conduct banking activities independently and efficiently, with high availability. These include self-service stations at branches and on customer premises, Poalim Online, Poalim Mobile, the Poalim by Telephone call center, the Pro contact center for digitally oriented customers, the interactive voice response (IVR) system for information and transactions, written messages on the website and mobile application, and social media.

As part of the Bank's approach to service and social responsibility, the Bank considers accessibility to people with disabilities an essential issue and its duty as a business; accordingly, all of the Bank's services have been made accessible to people with disabilities.

There has been an ongoing trend over the last few years of growth in banking activity through unstaffed channels (self-service automated teller machines, the website, applications, the mobile site, and the automated voice response at the Poalim by Telephone call center). Note that almost 90% of common banking transactions of customers of the Bank are performed through digital services and self-service.

In addition to this trend, the Bank has increased the use of the service for scheduling appointments with bankers in advance, and added channels for scheduling appointments and a service for scheduling a meeting via telephone, to allow customers a high-quality, professional, individual encounter.

Collection

Dedicated activities during the period of the war

Due to the impacts of the security situation, and in view of the Bank's wish to assist its customers, at the outbreak of the Swords of Iron War the Bank immediately instructed its collection units (including Poalim Financial Health) to refrain from taking proactive measures against customers with debts. During 2024, the Bank acted with sensitivity towards customers who contacted it or endeavored to settle their debts, including by deferring payments and providing individual solutions and reliefs. Collection procedures were adapted to the emergency routines, in every stage, including legal action and execution procedures, according to the circumstances of the case, with exceptions for the population of customers who were directly or indirectly harmed during the period of the war. During the first quarter of 2025, after the reliefs from the Enforcement and Collection Authority for population groups "entitled to relief" expired, the Bank returned to its routine practices with customers who have ongoing past-due debts at the Retail Banking Division, including sending debt demand letters, warnings from an attorney, aggregation for collection, and initiating legal proceedings. Concurrently, the Bank has continued to exercise discretion and sensitivity in individual cases with people directly harmed by the war.

At the outbreak of Operation Rising Lion, the Bank instructed its collection units, including external law firms, to refrain from proactive procedures with debtor customers, in accordance with the reliefs in the regulations of the courts and the Execution Office. After the reliefs expired, the instructions were adjusted such that collection procedures could resume, including filing claims and taking legal action, with the exclusion of the population of customers directly harmed by Operation Rising Lion.

Products and services

As part of the Bank's strategy of enhancing value for customers and guiding customers at important decision points in their lives, the Bank offers a range of products and services to its customers, including services for groups of customers with common characteristics (the High Tech Zone Club, Poalim Young, the Student Club, Poalim Wonder, Poalim Plus benefits, and Poalim Xtra), services through the direct channels, and dedicated mobile apps (the Bit app and a capital-market trading app).

Targeted benefits for private customers

When the Swords of Iron War broke out in October 2023, to help customers during this challenging time, the Bank announced a series of significant benefits for its customers, in accordance with the definitions in the Bank of Israel outline of reliefs, and in certain cases with expansion beyond the specified population group.

In accordance with the outline of reliefs of the Bank of Israel, the benefits for eligible customers were extended, in several phases, until the end of March 2025.

- The Bank allowed deferral of loan and mortgage payments by up to three months at no added cost (up to nine months cumulatively since the beginning of the war). Directly affected customers residing in the north or in active reserve military service could defer loan and mortgage payments for a cumulative period of up to twelve months.
- Exemptions from various fees for eligible population groups until March 31, 2025.
- Exemption from interest on negative balances in amounts of up to NIS 10 thousand, in accordance with the outline of reliefs of the Bank of Israel.

For further details regarding the benefits granted by the Bank in the area of mortgages, see the section "Housing loans," below.

At the end of March 2025, the Bank announced a series of grants and benefits for its customers in the areas of current accounts, fees, and loans, in accordance with the outline of reliefs established by the Bank of Israel for the second quarter of 2025. Various grants and benefits were granted to customers with specific characteristics, such as young adults and students, reserve soldiers, customers harmed by the war, self-employed people, mortgage holders, and new customers.

In view of the Bank's social and national commitment to aiding its customers during the period of Operation Rising Lion, during the third quarter of 2025 the Bank gave a grant in the amount of NIS 1,000 (per family) to customers of the Bank who were evacuated from their homes during Operation Rising Lion and who received grants from the state (transferred through municipalities), via the Bit app or credited to their bank accounts.

In addition, the Bank refunded the two mortgage payments of the months of May and June, in the amount of up to NIS 7,000 per payment, for customers evacuated from their homes during Operation Rising Lion who hold a mortgage at the Bank. Those eligible for this benefit are customers with a mortgage at Bank Hapoalim (with an active current account), who own a single or alternate home, whose home was damaged and who were evacuated from their homes due to Operation Rising Lion for a period of one month or more.

During the third quarter of 2025, the Bank introduced an innovative process in which it distributed shares of the Bank to more than a million of its customers as a gift, aimed at reinforcing the link between the Bank's success and its customers, even if its value is a token amount, as an expression of appreciation for their patronage. Another goal of this initiative is to boost accessibility and raise awareness of the capital market and investments among the general public.

Customers of the Bank were offered a choice to receive either two shares of Bank Hapoalim or a monetary grant in the amount of NIS 100. The bank has released a shelf offering report for the allotment of the shares.

This plan is part of the Bank's new strategic approach, under the heading, "Not Just Active – Proactive," reflecting the concept of the bank taking the initiative, leading, and actively guiding the economic growth of its customers.

The program is a component of the benefits granted by the Bank to its customers in the third quarter of 2025, within the outline of reliefs of the Bank of Israel. Eligible customers who did not indicate their selection automatically received the monetary grant in the amount of NIS 100 (which is included in the relief outline).

During the fourth quarter of 2025, the Bank launched an additional phase in which it distributed shares of the Bank as a gift to approximately one million customers. Eligible customers of the Bank were offered a choice to receive either two shares of the Bank or a monetary grant in the amount of NIS 125. The Bank has released a shelf offering report for the allotment of the shares. The program is a component of the benefits granted by the Bank to its customers in the fourth quarter of 2025, within the outline of reliefs of the Bank of Israel. Eligible customers who did not indicate their selection automatically received the monetary grant in the amount of NIS 125 (which is included in the relief outline). In addition, the Bank launched a process in which young customers, up to the age of 35 and/or with Student Club accounts, receive a refund on fees for buying and selling securities in and outside Israel (excluding options), a refund on management fees for securities traded in and outside Israel, and a refund on broker fees for transactions executed on the Bank Hapoalim website and capital-market app. The refund is in the amount of up to NIS 2,000 per quarter. Customers with an existing account at Bank Hapoalim are eligible for the benefit from July 1, 2025, to December 31, 2025. New customers who joined the Bank between November 23, 2025, and March 31, 2026, are eligible for the benefit from the date on which they joined the Bank to June 30, 2026. The retroactive fee refund in respect of transactions up to the date of the publication (November 23, 2025) is included in benefits granted by the Bank to its customers in the fourth quarter of 2025, within the outline of reliefs of the Bank of Israel.

In addition, the Bank provided an exemption from various fees for special population groups in the context of the Swords of Iron War – residents of northern Israel evacuated from their homes, residents of southern Israel (0–7 km from the Gaza Strip), and people harmed by the war.

The Bank decided to continue to provide broad-based benefits to customers:

- Reduction of interest rates on negative balances – The Bank lowered interest rates on negative balances in the second and third brackets, in salary-based current accounts and private current drawing accounts, and equalized these rates with the interest rate charged in the first bracket. This is a reduction of the interest rate by 2.7%–2.9% in salary-based current accounts and by 0.5% in private current drawing accounts.
- Offset mechanism in current accounts – Automatic offsets of negative balances against positive balances, up to a cumulative ceiling of NIS 300 thousand per month. For private customers who have positive balances for part of the month and negative balances for the rest of the month, this mechanism reduces interest paid on the negative balances, and can save customers hundreds of shekels per year. The mechanism applies to the accounts of all private customers at the Bank with a credit facility in a current account; customers are registered for the benefit automatically, with no need for the customer to take any action.

Capital market activity

Services for customers of the segment in the capital market include a range of activities and financial services in various fields: trading, operations, and custody in Israeli securities (including Maof); trading in foreign securities; and research and advisory services for customers in the area of the capital market. Some of these activities are performed directly by the Bank, while others are performed by subsidiaries, each of which specializes and engages in a specified field.

The Bank provides financial advising services at fourteen Poalim Invest advising centers, as well as through the Platinum Centers and Poalim Pro.

The investment advisors at the Bank provide their customers with professional, innovative advisory services using advanced tools and systems, through understanding their needs, maximizing value, and strengthening relationships, in a personal service package tailored to each customer.

Pension advising

The Bank offers pension advising and retirement planning services through a network of advisors located throughout Israel. The Bank is connected to the pension clearing house, and receives information through the clearing house for the purpose of providing advisory services. The Bank holds a pension advisor's license and employs licensed advisors at fourteen Poalim Invest pension advising centers and a national retirement planning center. The Bank has signed distribution agreements with most of the management companies of provident funds, study funds, and pension funds. The Bank, as an objective advisor, is entitled to a uniform distribution fee for the distribution of the funds, in accordance with the regulations.
The Capital Market, Insurance, and Savings Authority is acting to promote a legislative amendment aimed at permitting banking corporations to provide advisory services by telephone and through digital means.

Marketing and distribution

Marketing and distribution in Israel are conducted through the branches of the Bank, at Poalim by Telephone, and through the digital and direct channels (self-service devices, the website, and the application). The Bank is also active on social media: Facebook, X, Instagram, and LinkedIn. Customer messages on the Facebook page are answered by representatives. Marketing initiatives of the Bank are also reflected in advertising in newspapers, on television, on the internet, on the radio, on billboards, and at branches. In recent years, the Bank has expanded its use of digital channels via internet and mobile applications, allowing customers to receive service without visiting a brick-and-mortar branch. Marketing through digital media has also expanded, on the internet and on mobile applications, which allow a targeted approach to customers according to their interests and the characteristics of their online activity. As part of the measures applied by the Bank aimed at providing relief to its customers at the outbreak of the war, the media noted above were used in addition to internal media of the Bank (such as the website, app, emails, text messages, push notifications, etc.) as a tool for communicating the reliefs and benefits offered to customers.

Customers

The segment consists of private customers who receive services through the branches, Poalim by Telephone, and the digital channels. Services provided are adapted to the characteristics of the various customers.

Competition

The level of competition has continued to rise in recent years. Causes include technological developments and customers' growing willingness to receive services remotely, concurrently with the removal of barriers to the entry of new competitors and strengthening of small and medium-sized competitors. Competition continues to expand to encompass financial and non-bank players such as credit-card companies, insurance companies, fintech companies, and other retail organizations. The open banking reform, the implementation of the Law for Increasing Competition in the Banking System (the "Strum Law"), and the Credit Data Law have also contributed to increased intensity of competition in this sector. The Bank continues to adapt its operating model to provide full responsiveness to its customers, according to the changes in their needs and characteristics, while providing full services in a wide range of areas and products, made accessible through a range of service channels.

Technological changes that may have a material impact on the segment

The trend towards heightened preference for digital services among customers has continued in recent years, along with the expansion of digital value propositions and access to products and capabilities through the website and application.

Bit application

Bit is a leading payment app that currently has approximately 3.5 million active users (of which approximately two-thirds generally conduct their main activities at other banks). The average volume of money transfers between users (P2P) on the app totaled approximately NIS 2.45 billion per month in 2025.

Bit allows users to perform payments, including, among other things, services for money transfers between users (P2P), the most popular service among its users; management of balances in a payment account; online purchases on shopping websites and in various apps; payment of bills; orders of foreign currency received at the airport; and services for receiving credits from various entities (such as insurance companies). Beginning in November 2025, the Bit app offers customers the option of depositing money in deposits.

Further to the amendment to the Banking Rules (Service to Customers) (Fees), 2024, which allows fees to be collected from customers who use a payment app, beginning January 1, 2025, a fee at a fixed rate applies to users who receive payments through the Bit app above the activity threshold (total cumulative payments received) of NIS 25,000 per calendar year.

As a strategic asset of the Bank, the Bit app continues to serve as the basis for development of new banking products, with the continued expansion of its areas of activity into new segments and formulation of unique innovative value propositions.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

Heightened regulation has been evident in recent years, as part of the plan to increase competition in the banking market, which affects this segment. For further details, see the section "Regulatory initiatives," below.

6.5.2. Small Business Segment

General information and segment structure

The Bank provides a range of banking services and financial products to small businesses. The segment's activities are conducted through the Bank's nationwide branch network and through the direct channels (see the section "Private Customer Segment" above). The branch network also provides necessary services to business customers of the Corporate and Commercial Segments.

This year, as part of the Bank's focus on small and mid-sized businesses, five specialist business branches have opened to date, joining the seven existing specialist business branches.

Services for the segment's customers include routine account management, alongside extensive efforts aimed at support for and growth of this segment, including targeted credit tailored to customers' needs through a wide range of products.

Products and services

The Bank offers a wide range of products and services to its customers, within its strategy of focusing on the expansion of its activity in the Small Business Segment, such as financing for business activities, a set of products and services for the expansion of a business, and advanced digital services, including offers of credit executed through digital channels.

The Bank has also continued the activity of the Financial Growth Center, which provides small businesses across Israel with knowledge and tools for business management and growth, including a comprehensive professional content zone matched to different types of business owners, lectures and discussion sessions tailored to the needs of the businesses with top experts, individual guidance for businesses by mentors for three-month periods, and a set of tools precisely matched to the needs of the business.

In 2025, up to July 31, 2025, the Bank took several actions for its business clients, based on the various outlines of the Bank of Israel:

- Continuation of the outline of reliefs of the Bank of Israel, which expands reliefs for businesses in the north due to the Swords of Iron War.
- A monetary refund in the amount of NIS 500 for business clients (not including limited companies) who took a loan in the amount of NIS 100 thousand or more in the first quarter of 2025.

Following Operation Rising Lion in June 2025, the Bank announced a series of additional benefits and reliefs for business clients who had been harmed and for all business clients, implementing the Bank of Israel outline of reliefs with expansions by the Bank:

- Deferral of loan payments in the amount of up to NIS 2 million for a period of up to three months (expansion of the Bank of Israel outline of reliefs from two months to three months). Deferrals within the Bank of Israel outline of reliefs are not charged interest or fees; the expansion by the Bank for an additional month is at the cost of the contractual interest rate.
- Exemption from interest charges on negative balances in current accounts in amounts up to NIS 30 thousand for a period of two months for business owners in reserve military service, in accordance with the Bank of Israel outline of reliefs.
- A targeted loan in the amount of up to NIS 100 thousand at an attractive interest rate with a grace period of up to six months.
- Increased credit facilities in credit cards for customers who were overseas when the operation began, at no cost and automatically.

For details regarding other actions taken by the Bank due to the war, and benefits for its business customers operating in southern and northern Israel and for customers drafted for reserve military duty, see the section "Private Customer Segment," above.

Marketing and distribution

Marketing and distribution in Israel are conducted face-to-face or over the telephone at the Bank's branches, through Poalim by Telephone, and through the various digital properties, both proactively and in response to customers' inquiries. Marketing initiatives are also reflected in advertising in newspapers, on television, on the internet, on the radio, on billboards, and at branches. In recent years, the Bank has significantly expanded its use of marketing via digital media, on the internet and on mobile applications, which allows a targeted approach to customers according to their interests and the characteristics of their online activity. Since the outbreak of the Swords of Iron War, the reliefs, benefits, and services for business customers have been communicated through various internal and external media.

Customers

The Small Business Segment includes small and mid-sized business customers from a wide range of economic sectors. In addition, this segment handles the private accounts of business clients.

Competition

Activity in this segment requires expertise and in-depth familiarity with the customer in order to provide full, comprehensive, professional service and manage credit risks. Over recent years, non-bank competitors such as credit-card companies and non-bank financiers, as well as fintech companies, have entered this field. The Bank continually invests resources and works to adapt the products and services provided to its customers, and to provide access through a range of service channels, both digital and physical.

Technological changes that may have a material impact on the segment

Bit application

Expansion of collaborations to promote value propositions for small businesses and connections to e-commerce platforms, so that small businesses can accept payment from their customers, with no annual ceiling. Businesses can receive payment remotely through a website, application, or text message, or at a point of sale.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

For information regarding regulatory initiatives that may have an impact on the activity of the segment, see the section "Regulatory initiatives," below.



6.5.3. Housing Loan Segment

General information and segment structure

The Bank offers housing loans to private customers, from Bank funds as well as through government assistance programs, via mortgage advisors stationed at Mishkan representative offices at various branches located nationwide.

Applications for in-principle approval of housing loans can also be submitted via digital channels and Poalim by Telephone.

Products and services

The main activity of this segment is granting housing loans. This activity is targeted to private customers who apply for a loan for one of the following purposes:

- A loan for the acquisition, construction, expansion, or renovation of a home.
- A loan for the acquisition of land for the construction of a home, or acquisition of an interest in a home.
- A loan granted with a mortgage on a home, other than for business purposes.
- A loan for the prepayment of a loan as described above.

Mortgage underwriting is performed and examined based on four essential components: repayment capability, collateral (the proposed property to be pledged), financing rate, and spreads.

Targeted benefits in the area of mortgages

At the end of March 2025, the Bank announced a series of grants and benefits for its customers in the areas of current accounts, fees, and loans, in accordance with the outline of reliefs established by the Bank of Israel for the second quarter of 2025. As part of the benefits, in accordance with the criteria established by the Bank, a grant in the amount of NIS 1,000 was paid to owners of an active current account at the Bank who took a mortgage in the amount of NIS 500 thousand or more during the first quarter of 2025 (up to March 28, 2025). For further details, see the section "Private Customer Segment."

For further details regarding the benefits, see the section "Private Customer Segment."

In view of Operation Rising Lion (the "Operation"), on June 17, 2025, the Bank of Israel released an outline for assistance for population groups directly harmed during the Operation, which also addresses the deferral of three mortgage payments, in unlimited amounts, without interest or fee charges, for customers whose homes were damaged due to the Operation and who were evacuated or injured.

The Bank has expanded the Bank of Israel outline of reliefs for customers with an existing mortgage at the Bank who were evacuated from their homes during the Operation, and refunded the last two mortgage payments (for the months of May and June) to these customers, in the amount of up to NIS 7,000 for each of the payments. The refund was performed in August 2025.

Marketing

The Bank advertises and markets the option to take out a mortgage at the Bank through various advertising media. It also offers the option to meet online via the Zoom platform.

Customers

The Bank grants housing loans (for non-business purposes) to customers. Housing loans are granted to customers of the Bank and to customers of other banks, subject to the opening of an account at the Bank.

Competition

The area of housing loans is characterized by a high level of competition. Housing loans are a significant economic transaction for households, and customers therefore tend to conduct market surveys and compare prices, on their own behalf or through external mortgage advisors.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

Extensive, dedicated regulation applies to housing loans, in addition to the general regulation, including that applicable to credit granted by the Bank.

Proper Conduct of Banking Business Directive 251, Adjustments of the Proper Conduct of Banking Business Directives to Cope with the 'Swords of Iron' War (Temporary Order) – On October 31, 2023, the Bank of Israel issued Proper Conduct of Banking Business Directive 251, for the first time, which contains various limited-term adjustments of the Proper Conduct of Banking Business Directives, some of which also concern housing loans, aimed at coping with the war and its impacts on the Israeli economy, and at helping the banking system and its customers cope with the challenges of the current situation. The Bank of Israel issues amendments of the directive from time to time, containing information regarding the reliefs that remain in effect. The latest update was released on December 31, 2025.

For further information regarding regulatory initiatives that may have an impact on the activity of the segment, see the section "Regulatory initiatives," below.



6.5.4. Commercial Segment

General information and segment structure

The Commercial Segment provides a wide range of banking services to middle-market business clients. The segment operates through business centers for established customers and business centers for growing customers. Operational services for the segment's customers are provided by customer teams nationwide and by a service center.

Products and services

Services offered by the Bank to customers of the segment include credit for routine operations and investment financing, guarantees, letters of credit, foreign trade, and transactions in financial and derivative instruments. Investment services are also provided, in the various channels: foreign currency, shekels, securities, etc.

The Commercial Segment also provides banking services to clients who operate in the construction and real-estate sector. These banking services include the provision of credit to customers, as well as the issuance of guarantees of various types, including guarantees to buyers of homes pursuant to the Sale Law. The Commercial Segment also serves high-tech industry customers through the Poalim Tech brand, which provides banking services including credit and guarantees, foreign-currency activity, current accounts, etc.

Complementary activities

- Business Direct Credit – loans within an approved credit facility, which can be taken through the Business Online website.
- FX Trader – an online trading system with a convenient platform accessible to customers.
- Digital empowerment – Development of adapted solutions in response to the needs of the customers of the Corporate Banking Division; expansion of the infrastructure for activity on the business website and business application.
- Digital guarantees – Development of a platform for the production of digital guarantee files.
- A digital interface for documents to open an account.
- ERPay – A direct interface for transfers in NIS and foreign currency from the customer's ERP system.

Marketing and distribution

Marketing of banking products and services and distribution to customers are conducted through the Customer Relationship Managers in the Commercial Area and the Sales Management Department in the headquarters of the division. The communication channels commonly used in local banking are available to customers, such as customer teams, service centers, Poalim by Telephone, the website, etc.

Customers

The main areas of activity of the segment's customers are industry, commerce, and construction and real estate; these customers primarily operate in the domestic market. The segment also serves customers engaged in import and export activities.

Competition

The segment is characterized by a high level of competition. The main competitors are the banking corporations. In the area of credit, competition is reflected both in interest rates and fees offered to customers by the competing banks, and in related aspects such as response time and the financing rates which competitors are willing to approve. In addition, alternatives to bank credit are available in the market to some of the segment's customers, such as public and private offerings and credit granted by non-bank financial institutions.

Technological changes

The segment makes use of technological systems to manage processes of analysis of customers' condition, control, and marketing. The Bank applies an ongoing process of improvement in these systems. This process also includes components relevant to serving the segment's customers. A CRM system is used to manage customer portfolios in this segment, and serves as a significant tool for relationship management, sales, and business activities with customers.



6.5.5. Corporate Segment

General information and segment structure

The Corporate Segment specializes in providing financial services to large corporations. Credit granting constitutes its principal area of activity. The segment operates through four sectors, each of which contains specialist Customer Relationship Managers (CRMs):

- Real estate;
- Industry, commerce, and hotels;
- Infrastructures, energy, and capital market;
- Project and infrastructure financing.

The sector also specializes in complex financing products, including foreign-trade financing, financing of working capital, financing of assets overseas, complex financing transactions, syndication, and credit-risk transfers.

Also operating within the Corporate Banking Division is the Special Credit Area, which coordinates the handling of customers experiencing financial difficulty in the Corporate and Commercial Segments and endeavors to assist them in restructuring by providing business support.

Products and services

Services offered to customers of the segment include financing of routine operations, financing of investments, financing of infrastructure projects based on the BOT/PFI method, financial services, foreign-trade transactions, and transactions in financial derivatives. Services provided to customers operating in the construction and real-estate sector include financing of construction projects, granting credit to customers, and issuing various types of guarantees, including guarantees to buyers of homes pursuant to the Sale Law.

The segment has complementary activities identical in essence to those provided by the Commercial Segment. For further details, see the section "Commercial Segment," above.

Marketing and distribution

Banking products are marketed and distributed to customers of this segment through Customer Relationship Managers in the Corporate Area, in collaboration with the headquarters of the division. As a key element of this sales platform, product experts, working closely with the CRMs, are at the disposal of the segment's customers, in the areas of the dealing room, investment advising, foreign trade, foreign currency, current accounts, and more. CRMs are in continuous contact with the customers they serve, in order to respond to their banking needs, market the Bank's products, and tailor financing solutions to various transactions.

The communication channels commonly used in local banking are available to customers, such as customer teams, service centers, Poalim by Telephone, the website, etc.

Customers

Customers of the segment are large corporations in Israel, mainly operating in the areas of real estate, industry, the capital market, communications, commerce, hotels, infrastructure, and energy.

Competition

The level of competition in this area is high; competition is reflected in service, prices, financing terms, and rapid response. The Bank Group is contending with growing competition in the Israeli banking system, including from foreign banks with representative offices in Israel. Alternatives to bank credit are available in the market to some of the segment's customers, such as public and private offerings and credit granted by institutional entities and non-bank financial institutions.

Limits on joint loan arrangements (consortium arrangements)

The Restrictive Trade Practices Rules (Type Exemption for Joint Loan Arrangements) (Temporary Order), 2018 (the "Type Exemption") took effect on June 14, 2018. The Type Exemption, with the amendments thereto, establishes the conditions under which a bank is exempt from applying to the Competition Authority for approval of a joint loan arrangement (i.e. granting credit to a corporation jointly with another lender or other lenders included in the definition of a "lender" in the Type Exemption directive). The Type Exemption directives are in effect until May 2026.

In light of the statements in the Type Exemption, in any case in which the Bank intends to grant a loan to any corporation, jointly with banking corporations or financial institutions or similar entities incorporated outside Israel, the Bank must examine the fulfillment of the conditions established in the exemption directives, according to the various alternatives and the circumstances of each transaction. The directives of the Type Exemption do not apply to joint loan arrangements signed before the inception date of the Type Exemption; such loans are subject to the directives of the letters of the Competition Authority regarding joint loans that were in effect at the signing date of each loan arrangement. However, if any material change occurs in a joint loan arrangement signed based on the aforesaid letters of the Authority, the relevant arrangement must be reexamined in its entirety in accordance with the Type Exemption.



6.5.6. International activity

General information

The international activity of the Bank Group includes the New York branch and representative offices in the United States, as well as relationships maintained with banks around the world.

Most of the international business banking activity of the Bank is conducted through the New York branch, which focuses on providing comprehensive banking services to Israeli companies operating in the United States, as well as to local companies and clients, including credit, foreign trade, deposits, and dealing-room services. The New York branch also offers its customers FDIC deposit insurance.

Activity with banks includes trading through dealing rooms, cooperation in foreign trade and international trade financing, project financing, clearing of payments, and capital-market services.

Legislative restrictions, standards, and special constraints applicable to international activity

The activity of the International Banking Segment in the various countries (at this time primarily in the United States) is subject to standards relevant to the nature of the activity of the Group in the countries in which its business is conducted (cross-border regulations), and to regulatory supervision by various government agencies in the countries in which the overseas offices of the Bank operate, including requirements concerning capital, holdings of liquid assets, compliance and the prohibition of money laundering, etc.

In addition, rules and limits are imposed by the Bank of Israel on the international activity of the Bank Group, pursuant to legislation and regulations, as well as the provisions of permits granted by the Bank of Israel for the acquisition of subsidiaries and/or opening of branches abroad.

International banking activity

New York branch

Most of the Bank Group's international business banking is conducted through the New York branch and through representative offices in the United States, as well as through relationships maintained with banks around the world. The New York branch has activity in the middle-market sector in the United States, through the development of relationships with and granting of direct credit to local commercial clients. The branch also operates in the syndication market, as a complementary activity.

Switzerland – beginning of liquidation

On March 31, 2025, the general meeting of shareholders of Hapoalim Switzerland resolved to liquidate Hapoalim Switzerland.



6.5.7. Financial Management Segment

General information and structure

The activity of this segment includes:

- Activity in the banking book – Management of assets and liabilities, including the management of market and liquidity risks (for details regarding these risks, see the section "Review of risks" in the Report of the Board of Directors and Board of Management), through the establishment of internal transfer prices (see below), investment portfolio management, issuance of bonds and notes, deposits with banks outside Israel, and the execution of transactions in derivative financial instruments. The segment's activity in the banking book is mostly conducted through the Asset and Liability Management (ALM) Area in Israel and abroad, and through the Nostro Investment Management Unit, which is responsible for managing the portfolio of corporate bonds.
- Activity in the trading books – Market making and trading activity in the dealing rooms in the areas of foreign currency, interest rates, government bonds, and OTC derivatives.
- Trading activity with customers, in two areas:
  - Execution of transactions in securities and in tradable derivatives, through two dealing rooms: a dealing room for Israeli securities and a dealing room for foreign securities, as well as securities custody services.
  - OTC transactions in derivative financial instruments in NIS, foreign currency, interest rates, indices, and commodities through the dealing room. Service is provided to a range of customers, including institutional entities, business firms, selected private customers, and foreign customers, through dedicated desks providing personal service.
- The activity of this segment with customers also includes support for the development and pricing of sophisticated financial products and deposits with unique components.

Most of the income of the segment derives from exposure management in the banking book and in the trading book, and from spreads and fees in the dealing rooms' activity and operational services for customers. In addition, in calculating its income, the segment includes the results of the management of a portfolio of investments in shares and bonds and investments in equity-basis investee companies (primarily held by Poalim Equity).

This segment is also responsible for managing relationships with banks and financial institutions around the world, and is responsible for providing services to customers operating in Israel in a range of areas, including the capital and money markets.

Activities, products, and services

The banking book – asset and liability management

The Asset and Liability Management Area ("ALM Area") of the Bank is responsible for managing the assets and liabilities of the Bank, over the range of activities of the various segments. The ALM Area sets internal transfer prices ("Wholesale Rate") for raising and allocating resources for the use of the various segments. The Wholesale Rate constitutes the basis for the activity of the various segments with the Bank's customers, and is used to debit and credit the segments. The Wholesale Rate serves as one of the means for market and liquidity risk management.

The Bank accords high importance to raising resources that are stable and highly diversified. The Bank has varied sources of financing, primarily arising from deposits from the public in Israel, the large majority of which are from retail customers, with no dependence on any single depositor or group of depositors. The Bank also takes deposits from large institutional and corporate clients. In addition, the Bank raises resources through bonds and capital instruments (subordinated notes) issued by the Bank.

Funding in foreign currency includes deposits of private customers and corporate customers in Israel, foreign residents, Global Private Banking customers, Israeli companies abroad, issues of CDs and other instruments secured by the FDIC in the United States, issues of bonds abroad, NIS-foreign currency swap transactions, and repo transactions.

As part of market and liquidity risk management, the Financial Markets Division maintains a bond portfolio, consisting of government bonds and corporate bonds, including bonds of financial institutions. The portfolio is managed by the ALM Unit and the Nostro Investment Management Unit of the Bank.
Nostro investment activity is aimed at increasing flexibility in the management of the banking book, while taking advantage of opportunities to improve returns on liquidity surpluses and diversify areas of activity. The investment portfolio is part of the banking book, and includes investments in bonds and shares, in Israel and overseas.

Trading activity – dealing room (OTC and derivatives)

The Bank provides comprehensive services to its customers through its dealing rooms (OTC and derivatives), allowing them to operate in a range of financial instruments, with various underlying assets, for trading, protection, and risk-hedging purposes. Transactions with the Bank's customers are conducted in accordance with the credit limits allocated to them by the credit authorities at the Bank, and on the basis of the Bank's internal models. The models specify credit exposures for transactions executed in the dealing room. Awareness of and need for the activities offered by the dealing room has grown steadily in recent years; in response, and to maintain its standing as a leading and innovative bank, the Bank is offering a broader range of products with a higher level of sophistication, such as derivatives, including interest-rate options in NIS, exotic options, and sophisticated interest-rate products.
As part of the Bank's trading activity, the dealing room is one of the primary market makers in government bonds, and serves as a market maker in most of the products in which it operates.

Brokerage and custody services

The Bank offers its customers services for the execution of transactions in securities and in tradable derivatives, through two dealing rooms: a dealing room for Israeli securities and a dealing room for foreign securities; in addition, securities custody services are provided.

Services for financial asset managers

The Bank provides services to financial-asset managers: managers of mutual funds, managers of investment portfolios, and managers of provident funds, study funds, and pension funds.
The Bank also offers services related to account management for mutual funds, including, among other matters, asset revaluation, production of control reports, and preparation of reports to government agencies.
On December 31, 2025, the value of assets of mutual funds for which the Bank provides services related to account management, at various volumes, totaled approximately NIS 133 billion.

Services for financial institutions

The Banks and Financial Institutions Department is responsible for managing relationships and business connections with banks and financial institutions around the world. These relationships support the Bank's varied business activities, including foreign trade, trading in foreign currency, deposits, derivatives, and securities.
Within its activity with foreign banks and financial institutions, the Bank provides a wide range of services, including sub-custody services for leading foreign custodian banks active in Israel in the area of securities.

Competition

In recent years, Israel's financial markets have grown progressively more sophisticated. This is particularly notable in the broader range of products available to investors and market players. Various types of tradable instruments as well as derivative instruments are becoming more accessible.
Competition in all areas related to the activity of the dealing room and the securities trading rooms is extensive and intense. The principal competitors are the four major banking groups in Israel, foreign banks, and other financial companies specializing in this area.

Customers

The segment provides diverse services to all customers of the other segments at the Bank, both through the Bank's branches and CRMs, and through direct contact with large clients. The dealing room conducts marketing activity with foreign financial institutions, which has led to substantial expansion of the volume of activity with these customers (in the range of products for which the Bank serves as a market maker).

Regulation of activity

During the routine course of business, the Bank, and within it the Financial Management Segment, maintain extensive ties with the world's leading financial institutions. Business relations between the Bank and these entities in the various capital markets are based, among other things, on standard international arrangements, such as: framework agreements supporting the activity of dealing rooms, special agreements to minimize credit risks aimed at limiting credit risk in derivatives (credit support annex), or activity via international clearinghouses, to minimize counterparty risks and settlement risks in transactions in foreign currencies and in interest rates.



6.5.8. Adjustments

This section includes activities of the Bank Group with immaterial volumes, each of which does not form a reportable segment. This includes, among other things: (1) the results of the subsidiaries Diur B.P. Ltd. and Peilim Investment Portfolio Management Ltd.; (2) capital gains from the sale of buildings and equipment; (3) adjustments of inter-segmental activities.

6.6. Restrictions and supervision of the activity of the banking corporation

General information

The Bank operates under laws, regulations, and directives, some of which are unique to the banking system, and some of which, even if not unique, affect material parts of its activity. The Banking Ordinance, the various banking laws, and the Proper Conduct of Banking Business Directives issued from time to time by the Supervisor of Banks constitute the central legal foundation for the Bank Group's activity. Among other matters, they define the boundaries of the activities permitted to the Bank, the activities permitted to the subsidiaries and related companies of the Bank Group, the terms of control and ownership of such companies, the relationships between the Bank and its customers, the usage of the Bank's assets, and the manner of reporting such activity to the Supervisor of Banks and to the public.

In addition, the Bank is subject to extensive legislation regulating its activity in the capital market, both on behalf of its customers and on its own behalf (e.g. in the areas of investment advising and customer portfolio management, pension advising, securities laws, and restrictions on insurance activity).

Other laws on specific topics impose specific duties and rules on banks, including the Bank. Examples include the legislation related to the prohibition of money laundering and terrorism financing, the Credit Data Law, legislation related to housing loans, guarantee laws, etc.

Additional legislation related to the Bank's activity has a strong influence on its conduct. Noteworthy in this area are execution laws, liquidation and receivership laws, laws referring to specific segments (local authorities, mortgage takers, home buyers, the agricultural sector), and various tax laws.

The activity of the Bank is subject to supervision by the Supervisor of Banks, whose authority is exercised through guidelines, audits, and routine discussions that also reflect supervisory expectations. There are other supervisory agencies in specific areas of activity, such as the Israel Securities Authority; the Supervisor of the Capital Market, Insurance, and Savings at the Ministry of Finance; and the Competition Commissioner. These agencies carry out audits at the Bank, from time to time, concerning the various areas of activity.

The Bank and its subsidiaries work to comply with the duties imposed upon them under the aforesaid legal provisions.

The legislation establishes the possibility, with regard to most of the laws applicable to the activity of the Bank, to impose monetary sanctions for violations of the directives of the laws and the secondary legislation (including circulars and guidelines) issued in the past or future under such laws.

Regulatory initiatives

Regulatory guidelines and legislation following the Swords of Iron War and Operation Rising Lion

Bank of Israel outline of reliefs for assistance for customers during the war – On October 15, 2023, the Bank of Israel issued a comprehensive outline aimed at helping customers of the banking system cope with the impacts of the war. The outline was extended several times; on December 3, 2024, the Bank of Israel extended the outline by three additional months, from January 1, 2025, to March 31, 2025, with adjustments of the eligible population. In addition, the Bank of Israel formulated an outline specifically for owners of businesses operating in the northern region, aimed at assisting them through cash-flow relief due to the impacts of the escalation of the security situation, as part of economic restoration ahead of resuming routines. These customers can receive reliefs in the form of deferral of business credit payments, subject to the customer's request; businesses with an annual turnover of up to NIS 25 million are eligible to defer business credit payments by three months with no extra interest or fee charges, in a cumulative amount of up to NIS 2 million.

Proper Conduct of Banking Business Directive 251, "Adjustments of the Proper Conduct of Banking Business Directives to Cope with the Swords of Iron War" (Temporary Order) – On October 22, 2024, the Bank of Israel issued Proper Conduct of Banking Business Directive 251, which contains regulatory reliefs in several areas. The directive was updated several times during the war; the Bank of Israel released its most recent update on this subject on December 31, 2025, in which most of the reliefs were canceled, with the following exceptions:

Proper Conduct of Banking Business Directive 329, "Limits on Housing Loans" – Reliefs granted in connection with loans for the improvement of shielding of a residence by reinforcing a room within the home, up to an amount of NIS 200,000. Extended until March 31, 2026.

Proper Conduct of Banking Business Directive 315, "Industry Indebtedness Limit" – An extension of a temporary relief, due to the Swords of Iron War. On October 29, 2024, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 315 aimed at supporting the credit needs of the economy. The following are the main amendments to the directive:

- Financial services and insurance services industry – A temporary relief has been granted in the rate of the limit on the financial services and insurance services industry, such that the limit is examined separately in reference to activity in Israel and outside Israel, and the aggregate limit (Israel and overseas) does not exceed 25%.
- Construction and real-estate industry – The relief was extended by two additional years, until December 31, 2027.

Bank of Israel outline of reliefs for assistance for customers during Operation Rising Lion – On June 17, 2025, the Bank of Israel issued an outline aimed at helping customers of the banking system cope with the impacts of Operation Rising Lion, which began on June 13, 2025. The outline was primarily targeted to population groups directly harmed by damage caused by the fighting, including owners of small businesses and microbusinesses, households with injuries or damage to their homes due to missiles and those who had to evacuate from their homes, and reserve soldiers. For households whose homes were damaged and who were evacuated from their homes, an option was granted, among other things, to defer mortgage payments, in an unlimited amount, for a period of three months, with no interest or fee charges. In addition, an option was granted to defer consumer loans in a cumulative amount of NIS 100,000 for a period of three months, with no interest or fee charges. For owners of small businesses and microbusinesses, an option was granted to defer loans for two months, in a cumulative amount of up to NIS 2 million per business, with no interest or fee charges. In addition, for businesses of reserve soldiers, an exemption from interest charges on negative balances in the current account of the business (a negative balance of up to NIS 30,000) was granted for a period of two months. The Bank of Israel outline of reliefs was in effect until July 31, 2025.

Regulatory initiatives

Committee for the regulation of the use of artificial intelligence (AI) in the financial sector – On December 24, 2025, the interministerial committee for the examination of the uses of artificial intelligence in the financial sector released its final report. The committee recommended a risk-based approach, focused on systems at high risk, with no imposition of a requirement for specific explanation in every instance in which an artificial intelligence system is involved. In addition, it was determined that the need for renewed consent for the use of artificial-intelligence systems from past customers depends on the nature of the consent granted and the type of activity proposed to be performed, and that it is not mandatory to obtain renewed consent from every customer. It was also determined that it is not mandatory to obtain renewed consent for the use of past data, and that it would be derived from the nature of the existing consent and the type of activity proposed. The report also established the responsibility of the supervised body when it engages with a third party (such as a developer of an artificial-intelligence system), and that in general the limit of liability towards the customer in respect of the operation of the system should be prohibited.

Committee for the examination of the effect of the banking system on the rigidity of housing prices – On May 11, 2025, the Housing Cabinet resolved on the establishment of a "committee for the examination of the involvement of the banks in setting housing prices," to be headed by the head of the National Economic Council, with members including representatives of the Ministry of Finance, Ministry of Housing, Ministry of Justice, Competition Authority, and Bank of Israel. The committee's mandate is "to examine the existence of involvement of the banks in setting housing prices, among other matters by determining the terms of financing agreements between banks and developers, and the impacts that this may have on competition in the housing market." On July 27, 2025, the committee released a concluding report and recommended prohibiting the party financing a venture for a residential construction project from intervening in the developer's considerations in determining the selling prices of the homes in the venture, after entering into the financing agreement, and avoiding the inclusion of contractual conditions referring to changes in prices of homes in the venture in the financing contract of the venture. On August 27, 2025, the Supervisor of Banks sent a letter to the banks in which it asked them to adjust their conduct with developers in the financing of residential construction projects to implement the recommendations of the committee.

Bank of Israel outline for monetary reliefs – On March 30, 2025, the Bank of Israel issued an outline of reliefs to assist customers, for 2025–2026 (until March 2027), which has been voluntarily adopted by the banking system. The main points of the outline contain several topics, from which each bank can choose the reliefs it grants to its customers. The main topics are: interest or benefits in the area of positive balances in current accounts, and improved interest rates paid on short-term deposits; reduced interest rates on negative balances; fee exemptions or significant discounts for specified population groups; full or partial exemption for a fixed period from monthly payments, or reduced interest charged, on existing credit, for the period of the outline; and promotion of the development of a mechanism for automatic redirection of monies, above a minimum balance to be specified in advance, from current accounts to yield-generating tracks (sweep accounts). Within the outline, the banking system will allocate a total annual sum of NIS 1.5 billion to benefits for customers; if the outline is in place for two years, its cost would be NIS 3 billion. Each bank will finance reliefs and benefits for its customers at a monetary volume derived from its market share, of that amount. With regard to the benefits granted by the Bank, see the Private Customer Segment, above.

Change in trading days on the stock exchange – Further to an open call issued by the stock exchange in April 2024 for the examination of a change in trading days, on February 3, 2025, the stock exchange announced that it intended to move to trading on Monday to Friday, instead of Sunday to Thursday. The stock exchange released an outline detailing the way the transition would be carried out. The change in trading days took effect in January 2026.

Interministerial committee on increasing competition in the banking system – On December 1, 2024, the Minister of Finance and the Governor of the Bank of Israel gave notice of the establishment of a professional interministerial committee to increase competition in the banking system and in credit for small businesses and households. Goals of the committee include designing an outline for tiered banking licenses, which will enable non-bank entities to offer deposits and grant credit; improving the efficiency of and expanding credit sources for the retail sector, while reducing financing costs and lowering the cost of living; and examining the structural barriers to opening the market to additional players. The committee is headed by the Supervisor of Banks and the head of the Budget Division at the Ministry of Finance; members include representatives of the regulatory agencies and the Ministry of Justice.

On August 6, 2025, the committee released a concluding report containing recommendations on the following subjects, among other matters:

Removal of barriers to the entry of non-bank entities to the banking system, through bank licensing and the application of supervision and regulation appropriate for the nature and risk level of their activity; regulation of the option for a holding company of an institutional entity to concurrently control an institutional entity and a small bank; exemption from the requirement to provide certain services and products for small banks; expansion of the areas of activity of small banks; establishment of tiers in the licensing outline, according to the bank's size and extent of activity; regulation of the supervision of holding companies; addressing dependent relationships between potential players and the banking system, within which the committee recommended extending some of the infant competitor protections for credit-card companies; non-application of the law limiting executives' remuneration to small banks for a period of ten years from the receipt of a banking license; automatic exemption for small banks from the requirements of open banking and bank switching, for the first three years of the bank's activity; authorizing the Supervisor of Banks to grant reliefs and adjustments to small banks in relation to the directives of the law regarding compliance with a fixed fee list and the implementation of the requirements in the due-disclosure rules; and promotion of the option to rely on a third party with regard to identification and know-your-customer requirements of the Money Laundering Prohibition Order, in accordance with the international standards of the FATF.

The Economic Plan Bill (Legislative Amendments for Implementation of the Economic Policy for the Budget Year 2026), known as the "Arrangements Law," passed in a first reading on January 28, 2026. Section I of the law includes the Memorandum of Law for the Promotion of Competition in the Banking Market (Legislative Amendments), 2025. The memorandum proposes executing the legislative amendments recommended in the concluding report and required in order to allow the foundation of small banks, establish suitable supervision mechanisms, reduce legislative barriers, and encourage competition and innovation in the banking market.

On February 8, 2026, the Bank of Israel issued a draft Proper Conduct of Banking Business Directive concerning a supervisory framework for small and new banks entering permanent tier 1 (assets at a volume of up to NIS 15 billion) and permanent tier 2 (assets at a volume of NIS 15–50 billion). The draft describes the implementation in the Proper Conduct of Banking Business Directives of the reliefs recommended in the concluding report, such as reliefs in common equity capital ratios, leverage, liquidity, the work of the board of directors, operational risks, and consumer protection directives.

Open call for the examination of a securities remuneration model – On November 12, 2024, a team of regulators consisting of the Ministry of Finance, the Bank of Israel, and the Israel Securities Authority issued an open call for the examination of a model for remuneration in securities.

On September 21, 2025, the committee released an interim report and recommended a change in the remuneration model, with an emphasis on strengthening alignment between the service and the fee, and moving the emphasis to collection of fees directly from the consumer, instead of indirect fees from the producer.

Main points of the recommendations:

- Change of the securities management fee model so that management fees are collected at a monthly frequency as a shekel amount, according to tiers based on the value of the securities portfolio (up to 100 thousand, 100–400 thousand, and over 400 thousand).

- Collection of a dedicated consulting fee from customers who receive consulting services, according to the type of consulting: ongoing, one-time, or digital.
- Also collecting buying and selling fees in mutual funds from "active" funds.
- Reduction of distribution fees (to be called intermediation fees) in mutual funds to 0.2% and collection only for actual advised transactions.

These recommendations are expected to affect the income of the Bank.

Committee on reducing regulatory arbitrage in short- and medium-term investment and savings instruments – On April 18, 2024, the Ministry of Finance issued a call for comments from the public for the committee on reducing regulatory arbitrage in short- and medium-term investment and savings instruments. The committee is headed by the Director-General of the Ministry of Finance. On February 13, 2025, the committee published an interim report for comments from the public containing several recommendations, including, among other matters: cancellation of tax arbitrage between savings and investment instruments; granting savers a uniform tax benefit limited by a ceiling that is neutral in terms of the product; establishment of a single platform for viewing and managing all savers' savings and investment instruments, to be referred to as the "savings and investment platform," with a tax exempt investment account, serving as a user interface for savers and for intermediaries and advisors who provide them with services, managed by stock-exchange members. The advisory services would be provided by a financial planner with all of the appropriate licenses.

Directives of the Competition Authority

Concentration group – On March 26, 2024, the Competition Authority notified the Bank that it intended to declare the five largest banks a concentration group in the service provision industry, in the area of the offered banking services for retail customers. The Competition Commissioner further announced that she was considering issuing directives to the five banking groups regarding measures that they must take to prevent concerns over significant harm to the public and to business competition among the members of the concentration group and in the industry in which they operate.

A hearing was held for the Bank on September 23, 2024, in which it was given the opportunity to present its arguments to the Competition Authority.

On October 23, 2025, the Competition Authority notified the Bank that the Director-General had considered the arguments of the Bank, conducted additional examinations, and found that the arguments raised and the findings of the additional examinations were insufficient to alter her intention to determine that the five major banks constitute an oligopoly. The Director General gave notice that she intends to publish directives for the Bank in the area of deposits.

Prior to the Director General's decision regarding the exercise of her authority and the declaration of an oligopoly, the Bank was provided with the opportunity to present its arguments to the Competition Authority again.

Enforcement of competition laws – Risks arising from the interpretation of competition laws by the Competition Authority have intensified in the recent period. The policy of the Competition Authority is to increase enforcement, including the imposition of high sanctions on large companies in the Israeli economy. In addition, the Competition Authority frequently presents the Bank with demands for data.

Notification of the Competition Authority regarding expiration of the exemption granted to the banks for holdings in BCC – On March 31, 2024, the Competition Commissioner gave notice that she did not intend to extend the exemption under which an exception was granted for the restrictive arrangement pertaining to the structure of ownership of the company Bank Clearing Center Ltd. (BCC) by the five largest banks, and that it would therefore expire on June 18, 2025.

In February 2025, the shareholders of BCC filed a motion with the Competition Tribunal for a declarative remedy according to which the structure of holdings in BCC is an arrangement the restrictive aspects of which were determined in accordance with the law, and alternatively, a motion for approval of the restrictive arrangement among the shareholders in connection with their holdings of the company. In May 2025, the shareholders (including the Bank) submitted a request to the Competition Tribunal for a temporary permit to hold BCC. The request was submitted at the recommendation of the Competition Authority and subject to the fulfillment of additional conditions, including a change of the composition of the board of directors. In June 2025, the Competition Tribunal assented to the request and issued a temporary permit for continued joint holding of the company until February 1, 2026. In January, the Competition Tribunal extended the period of the temporary permit for holding of BCC by three additional months, until May 1, 2026, under the same conditions.

Payments

The Economic Policy Law, also known as the Arrangements Law, passed on June 8, 2023, included the legislation of Section B, which addresses basic and advanced payment initiation between entities that receive approval or license accordingly. The law states that a requirement to perform basic payment initiation will apply as of December 2024, and that as of June 2026 banks will be required to allow advanced payment initiators to contact them to request the execution of payments through the bank. Consumer protections pertaining to these services have also been established.

The Bank of Israel is also promoting additional initiatives, such as:

- **Identification code –** On January 13, 2026, the Bank of Israel announced a decision to expand the identification code used by banking corporations and non-bank entities to connect to payment systems into codes with three numerical characters, in response to the need for connection to the payment systems in the coming years, and to allow an increase of the number of financial players in the economy. The project is expected to be completed in 2029.
- **Confirmation of payee (CoP) project –** The Bank of Israel, in cooperation with the banks, is promoting an outline for beneficiary verification during local bank transfers in shekels.
- **Digital charge orders –** The Supervisor of Banks and the head of the Payment Systems Department at the Bank of Israel announced on December 22, 2024, that they intend to promote regulation requiring the creation and acceptance of digital charge orders.
- **Central bank digital currency (CBDC) in shekels: initial specification of digital shekel system –** In March 2025, the Bank of Israel released an initial specification document for the Digital Shekel System (Shaked), a direct liability of the central bank towards the holders. The Shaked is intended to serve as a digital substitute for cash, create uniformity in money, and encourage competition and innovation in the payment system. The system will operate based on a two-layer model in which the Bank of Israel administers the central infrastructure, while the private sector, including payment service providers (PSPs) and financial institutions, supplies the interfaces and services to end users. The specification emphasizes advantages such as full availability (24/7/365), support for online and offline payments, and a higher level of privacy than existing digital payment means, along with mechanisms for the prevention of money laundering and fraud. The committee plans to submit recommendations to the Governor of the Bank of Israel on the question of whether it is the right time to issue the Shaked, by the end of 2026.

Directives of the Bank of Israel on additional matters that were issued or took effect during the reported period

- **Proper Conduct of Banking Business Directive 329, "Limits on Housing Loans" –** On February 8, 2026, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 329. The directive provides reliefs on approvals of general-purpose loans with a mortgage on a residence, and changes the definition of the calculation of the ratio of the monthly payment to income (PTI). The directive took immediate effect, with the exception of the PTI section, which takes effect on July 1, 2026.

- **Proper Conduct of Banking Business Directive 412, "Providing Services to Customers Under Sanction Regimes" –** On December 30, 2025, the Bank of Israel released Proper Conduct of Banking Business Directive 412, which determines conduct for banks with customers subject to sanction regimes. The directive prohibits banks from managing the risks arising from sanction regimes by means of sweeping preemptive avoidance of the provision of services to affected customers. In addition, in order to ensure appropriate service to customers, it has been determined that in cases in which a bank decides to restrict a customer's financial activity, the bank must provide the customer with its decision in writing, with details of the reasons for the decision.
- **Proper Conduct of Banking Business Directive 426, Provision of a Professional Human Telephone Response" –** On November 30, 2025, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 426, stating that banks must provide a professional human response by telephone through a call center operating at all times of day and on all days of the week, including during weekly rest hours, on the subject of suspected fraud in payment services and with regard to the delivery of messages from customers regarding concerns over misuse, in accordance with the Service Law. The service shall be available to the public continuously. The inception date of the update is May 31, 2026.
- **Proper Conduct of Banking Business Directive 218, "Leverage Ratio" –** On September 14, 2025, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 281 extending the relief granted in minimum leverage ratio rates by an additional year, so that they remain at 4.5% and 5.5%, instead of 5% and 6%, respectively, until June 30, 2027.
- **Proper Conduct of Banking Business Directive 367, "E-Banking" –** On July 17, 2025, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 367, "E-Banking." The update requires a bank to provide another bank with substantiated information that can, in its estimation, help identify and prevent fraud at the other bank, with the gathering, use, retention, and transfer of the information to be performed in accordance with the directives of the law, including privacy protection laws and competition laws. This directive took effect on December 31, 2025.
- **Proper Conduct of Banking Business Directive 447A, "Publication of Concentrated Information About Money-Market Funds and Short-Term Notes" –** On April 9, 2025, the Bank of Israel issued the new Proper Conduct of Banking Business Directive 447A, aimed at increasing bank customers' exposure to existing and new money-market funds and to short-term notes (Makam), and improving customers' ability to compare and competition in the financial system. The directive took effect on October 19, 2025, while Sections 19–20, which concern the presentation of personal information to customers and the requirement to present the concentrated publication on a public website, took effect on February 9, 2026.
- **Banking Rules (Service to Customers) (Fees), 2008 –** On April 9, 2025, the Bank of Israel issued an update of the Banking Rules, adding Section 15 to the fee list, on the subject "Services of concentrated financial information of a customer and analysis thereof," allowing banks to charge a fee in providing this service.
- **Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk," and Proper Conduct of Banking Business Directive 329, "Limits on Issuing Housing Loans" –** On April 6, 2025, the Bank of Israel released an update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk," updating the guidelines on weighting of credit risk in connection with financing agreements for residential construction projects where the percentage of apartment sale contracts in which a significant part of the sale price is deferred to the delivery date (non-linear payment) exceeds 25%. In addition, Proper Conduct of Banking Business Directive 329, "Limits on Issuing Housing Loans," was updated with a limit on the scope of bullet and balloon loans subsidized by the contractor, of total housing loans.
- **Proper Conduct of Banking Business Directive 313, "Large Exposures" –** On February 3, 2025, the Bank of Israel issued Proper Conduct of Banking Business Directive 313, "Large Exposures," replacing Proper Conduct of Banking Business Directive 313, "Limits on the Indebtedness of Borrowers and Groups of Borrowers," and adapting the directive to the recommendations of the Basel Committee. It was further established that in the event that a deviation from the large exposure limit forms in relation to an existing exposure as a result of the inception of the directive, the amount of the deviation should be reduced by equal quarterly installments within two years of the inception of the directive. This directive will take effect on July 1, 2026.

- **Cyber risks arising from quantum computing capabilities –** On January 5, 2025, the Supervisor of Banks issued a letter on the subject of quantum computing. The Bank is required to act to raise awareness, routinely monitor developments in the field of quantum computing, and assess the associated cyber risks; act to map and manage encrypted information assets; and prepare to develop competencies and capabilities to cope with cyber risks related to quantum computing.
- **Proper Conduct of Banking Business Directive 364, "Management of Information Technology Risks, Information Security, and Cyber Defense" –** On November 18, 2024, the Bank of Israel issued the new Proper Conduct of Banking Business Directive 364, aimed at proper and effective management of information technology, with the minimization of events in which technological risk materializes and the confidentiality, integrity, or availability of information assets is impaired. The directive serves as a uniform foundation for the management of all technological risks, allowing the banks flexibility to manage the risk according to the developing technologies and changing risks, including the referenced threats specific to each bank. The inception date of the directive is May 18, 2026.
- **Proper Conduct of Banking Business Directive 451, "Procedures for Granting Housing Loans" –** On July 19, 2023, the Bank of Israel issued an update of the Proper Conduct of Banking Business Directive stating, among other matters, that borrowers would be able to give notice of their intention to prepay a loan online or via telephone, and to receive the required information and documents in the prevalent ways, including online, according to the borrower's choice, in a format that allows saving and printing. In addition, in the course of refinancing a loan using a loan from another bank, borrowers will be able to choose whether to give notice of their intention to prepay the loan directly to the original bank or through the new bank. Borrowers also will not be required to visit the branch of the original bank to receive the documents required for the process of refinancing a loan. These documents will be transferred from the original bank directly to the new bank.

  On September 30, 2024, the Banking Supervision Department issued an update of the directive postponing the inception date of Section 15B1 of the Proper Conduct of Banking Business Directive, with regard to refinancing of a housing loan through another banking corporation, to April 1, 2025.
- **Proper Conduct of Banking Business Directive 369, "Model Risk Management" –** On August 21, 2024, the Bank of Israel issued a new Proper Conduct of Banking Business Directive stating, among other matters, that model risk should be managed similarly to other types of risk, including the responsibility of the board of directors and senior management for supervision, control, and management of the risk, and involvement of the three lines of defense in management of the risk. The directive states that model risks should be identified, monitored, assessed, and minimized. This directive took effect on August 21, 2025.
- **Update of Banking Rules (Service to Customers) (Fees), 2008 –** On July 31, 2024, the Banking Supervision Department issued an update of the Banking Rules (Service to Customers) (Fees), 2008. Main points of the updates:
  - Update of the definition of a "small business."
  - Bank guarantee: the price structure for the fee for a "bank guarantee secured by a specific monetary deposit" was updated to NIS. In addition, a fee for a "bank guarantee secured by a specific monetary deposit for the purpose of a service agreement for a residence (in guarantee amounts of up to NIS 50,000)" was added.

  The updates of the fee rules took effect on February 7, 2025.
- **Proper Conduct of Banking Business Directive 206, "Capital Measurement and Adequacy – Operational Risk," and questions and answers document –** On June 23, 2024, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 206, in which a decision was made to adopt the Basel Committee directive of December 2017 concerning the calculation of capital requirements in respect of operational risk. The directive is taking effect gradually, beginning January 1, 2026.

- **Proper Conduct of Banking Business Directive 447, "Interest Rates on Deposits and Positive Account Balances" –** On May 20, 2024, the Bank of Israel issued a new banking procedure stating that banks must display a uniform summarized publication of the common types of deposits and additional deposits, to strengthen transparency and customers' ability to make comparisons. Banks are also required to provide a search mechanism enabling customers to receive information about the types of deposits that fit their needs, in order to allow an intuitive, clear, understandable, simple selection process for customers. This directive took effect on April 1, 2025.
- **Proper Conduct of Banking Business Directive 333, "Interest-rate Risk in the Banking Book" –** On December 20, 2023, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 333. The directive established principles according to which banks are required to manage interest-rate risk in the banking book, and in particular, requirements to take effective action to identify, measure, monitor, control, and disclose the risk. This directive took effect on July 1, 2025.
- **Proper Conduct of Banking Business Directive 461, "Activity of a Banking Corporation as a Broker-Dealer" –** On July 19, 2023, the Bank of Israel issued a new Proper Conduct of Banking Business Directive concerning the regulation of all banking activity in the areas of securities and foreign-currency derivatives, including the receipt and transfer of orders for the execution of transactions in securities for customers, both in their capacity as intermediaries and via trading for their own account. The directive is based on globally prevalent standards, including the requirements set forth in the Markets in Financial Instruments Directive (MiFID II) in Europe. This directive took effect on August 1, 2025.
- **Proper Conduct of Banking Business Directive 345, "Principles for Effective Management of Climate-Related Financial Risks" –** On June 12, 2023, the Bank of Israel issued a Proper Conduct of Banking Business Directive establishing principles which banking corporations are required to follow to optimally manage their exposure to climate-related financial risks, based on a document published by the Basel Committee in June 2022. This directive will take effect on June 12, 2026.
- **Proper Conduct of Banking Business Directive 501, "Management of Customer Support Service Systems" –** On March 29, 2023, the Bank of Israel issued a directive formalizing principles and work processes in the area of customer service and support. Among other matters, the directive establishes principles for the provision of service and support to customers of banks through the various service channels. Banks must establish and publish a service covenant in which they express the service concept and policy they wish to promote towards their customers, and a service-level agreement (SLA) that specifies the services offered, the channels for service and support, the terms for receiving the various services through the different service channels, and the service levels to which the bank commits in each service channel. Most of the sections of the directive took effect in June 2024, and the remaining sections took effect in March 2025.

New legislation

- **Law for Special Tax on Profits of Banks in 2026 to 2030 (Temporary Order), 2026 –** The Law for Special Tax on Profits of Banks in 2026 to 2030 (Temporary Order), 2026, passed in a first reading on January 28, 2026. A tax at a rate of 15% is proposed to be imposed on profit exceeding 50% of the average profit in the baseline years 2018–2022 (in the following years the baseline profit would be calculated with the addition of the increase in GDP), and collected only in years in which the profit exceeds the established threshold.
- **Establishment of credit database for corporations –** The Memorandum of Law on Legislation for the Implementation of the Economic Policy for the Budget Year 2026, which includes a chapter on the establishment of a credit database for corporations, passed in a first reading on January 28, 2026. On February 9, 2026, the memorandum of law was split from the Arrangements Law and it was determined that it would be transferred to legislation in the regular pathway.

- **The Insolvency and Economic Rehabilitation Bill (Amendment No. 9) –** Amendment 9 to the Insolvency Law passed in a second and third reading on January 28, 2026. As part of the effort to cope with the economic impacts of the Covid-19 pandemic, a temporary order (Amendment No. 4) was established creating an additional program within insolvency proceedings allowing debtors to apply to the court for a stay of proceedings, in order to negotiate a debt settlement with their creditors without declaring insolvency. The bill would convert the temporary order into a permanent order.
- **Bill for Regulation of Securitization Transactions (Legislative Amendments), 2023 –** The bill passed in a first reading on May 26, 2025. The bill implements the conclusions of the interministerial committee for the promotion of securitization in Israel, which were published in 2015, and covers three main areas: regulation of securitization transactions and the legal outcomes thereof; regulation of the offering to the public of notes issued by the designated corporation; and regulation of tax aspects of securitization transactions.
- **Banking Law (Service to Customers) (Amendment No. 39), 2025 –** A bill requiring banks to notify individual customers of a positive balance in a current account in an amount exceeding NIS 15,000 for at least a continuous quarter passed in a second and third reading on May 20, 2025. The notification is to include a referral to information about possible investment alternatives. These notifications are to be delivered at the beginning of every quarter, and, for a period of eighteen months from the inception date of the law, at the beginning of each month. This law took effect on November 21, 2025.
- **Banking Law (Service to Customers) (Amendment No. 38), 2025 –** A bill passed in a second and third reading on May 13, 2025, concerning the deposit of monies in a closed system for deposit switching, such that, among other matters, banking corporations cannot refuse to accept a monetary deposit or savings plan from another bank, must manage the switching process for their customers who move their deposits, and cannot make such acceptance conditional upon an engagement to open an account with the receiving bank, or any other service with it, provided that the original deposit or plan are operated at a non-foreign bank. This law took effect on December 1, 2025.
- **Banking (Service to Customers) Bill (Amendment – Interest on Positive Balance), 2023 –** On February 20, 2025, a private bill passed in a preliminary reading, proposing the establishment of an arrangement mandating that banks pay their customers interest on positive balances in their accounts, with the Governor of the Bank of Israel to determine the minimum rate of the interest, following consultation with the advisory committee and with the approval of the Minister of Finance.
- **Protection of Privacy Bill (Amendment No. 13), 2022 –** On August 5, 2024, the bill passed in the second and third readings in the Knesset. The amendment is expected to adapt the existing regulation in Israel in this area to the technological and societal developments, and to the European legislation (GDPR); to reduce the requirement to register databases; and to expand the administrative enforcement authority of the Privacy Protection Authority. This law took effect on August 5, 2025.
- **Balance Plan Law (Legislative Amendments for the Achievement of the Budget Goals for the Budget Year 2024), 2024 –** On March 13, 2024, the Knesset passed the Special Payment for the Achievement of the Budget Goals Law (Temporary Order – Swords of Iron), 2024, pursuant to which a bank other than a bank with a small volume of activity (a bank with asset value of 5% or more of the asset value of all banks in Israel) (hereinafter a "Paying Bank") shall pay the state treasury, in respect of the period from April 1, 2024, to December 31, 2025, an annual payment in an amount equal to 6% (in 2024 – 4.5%, due to the partial period) of the profit generated by its activity in Israel. This payment does not constitute a deductible expense for tax purposes.
- **Value Added Tax Order (Rate of Tax on Non-Profit Organizations and Financial Institutions) (Amendment), 2024 –** According to the order, released on April 14, 2024, the rate of wage tax and profit tax to be paid on the activity in Israel of a financial institution will be updated in accordance with the increase in the rate of VAT as of 2025. This amendment will apply to paying banks from 2026 forward.

6.7. Ratings of the Bank

The following ratings have been assigned to the Bank by rating agencies in Israel and abroad:

Table 6-6: Ratings

Bank Hapoalim

Rater	Rating subject	Rating	Rating outlook/ forecast	Date of rating / rating affirmation
Maalot S&P	Long-term issuer rating[1]	ilAAA	Stable	February 4, 2026
	Short-term issuer rating	ilA-1+		February 4, 2026
	Bonds (Series 100, 102, 103, 200, 201, 202, 203, 204)	ilAAA		February 4, 2026
	Subordinated notes with a loss-absorption mechanism (Series E, F, G, J, K, L, M, N, O)	ilAA-		February 4, 2026
	Commercial Securities (Series 1)	ilA-1+		February 4, 2026
	Commercial Securities (Series 2)	ilA-1+		February 4, 2026
Midroog	Long-term deposits	Aaa.il	Stable	November 4, 2025
	Short-term deposits	P-1.il		November 4, 2025
	Bonds (Series 100, 102, 103, 200, 201, 202, 203, 204)[2]	Aaa.il	Stable	November 4, 2025
	Subordinated notes with a loss-absorption mechanism (Series E, F, G, J, K, L, M, N, O)	Aa2.il(hyb)	Stable	November 4, 2025
	Commercial Securities (Series 1)	P-1.il		November 4, 2025
	Commercial Securities (Series 2)	P-1.il		November 4, 2025
International rating agency – S&P	Long-term issuer rating[1][3]	BBB+	Stable	February 3, 2026
	Short-term issuer rating[3]	A-2		February 3, 2026
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)[4]	BBB-		February 3, 2026
	Bonds (Poalim $ 2029 ICT, Poalim $ 2033 ICT)[4][5]	BBB+		February 3, 2026
International rating agency – Moody's	Long-term deposit rating[6]	Baa1	Stable	February 3, 2026
	Short-term deposit rating	P-2		February 3, 2026
International rating agency – Fitch	Long-term issuer rating[7][8]	A-	Stable	November 18, 2025
	Short-term issuer rating[7]	F1		November 18, 2025
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)[4]	BBB		November 18, 2025
	Bonds (Poalim $ 2029 ICT, Poalim $ 2033 ICT)[4]	A-		January 15, 2026

(1) The rating agencies S&P Global Ratings and S&P Maalot raised the rating outlook of the Bank from negative to stable on May 29, 2025, and affirmed the rating and outlook on February 3, 2026, and February 4, 2026, respectively.
(2) With regard to Series 102 and 103, the rating was also given recently on December 23, 2025, in relation to the expansion of these series.
(3) As of August 2021, the rating agency S&P Global Ratings assigns a rating identical to the rating of the Bank to the New York Hapoalim branch, which is not a separate legal entity.
(4) Traded on the Retzef Mosdi'im (Institutional Continuous Trading) system.
(5) An initial rating of these two series was given by S&P Global Ratings on January 8, 2026.
(6) Moody's has raised the rating outlook of the Bank from negative to stable. See the Immediate Report of the Bank of February 3, 2026. Moody's issued a detailed supplementary report on February 9, 2026.
(7) As of May 2023, Fitch has assigned an additional ex-government support (xgs) rating to financial institutions; a long-term rating of A- (xgs) and a short-term rating of F1 (xgs) have been assigned to the Bank.
(8) On October 29, 2025, Fitch raised the rating outlook of the Bank from negative to stable. See the Immediate Report of the Bank of October 30, 2025.

Table 6-6: Ratings (continued)

State of Israel

Rater	Long-term rating	Short term	Rating outlook/ forecast
International rating agency – S&P	A	A-1	Stable[1]
International rating agency – Moody's	Baa1		Stable[2]
International rating agency – Fitch	A	F1+	Negative

(1) On November 7, 2025, S&P Global Ratings announced an upgrade of the rating outlook of the State of Israel from negative to stable. The ratings remained unchanged.
(2) On January 30, 2026, Moody's announced an upgrade of the rating outlook of the State of Israel from negative to stable. The rating remained unchanged.

6.8. Social involvement and contribution to the community; social banking

Strategy and vision

The Bank, alongside its business operations, has been committed for many years to the advancement of the society and community of Israel, and has taken action to reduce inequalities and create equal opportunities.

Based on this approach, the Poalim Community Foundation, which is managed by the Social Banking Center at the Bank, promotes hundreds of initiatives aimed at strengthening employment, education, and financial resilience and lessening inequalities for hundreds of thousands of adults, children, and adolescents from every part of Israel. This extensive activity is conducted through partnerships forged with non-profits and social organizations, and takes the form of community engagement, monetary donations, money-equivalent contributions, and widespread volunteering by the employees and managers of the Bank.

In view of its many years of commitment to society and the community, the Bank added the concept of impact banking to its vision, reflecting its complete world view: "Committed to growth through impactful, innovative, fair banking for our customers."

The community engagement of the Bank in 2025 was expressed in a cumulative financial expenditure of approximately NIS 94 million. The budget for this activity is established based on a predetermined formula, in reference to the net profit of the last three years. This decision is made separately for each specific year, and approved within the overall budget of the Bank. Of the total expense, approximately NIS 1.4 million was donated to non-profit organizations with a connection to related parties of the Bank, following approval of these donations by the Audit Committee of the Board of Directors.

This expenditure includes the dedicated aid fund, Poalim Rebuild, which was founded at the outbreak of the Swords of Iron War in October 2023 with a total amount of NIS 100 million, and focuses on restoration for towns and population groups harmed by the war in the areas of resilience, education, and employment. The fund is led by a public committee responsible for its policy, approval of operational plans, and the budget for its activities. At the date of the report, after mapping and identifying urgent needs on the ground, in consultation with representatives and heads of local councils, the public committee of the Poalim Rebuild Fund has approved support for dozens of significant projects, at the total volume of NIS 100 million made available to the fund, including:

- A multi-stage program, B'shvil Hahatzlacha, for soldiers and members of the security forces injured in the Swords of Iron War, with the Association of Friends of the IDF Disabled Organization. The program provides assistance in the form of grants, individualized rehabilitation, and advice and guidance for returning to employment, through placement and training, including scholarships in the amount of NIS 12 million.
- The Poalim Le'atid initiative at Sapir Academic College, in which every student at the college is involved in the restoration of the Otef Aza region and receives academic credits in return, as part of their academic training.
- Foundation of two agricultural boarding schools, at Moshav Sde Nitzan in the Eshkol Regional Council, and at Kibbutz Yir'on in the Upper Galilee.

- A remedial teaching program at 38 schools in the Western Negev and northern regions (including from an emergency fund budget).
- Establishment of 52 early education excellence centers in the Otef Aza region and in northern Israel. The centers offer pedagogical guidance to preschool staff, mental-health solutions for children and parents in the community and for educational staff, and design of the educational environment of the preschool.
- Foundation of nine pre-military training programs in towns in the Western Negev region and in the combat zone region in the north.
- Foundation of 24 resilience centers at twelve elementary and junior high schools in the cities of Sderot and Ofakim, to benefit children who experienced trauma on October 7th.
- Poalim Tsafona for Businesses and Families – A program providing individual support to families and business owners in the north harmed by the Swords of Iron War.
- Creating a supportive environment for children and empowering adolescents through innovative educational programs promoting excellence in Kiryat Shmona and in communities along the northern border.

Concurrently, the Bank continued to assist population groups harmed during Operation Rising Lion.

This included support by the Bank for the following entities and ventures, among others:

- Support for hospitals: Soroka, Ichilov, and Beilinson, after Soroka Hospital was directly hit by a missile and Tel Hashomer Hospital set up a field hospital to take in its patients.
- Support for the Weizmann Institute, which suffered a direct missile hit, for restoration of its cancer research laboratories.
- Setup of an emergency contact center for non-profit organizations helping people harmed during Operation Rising Lion through Erech Laderech. Through communications received at the center, NIS 1.5 million in money and money-equivalents has been raised for the non-profits to date.
- Organization of leisure activities for evacuated families, under the heading "Poalim with the Lionesses and Lions," at 35 hotels nationwide. Children who participated enjoyed musical activities, treats, and games. Each family also received an initial essentials kit as a gift from the Bank. This activity was met with great appreciation by the evacuated families.
- Support for a benefits access program through the non-profit organization Pitchon Lev at hotels for evacuees in Bat Yam, Rishon Lezion, Rehovot, Tamra, and Haifa. In addition, 1,500–2,000 food baskets were supplied.
- The project Hitarvut Hibuki ("Huggy Intervention") by Telem, sponsored by the Bank (in the program, children and their families are given a "huggy" doll and participate in a therapeutic workshop led by professionals) – After the Bank supported children in Ashkelon and Nahariya, a decision was made to support a mobile treatment unit designed to reach and treat children who were spending nights in train stations and underground shelters in various cities during the operation. The support for Telem was also used to open another branch in the Krayot area and to open a treatment and training center at Rambam Hospital.

Activities for society and the community during routine times

Employment

The Bank has continued to promote quality employment, aimed at improving individuals' social mobility, independence, sense of capability, and well-being. This effort is conducted through high-quality training and job placement for people from socially and geographically peripheral regions; providing tools and guidance; supporting entrepreneurship, small businesses, and the high-tech industry; encouraging higher education; and empowering the generation of the future. Selected examples of activities promoting these social causes follow.

- Promoting initiatives and high technology – The Bank supported leading non-profits such as 8200 Impact, KamaTech, JBH, and Yozma Leumit, which helped approximately 1,600 beneficiaries.
- Guidance for businesses – Hundreds of small businesses were mentored by the non-profits Jasmine, Yozmot Atid, 8200, and others, sponsored by the Bank.

- The Bank supported a project promoting quality employment for Israelis of Ethiopian descent through the non-profit organization Olim Beyahad.
- Rosh Hashanah fair for reservists' businesses at Ofer shopping malls nationwide – To help businesses owned by families of reserve soldiers, the Bank worked with the Reservists' Wives Forum to run a sales fair, in two one-week sessions, where dozens of reservists' families sold their wares. The public responded en masse and visited the fairs to buy holiday gifts.
- A project for guidance and empowerment of reservists' families nationwide, in collaboration with the non-profit organization Habayit.
- The Bank supports the financial growth of small businesses and non-profit organizations. Within this support, the Bank supported the non-profit organization Yozmot Atid, in a new program for women business owners nationwide who are reservists and reservists' partners, and who experienced financial crisis due to the war. The program focuses on restructuring the business through entrepreneurship, and is targeted to businesses owned by women, many of whom had to bear the sole burden of running a household while their husbands were called up for reserve military service, while facing a significant drop in income and financial uncertainty.
- The non-profit organization Tsofen – The Bank supported a mentoring program designed to help 300 students of the Arab sector join the high-tech industry, through individual meetings with mentors who are Jewish and Arab experienced engineers at various tech companies. The Bank also sponsored the organization's annual conference, attended by CEOs of high-tech companies and senior officials from the Ministry of Labor and the Innovation Authority.

Social leadership and the generation of the future

- The Poalim Success scholarship program continued for a sixth year. Through this project, the Bank awards scholarships to more than 400 students, helping them acquire higher education and reduce social inequalities while providing a skill set to encourage excellence and quality employment. This project is conducted in partnership with the non-profit organizations Educating for Excellence and Amanina, the Saleh Falah Foundation, Sapir College, and others.
- Support for the non-profit organization Kav Mashve, empowering people with academic degrees from the Arab sector and promoting their inclusion in meaningful career paths and key roles. Through a collaboration with the Business Clubs program, the program expanded to seventeen clubs supporting more than 300 students at leading universities in Israel. An alumni community was established with the non-profit organization.
- As part of its work to nurture the generation of the future, the Bank collaborated with the non-profit organization Mafligim El Ha'ofek (Towards the Horizon), which helps soldiers reach financial independence and find their place in society. The Bank provided assistance to hundreds of discharged soldiers through this project.
- The Bank continues to provide significant support to the non-profit organization Unistream, which creates opportunities for teenagers through entrepreneurship as a way of life and a key means of building resilience and competence. The Venture of the Year event, a youth entrepreneurship competition in Israel, was held in the third quarter of 2025.
- The Bank also focuses on promoting gender equality and economic empowerment of women, through support for organizations such as the non-profit Shavot. As part of its support for this organization, the Bank supports a leadership program with approximately 150 groups nationwide, designed to enable adolescent girls to gain a stronger sense of self-worth and offer practical tools for the realization of their ambitions.

Poalim Community – nationwide initiatives

- **Passover project tradition –** During Passover week, the Bank invited all Israelis to travel during the holiday and visit a wide range of sites across the country free of charge. The project was held under the heading, "20 Years of Passover with Bank Hapoalim." Over 300 thousand people visited sites and museums nationwide during Passover, and participated in workshops and individual meetings with tourism businesses in the south. This year's project focused on museums and tourism sites in the north.
- **Annual Israeli Art Exhibition –** Over 5,000 people visited the twenty-fourth annual art exhibition of the Bank and purchased artwork. This year's exhibition was dedicated to the Nova Tribe community and survivors of the festivals of October 7. 600 works of art by Israeli artists, including some who are employees of the Bank, were exhibited, and the exhibition raised NIS 1.4 million in donations for the non-profit.
- **Great Mall Challenge –** A values-driven activity for families on the subject of financial education, held during the Hannukah holiday for the fourth consecutive year, free of charge. Within this activity, held at ten major shopping malls across Israel, sites were set up inviting the public to participate in a challenge in which children and parents take a simulated shared shopping trip, experiencing tasks in which they learn about budget management and coping with financial dilemmas, to achieve smart and frugal purchases. About 55,000 people participated in this activity during the week of the holiday.
- **Miss Fix the Universe and Miss Fix the Community –** A joint initiative of the Social Banking Center with Miss Fix the Universe by the Israel Women's Network, for the third consecutive year, aimed at encouraging social entrepreneurship by women. This year's focus was on all women whose activities have been dedicated to the population groups directly or indirectly harmed by the events of October 7th and the war. Approximately 250 women applied to the program, of which ten initiatives were chosen to receive financial support, guidance, and an image video for the project.
- **Kehil-UP Competition –** The Bank, with the Network of Young Adult Centers in Israel, held the competition for the second year, aimed at encouraging social entrepreneurship among young adults. 570 ventures from 90 municipalities were submitted as candidates. At the competition's closing ceremony, held at the Bank, five winners were announced and awarded development grants of NIS 40,000 each, and three additional projects voted "community favorites" by the audience won grants of NIS 15,000 each. A total of NIS 245,000 was granted to support the ventures. The projects selected this year focused on rebuilding, memorialization, reserve soldiers, and employment.
- **Bit Social –** In 2025, the Bank participated in nationwide fundraising campaigns in which the Bit app served as a key channel for donations. Millions of shekels were raised through the app during 2025 for holiday meals for people in need, children and adults with disabilities, victims of terrorism, mental-health causes, children orphaned on October 7th, and the Hostages and Missing Families Forum.

Volunteering

Over 5,000 volunteers participated in activities dedicated to the community in 2025, reaching a total of 60,000 hours, of which 46,000 hours through the Summer Youth program. Approximately 1,300 children of employees, aged 15–18, participated in activities benefiting and contributing to the community.

Within the Matan project, employees of the Bank donated NIS 560,000, to which the Bank added a donation in the amount of NIS 500,000 to the same causes and organizations.

Accessibility and diversity

As part of the Bank's approach to service and social responsibility, the Bank considers accessibility to people with disabilities an essential issue and its duty as a business; within this service concept, all of the Bank's services have been made accessible to people with disabilities, and accessibility is taken into consideration in the development of new products and processes and in tailoring unique solutions for the Bank's customers.

As a diverse bank for diverse customers, the Bank is proud to employ approximately 1,000 people from underrepresented population segments.



7. Appendices

7.1. Statement of profit and loss and balance sheet – multi-period data

Table 7-1: Consolidated statement of profit and loss for the years 2021–2025 – multi-period data

	For the year ended December 31				
	2025	2024	2023	2022	2021
	NIS millions				
Interest income	**36,788**	35,495	32,971	19,220	11,684
Interest expenses	**(18,685)**	(18,545)	(16,886)	(5,753)	(1,917)
Net interest income	**18,103**	16,950	16,085	13,467	9,767
Provision (income) for credit losses	**1,299**	693	1,879	(34)	(1,220)
Net interest income after provision for credit losses	**16,804**	16,257	14,206	13,501	10,987
Non-interest income					
Non-interest financing income	**1,518**	959	1,267	581	1,081
Fees	**4,431**	3,980	3,892	3,705	3,355
Other income	**504**	71	138	167	189
Total non-interest income	**6,453**	5,010	5,297	4,453	4,625
Operating and other expenses					
Salaries and related expenses[(1)]	**4,671**	4,486	4,577	4,470	4,409
Maintenance and depreciation of buildings and equipment[(1)]	**1,446**	1,445	1,477	1,391	1,287
Other expenses[(1)]	**2,287**	3,076	2,177	2,111	2,107
Total operating and other expenses	**8,404**	9,007	8,231	7,972	7,803
Profit before taxes	**14,853**	12,260	11,272	9,982	7,809
Provision for taxes on profit	**5,093**	4,559	3,930	3,548	2,958
Profit after taxes	**9,760**	7,701	7,342	6,434	4,851
The Bank's share in profits (losses) of equity-accounted investees, after taxes	**42**	(66)	18	99	49
Net profit					
Before attribution to non-controlling interests	**9,802**	7,635	7,360	6,533	4,900
Loss (profit) attributed to non-controlling interests	**-**	-	-	(1)	14
Attributed to shareholders of the Bank	**9,802**	7,635	7,360	6,532	4,914
Earnings per ordinary share in NIS					
Basic earnings					
Net profit attributed to shareholders of the Bank	**7.43**	5.72	5.50	4.89	3.68
Diluted earnings					
Net profit attributed to shareholders of the Bank	**7.42**	5.72	5.50	4.89	3.68

(1) Reclassified in 2021–2023.

Table 7-2: Consolidated balance sheet for the years 2021–2025 – multi-period data

	December 31				
	2025	2024	2023	2022	2021
	NIS millions				
Assets					
Cash and deposits with banks	**71,892**	117,053	107,730	133,424	189,283
Securities	**144,245**	121,838	127,122	107,400	71,105
Securities borrowed or purchased under agreements to resell	**7,419**	2,227	4,723	898	1,253
Credit to the public	**510,480**	450,303	414,375	394,262	357,729
Allowance for credit losses	**(7,599)**	(6,820)	(6,994)	(5,535)	(5,106)
Net credit to the public	**502,881**	443,483	407,381	388,727	352,623
Credit to governments	**2,481**	1,870	3,175	2,157	1,969
Investments in equity-accounted investees	**989**	1,460	1,527	1,198	853
Buildings and equipment	**4,192**	3,883	3,672	3,522	3,555
Assets in respect of derivative instruments	**25,049**	22,149	25,229	21,832	12,984
Other assets	**7,517**	6,881	5,971	6,195	5,156
Total assets	**766,665**	720,844	686,530	665,353	638,781
Liabilities and capital					
Deposits from the public	**592,676**	574,285	554,595	532,588	525,072
Deposits from banks	**10,367**	10,837	9,085	8,696	11,601
Deposits from the government	**1,531**	932	2,436	3,262	752
Securities lent or sold under agreements to repurchase	**17,413**	18,201	6,279	13,877	3,426
Bonds and subordinated notes	**35,896**	20,190	21,800	26,866	25,582
Liabilities in respect of derivative instruments	**26,395**	20,915	24,240	19,043	14,350
Other liabilities	**17,710**	17,334	15,665	14,518	15,251
Total liabilities	**701,988**	662,694	634,100	618,850	596,034
Shareholders' equity	**64,677**	58,150	52,430	46,502	42,735
Non-controlling interests	**-**	-	-	1	12
Total capital	**64,677**	58,150	52,430	46,503	42,747
Total liabilities and capital	**766,665**	720,844	686,530	665,353	638,781

7.2. Statement of profit and loss and balance sheet – multi-quarter data

Table 7-3: Quarterly consolidated statement of profit and loss for the years 2024–2025 – multi-quarter data

	2025				2024			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions							
Interest income	**8,638**	**9,887**	**9,565**	**8,698**	8,686	9,608	9,110	8,091
Interest expenses	**(4,435)**	**(5,058)**	**(4,769)**	**(4,423)**	(4,511)	(5,031)	(4,726)	(4,277)
Net interest income	**4,203**	**4,829**	**4,796**	**4,275**	4,175	4,577	4,384	3,814
Provision (income) for credit losses	**388**	**347**	**302**	**262**	350	406	(49)	(14)
Net interest income after provision for credit losses	**3,815**	**4,482**	**4,494**	**4,013**	3,825	4,171	4,433	3,828
Non-interest income								
Non-interest financing income	**385**	**311**	**497**	**325**	323	42	322	272
Fees	**1,109**	**1,117**	**1,146**	**1,059**	997	992	1,021	970
Other income	**23**	**444**	**6**	**31**	16	16	5	34
Total non-interest income	**1,517**	**1,872**	**1,649**	**1,415**	1,336	1,050	1,348	1,276
Operating and other expenses								
Salaries and related expenses	**1,267**	**1,124**	**1,165**	**1,115**	1,153	(1)1,060	(1)1,151	(1)1,122
Maintenance and depreciation of buildings and equipment	**386**	**355**	**360**	**345**	356	(1)362	(1)349	(1)378
Other expenses	**597**	**573**	**588**	**529**	1,297	(1)640	(1)606	(1)533
Total operating and other expenses	**2,250**	**2,052**	**2,113**	**1,989**	2,806	2,062	2,106	2,033
Profit before taxes	**3,082**	**4,302**	**4,030**	**3,439**	2,355	3,159	3,675	3,071
Provision for taxes on profit	**969**	**1,597**	**1,478**	**1,049**	804	1,196	1,402	1,157
Profit after taxes	**2,113**	**2,705**	**2,552**	**2,390**	1,551	1,963	2,273	1,914
The Bank's share in profits (losses) of equity-accounted investees, after taxes	**(35)**	**53**	**(10)**	**34**	3	(58)	(35)	24
Net profit								
Attributed to shareholders of the Bank	**2,078**	**2,758**	**2,542**	**2,424**	1,554	1,905	2,238	1,938
Earnings per ordinary share in NIS								
Basic earnings								
Net profit attributed to shareholders of the Bank	**1.58**	**2.10**	**1.93**	**1.83**	1.16	1.43	1.67	1.45
Diluted earnings								
Net profit attributed to shareholders of the Bank	**1.57**	**2.09**	**1.92**	**1.83**	1.16	1.43	1.67	1.45

(1) Reclassified.

Table 7-4: Consolidated balance sheet as at the end of each quarter in the years 2024–2025 – multi-quarter data

	2025			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions			
Assets				
Cash and deposits with banks	**71,892**	**88,231**	**80,569**	**90,552**
Securities	**144,245**	**151,034**	**150,255**	**133,277**
Securities borrowed or purchased under agreements to resell	**7,419**	**7,419**	**6,221**	**638**
Credit to the public	**510,480**	**486,736**	**476,208**	**462,629**
Allowance for credit losses	**(7,599)**	**(7,420)**	**(7,156)**	**(7,035)**
Net credit to the public	**502,881**	**479,316**	**469,052**	**455,594**
Credit to governments	**2,481**	**2,566**	**2,396**	**2,095**
Investments in equity-accounted investees	**989**	**1,475**	**1,528**	**1,492**
Buildings and equipment	**4,192**	**4,043**	**3,926**	**3,897**
Assets in respect of derivative instruments	**25,049**	**26,767**	**37,470**	**26,114**
Other assets	**7,517**	**7,211**	**6,668**	**6,538**
Total assets	**766,665**	**768,062**	**758,085**	**720,197**
Liabilities and capital				
Deposits from the public	**592,676**	**590,624**	**576,888**	**565,886**
Deposits from banks	**10,367**	**11,666**	**15,388**	**7,016**
Deposits from the government	**1,531**	**1,859**	**1,901**	**2,589**
Securities lent or sold under agreements to repurchase	**17,413**	**18,283**	**20,004**	**19,475**
Bonds and subordinated notes	**35,896**	**33,139**	**26,637**	**24,708**
Liabilities in respect of derivative instruments	**26,395**	**28,222**	**39,416**	**24,504**
Other liabilities	**17,710**	**20,524**	**15,728**	**15,795**
Total liabilities	**701,988**	**704,317**	**695,962**	**659,973**
Total capital	**64,677**	**63,745**	**62,123**	**60,224**
Total liabilities and capital	**766,665**	**768,062**	**758,085**	**720,197**

Table 7-4: Consolidated balance sheet as at the end of each quarter in the years 2024–2025 – multi-quarter data (continued)

	2024			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions			
Assets				
Cash and deposits with banks	117,053	115,842	107,821	97,901
Securities	121,838	124,400	123,948	119,486
Securities borrowed or purchased under agreements to resell	2,227	6,497	1,143	2,410
Credit to the public	450,303	437,314	423,079	418,188
Allowance for credit losses	(6,820)	(6,919)	(6,782)	(6,902)
Net credit to the public	443,483	430,395	416,297	411,286
Credit to governments	1,870	2,797	2,497	2,679
Investments in equity-basis investees	1,460	1,524	1,496	1,556
Buildings and equipment	3,883	3,757	3,708	3,656
Assets in respect of derivative instruments	22,149	22,182	22,348	20,913
Other assets	6,881	6,273	5,882	6,006
Total assets	720,844	713,667	685,140	665,893
Liabilities and capital				
Deposits from the public	574,285	569,938	552,612	539,902
Deposits from banks	10,837	10,839	11,371	13,011
Deposits from the government	932	2,719	3,012	2,442
Securities lent or sold under agreements to repurchase	18,201	14,947	8,318	1,436
Bonds and subordinated notes	20,190	20,823	19,535	20,775
Liabilities in respect of derivative instruments	20,915	21,480	20,324	19,505
Other liabilities	17,334	15,765	14,462	14,774
Total liabilities	662,694	656,511	629,634	611,845
Total capital	58,150	57,156	55,506	54,048
Total liabilities and capital	720,844	713,667	685,140	665,893

7.3. Rates of interest income and expenses

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1]

	For the year ended December 31								
	2025			2024			2023		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates									
Interest-bearing assets									
Credit to the public:[3]									
In Israel	**434,870**	**26,284**	**6.04%**	389,301	24,353	6.26%	369,673	23,052	6.24%
Outside Israel	**25,627**	**1,973**	**7.70%**	24,521	2,102	8.57%	20,393	1,657	8.13%
Total	**460,497**	**[4]28,257**	**6.14%**	413,822	[4]26,455	6.39%	390,066	[4]24,709	6.33%
Credit to governments:									
In Israel	**2,135**	**98**	**4.59%**	2,657	144	5.42%	2,787	153	5.49%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**2,135**	**98**	**4.59%**	2,657	144	5.42%	2,787	153	5.49%
Deposits with banks:									
In Israel	**8,953**	**423**	**4.72%**	7,774	402	5.17%	7,116	286	4.02%
Outside Israel	**102**	**-**	**-**	147	-	-	223	3	1.35%
Total	**9,055**	**423**	**4.67%**	7,921	402	5.08%	7,339	289	3.94%
Deposits with central banks:									
In Israel	**48,330**	**2,151**	**4.45%**	72,131	3,243	4.50%	62,751	2,790	4.45%
Outside Israel	**3,152**	**141**	**4.47%**	5,431	272	5.01%	8,000	393	4.91%
Total	**51,482**	**2,292**	**4.45%**	77,562	3,515	4.53%	70,751	3,183	4.50%
Securities borrowed or purchased under agreements to resell:									
In Israel	**4,257**	**179**	**4.20%**	3,619	173	4.78%	1,787	82	4.59%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**4,257**	**179**	**4.20%**	3,619	173	4.78%	1,787	82	4.59%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Before deduction of the average balance sheet balance of the allowance for credit losses, including debts that do not accrue interest income.
(4) Fees in the amount of NIS 477 million were included in interest income for the year ended December 31, 2025 (December 31, 2024: NIS 432 million).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the year ended December 31								
	2025			2024			2023		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)									
Interest-bearing assets (continued)									
Bonds held to maturity and available for sale:[3]									
In Israel	**105,669**	**4,256**	**4.03%**	97,951	3,783	3.86%	108,526	3,520	3.24%
Outside Israel	**3,783**	**198**	**5.23%**	4,051	248	6.12%	4,052	208	5.13%
Total	**109,452**	**4,454**	**4.07%**	102,002	4,031	3.95%	112,578	3,728	3.31%
Bonds held for trading:[3]									
In Israel	**25,852**	**1,083**	**4.19%**	18,076	775	4.29%	18,271	826	4.52%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**25,852**	**1,083**	**4.19%**	18,076	775	4.29%	18,271	826	4.52%
Other assets:									
In Israel	**686**	**2**	**0.29%**	878	-	-	840	1	0.12%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**686**	**2**	**0.29%**	878	-	-	840	1	0.12%
Total interest-bearing assets	**663,416**	**36,788**	**5.55%**	626,537	35,495	5.67%	604,419	32,971	5.45%
Non-interest-bearing debtors in respect of credit cards	**6,686**	**-**	**-**	6,324	-	-	7,649	-	-
Other non-interest-bearing assets[4]	**66,338**	**-**	**-**	57,136	-	-	61,605	-	-
Total assets	**736,440**	**-**	**-**	689,997	-	-	673,673	-	-
Total interest-bearing assets attributed to activities outside Israel	**32,664**	**2,312**	**7.08%**	34,150	2,622	7.68%	32,668	2,261	6.92%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) The average balance of unrealized gains (losses) from adjustments to fair value of bonds held for trading and of gains (losses) from bonds available for sale, which are included in equity within accumulated other comprehensive income, in the amount of NIS 474 million for the year ended December 31, 2025 (December 31, 2024: NIS (1,106) million; 2023: NIS (2,337) million), were deducted from (added to) the average balance of bonds available for sale and of bonds held for trading.
(4) Includes derivative instruments and other non-interest-bearing assets; net of the allowance for credit losses.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the year ended December 31								
	2025			2024			2023		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)									
Interest-bearing liabilities									
Deposits from the public:									
In Israel	**394,254**	**14,999**	**3.80%**	374,201	15,140	4.05%	343,979	13,562	3.94%
On demand	**137,175**	**4,436**	**3.23%**	132,146	4,607	3.49%	125,520	4,524	3.60%
Fixed term	**257,079**	**10,563**	**4.11%**	242,055	10,533	4.35%	218,459	9,038	4.14%
Outside Israel	**29,875**	**1,266**	**4.24%**	30,028	1,534	5.11%	25,188	1,186	4.71%
On demand	**10,033**	**392**	**3.91%**	8,401	394	4.69%	7,210	327	4.54%
Fixed term	**19,842**	**874**	**4.40%**	21,627	1,140	5.27%	17,978	859	4.78%
Total	**424,129**	**16,265**	**3.83%**	404,229	16,674	4.12%	369,167	14,748	3.99%
Deposits from the government:									
In Israel	**1,631**	**61**	**3.74%**	2,636	126	4.78%	2,624	150	5.72%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**1,631**	**61**	**3.74%**	2,636	126	4.78%	2,624	150	5.72%
Deposits from central banks:									
In Israel	**3,013**	**65**	**2.16%**	4,756	59	1.24%	4,146	(1)	(0.02%)
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**3,013**	**65**	**2.16%**	4,756	59	1.24%	4,146	(1)	(0.02%)
Deposits from banks:									
In Israel	**7,810**	**286**	**3.66%**	5,558	226	4.07%	5,478	219	4.00%
Outside Israel	**36**	**-**	**0.00%**	9	-	-	23	-	-
Total	**7,846**	**286**	**3.65%**	5,567	226	4.06%	5,501	219	3.98%
Securities lent or sold under agreements to repurchase:									
In Israel	**19,125**	**897**	**4.69%**	9,685	574	5.93%	14,603	761	5.21%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**19,125**	**897**	**4.69%**	9,685	574	5.93%	14,603	761	5.21%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the year ended December 31								
	2025			2024			2023		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)									
Interest-bearing liabilities (continued)									
Bonds:									
In Israel	**26,637**	**1,083**	**4.07%**	20,647	837	4.05%	25,098	980	3.90%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**26,637**	**1,083**	**4.07%**	20,647	837	4.05%	25,098	980	3.90%
Other liabilities:									
In Israel	**961**	**28**	**2.91%**	1,106	49	4.43%	966	29	3.00%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**961**	**28**	**2.91%**	1,106	49	4.43%	966	29	3.00%
Total interest-bearing liabilities	**483,342**	**18,685**	**3.87%**	448,626	18,545	4.13%	422,105	16,886	4.00%
Non-interest-bearing deposits from the public	**146,611**	**-**	**-**	148,730	-	-	160,303	-	-
Non-interest-bearing creditors in respect of credit cards	**3,269**	**-**	**-**	3,214	-	-	4,764	-	-
Other non-interest-bearing liabilities[3]	**41,962**	**-**	**-**	33,011	-	-	35,167	-	-
Total liabilities	**675,184**	**-**	**-**	633,581	-	-	622,339		-
Total capital means	**61,256**	**-**	**-**	56,416	-	-	51,334	-	-
Total liabilities and capital means	**736,440**	**-**	**-**	689,997	-	-	673,673	-	-
Interest spread	**-**	**-**	**1.68%**	-	-	1.54%	-	-	1.45%
Net return on interest-bearing assets[4]									
In Israel	**630,752**	**17,057**	**2.70%**	592,387	15,862	2.68%	571,751	15,010	2.63%
Outside Israel	**32,664**	**1,046**	**3.20%**	34,150	1,088	3.19%	32,668	1,075	3.29%
Total	**663,416**	**18,103**	**2.73%**	626,537	16,950	2.71%	604,419	16,085	2.66%
Total interest-bearing liabilities attributed to activities outside Israel	**29,911**	**1,266**	**4.23%**	30,037	1,534	5.11%	25,211	1,186	4.70%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Includes derivative instruments.
(4) Net return – net interest income divided by total interest-bearing assets.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the year ended December 31								
	2025			2024			2023		
	Average balance[2]	Interest income (expenses)	Rate of income / (expense)	Average balance[2]	Interest income (expenses)	Rate of income / (expense)	Average balance[2]	Interest income (expenses)	Rate of income / (expense)
	NIS millions		%	NIS millions		%	NIS millions		%
B. Average balances and interest rates – additional information regarding interest-bearing assets and liabilities attributed to activity in Israel									
Israeli currency unlinked									
Total interest-bearing assets	**469,330**	**26,860**	**5.72%**	448,288	25,150	5.61%	433,464	23,958	5.53%
Total interest-bearing liabilities	**321,449**	**(12,185)**	**(3.79%)**	296,652	(11,201)	(3.78%)	269,860	(9,501)	(3.52%)
Interest spread	**-**	**-**	**1.93%**	-	-	1.83%	-	-	2.01%
Israeli currency CPI-linked									
Total interest-bearing assets	**68,355**	**3,528**	**5.16%**	64,738	3,861	5.96%	61,102	3,413	5.59%
Total interest-bearing liabilities	**28,935**	**(1,091)**	**(3.77%)**	25,041	(1,117)	(4.46%)	28,910	(1,258)	(4.35%)
Interest spread	**-**	**-**	**1.39%**	-	-	1.50%	-	-	1.24%
Foreign currency (includes Israeli currency linked to foreign currency)									
Total interest-bearing assets	**93,067**	**4,088**	**4.39%**	79,361	3,862	4.87%	77,185	3,339	4.33%
Total interest-bearing liabilities	**103,047**	**(4,143)**	**(4.02%)**	96,896	(4,693)	(4.84%)	98,124	(4,941)	(5.04%)
Interest spread	**-**	**-**	**0.37%**	-	-	0.03%	-	-	(0.71%)
Total activity in Israel									
Total interest-bearing assets	**630,752**	**34,476**	**5.47%**	592,387	32,873	5.55%	571,751	30,710	5.37%
Total interest-bearing liabilities	**453,431**	**(17,419)**	**(3.84%)**	418,589	(17,011)	(4.06%)	396,894	(15,700)	(3.96%)
Interest spread	**-**	**-**	**1.63%**	-	-	1.49%	-	-	1.41%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	Year ended December 31, 2025, versus year ended December 31, 2024			Year ended December 31, 2024, versus year ended December 31, 2023		
	Increase (decrease) due to change[2]		Net change	Increase (decrease) due to change[2]		Net change
	Quantity	Price		Quantity	Price	
	NIS millions					
C. Analysis of changes in interest income and expenses						
Interest-bearing assets						
Credit to the public:						
In Israel	**2,754**	**(823)**	**1,931**	1,228	73	1,301
Outside Israel	**85**	**(214)**	**(129)**	354	91	445
Total	**2,839**	**(1,037)**	**1,802**	1,582	164	1,746
Other interest-bearing assets:						
In Israel	**(301)**	**(27)**	**(328)**	42	820	862
Outside Israel	**(125)**	**(56)**	**(181)**	(143)	59	(84)
Total	**(426)**	**(83)**	**(509)**	(101)	879	778
Total interest income	**2,413**	**(1,120)**	**1,293**	1,481	1,043	2,524
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**763**	**(904)**	**(141)**	1,223	355	1,578
Outside Israel	**(6)**	**(262)**	**(268)**	247	101	348
Total	**757**	**(1,166)**	**(409)**	1,470	456	1,926
Other interest-bearing liabilities:						
In Israel	**605**	**(56)**	**549**	(359)	92	(267)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**605**	**(56)**	**549**	(359)	92	(267)
Total interest expenses	**1,362**	**(1,222)**	**140**	1,111	548	1,659
Total interest income less interest expenses	**1,051**	**102**	**1,153**	370	495	865

(1) Data presented after the effect of hedging derivative instruments.
(2) The change attributed to change in quantity was calculated by multiplying the new price by the change in quantity. The change attributed to change in price was calculated by multiplying the old quantity by the change in price.

Bank Hapoalim

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Information about the corporation

Company number (Registrar): 520000118
Address: 50 Rothschild Blvd., Tel Aviv, Israel
Telephone no.: +972-3-567-3800
Fax no.: +972-3-567-4576
Balance sheet date: December 31, 2025
Report approval date: March 4, 2026

Standard 9 Financial statements

The audited annual financial statements, with the attached Auditors' Review, are enclosed and constitute an integral part of this report.

Standard 10C Use of the consideration of securities

The consideration for the issuance of bonds and subordinated notes, in a total amount of approximately NIS 19.6 billion over the course of 2025, is being used by the Bank for its routine operations.

General note on Standards 11, 12, and 13

Standards 11, 12, and 13 were applied with regard to investments in subsidiaries and equity-basis investees with business activity, provided that they meet one or more of the following criteria:

1. The share of the Bank in the balance sheet value of the investment in the affiliate (concatenated) is greater than 0.5% of the shareholders' equity in the financial statements of the Bank.
2. The company constitutes a banking corporation.

Standard 11 List of investments in subsidiaries and related companies as at the balance sheet date[1]

A. In shares and convertible securities

	Share type						Holding rate			
	Share	Par value per share	Currency	Number of shares	Total par value	Balance sheet value (in NIS M)	In securities	In capital	In voting	In authority to appoint directors
Company										
Opaz Ltd.	Ordinary shares	0.01	NIS	1,054,552	10,545.52	3,011	100%	100%	100%	100%
Poalim Equity Ltd.	Ordinary shares	0.01	NIS	3	0.03	3,289	0%	100%	100%	100%
Peilim Portfolio Management Company Ltd.	Ordinary shares	1.00	NIS	50,000	50,000.00	326	100%	100%	100%	100%
Peilim Portfolio Management Company Ltd.	Ordinary shares 0.001	0.001	NIS	5,000	5.00	326	100%	100%	100%	100%
Revadim (Nechasim) Ltd.	Ordinary shares	0.0001	NIS	20,000	2.00	1,713	100%	100%	100%	100%
Sure-Ha International Ltd.	Ordinary shares	0.40	USD	1	0.40	374	0%	100%	100%	100%

B. In bonds and capital notes

	Linkage terms	Balance sheet balance (in NIS millions)	Interest rate (in %)	Final maturity year
Company				
Opaz Ltd.	Unlinked	879	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	328	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	350	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	400	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	200	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	600	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	300	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	200	-	No maturity date
Poalim Sahar Ltd.	Unlinked	250	-	No maturity date

C. Balance of loans as at December 31, 2025

None.

(1) In December 2025, the Bank entered into an agreement for the merger with and into the Bank of several subsidiaries. At the date of publication of the report, the approval of the Registrar of Companies for the merger has not yet been received.

Standard 11 List of investments in subsidiaries and related companies as at the balance sheet date[1] (continued)

D. List of inactive companies

Bank Hapoalim (Switzerland) Ltd.	In voluntary liquidation
Diur B.P. Properties (1993) Ltd.	In voluntary liquidation
Hevra Lepitouh Ashkelon Barnea Ltd.	
The Rest Village Ashkelon Ltd.	In voluntary liquidation
Teus Trust Company Ltd.	In voluntary liquidation
Hevrat Odar Ltd.	
Matai Ramatim Ltd.	
Karkaot Beguosim 7123 7124 7128 Ltd.	

Standard 12 Changes in the Bank's investments in subsidiaries and equity-basis investees during the reported period

	Share type			Date of change	Nature of change	Total Notional value	Cost (NIS millions)
	Share	Par value per share	Currency				
Company							
Banque Hapoalim (Luxembourg) S.A.				December 31, 2025	Liquidation		
Hapoalim Securities U.S.A. Inc.				December 17, 2025	Liquidation		
Poalim Equity & Investments - Holdings Ltd.				July 31, 2025	Investment		300

In December 2025, the Bank entered into an agreement for the merger with and into the Bank of several subsidiaries under its full control and ownership. At the date of publication of the report, the merger has not yet been completed.

(1) In December 2025, the Bank entered into an agreement for the merger with and into the Bank of several subsidiaries. At the date of publication of the report, the approval of the Registrar of Companies for the merger has not yet been received.

Standard 13 Income of subsidiaries and related companies and the Bank's income from such companies as at the balance sheet date*

	Profit (loss) reported by the company		Bank income		
	Profit (loss) reported by the company	Accumulated other comprehensive income (loss)	Interest	Management fees	Dividends
	NIS millions				
Company					
Opaz Ltd.	150	51	-	-	-
Poalim Equity Ltd.	356	-	-	-	-
Peilim Portfolio Management Company Ltd.	24	-	-	-	-
Revadim (Nechasim) Ltd.	63	-	-	-	-
Sure-Ha International Ltd.	(34)	-	14	-	-

* Companies that had no profits (losses) during the accounting period, and from which the Bank derived no income during the accounting period, were not included in this list.
Subsidiaries outside Israel – in local currency translated based on the exchange rate as at December 31, 2025.

Standard 14 List of groups of balances of loans granted as at the date of the report on financial position, if lending was one of the corporation's main activities

The list is included in Note 29.D to the Financial Statements.

Standard 20 Trading on the stock exchange – securities listed for trading – dates and reasons for halt of trading

Listing

On March 4, 2025, CoCo Subordinated Notes (Series L) of par value NIS 578,725,000, CoCo Subordinated Notes (Series M) of par value NIS 525,801,000 (Series L and M via expansion of series), and Commercial Securities (Series 1) of par value NIS 2,034,366,000 were issued and listed on the stock exchange.

On May 22, 2025, CoCo Subordinated Notes (Series L) of par value NIS 552,212,000 and CoCo Subordinated Notes(Series M) of par value NIS 558,334,000 were issued via expansion of series and listed on the stock exchange.

On June 16, 2025, Bonds (Series 102) of par value NIS 1,575,877,000 and Commercial Securities (Series 2) of par value NIS 1,468,657,000 were issued and listed on the stock exchange.

On August 20, 2025, CoCo Subordinated Notes (Series N) of par value NIS 687,075,000, CoCo Subordinated Notes (Series O) of par value NIS 948,306,000, and Bonds (Series 204) of par value NIS 3,419,304,000 were issued and listed on the stock exchange.

On December 24, 2025, Bonds (Series 103) of par value NIS 1,101,822,000 and Bonds (Series 102) of par value NIS 2,873,834,000 (Series 102 via expansion of a series) were issued and listed on the stock exchange.

In addition, during 2025 and up to the date of the report, the following securities were issued to institutional investors and listed in the trading system for institutional investors on the stock exchange (Institutional Continuous Trading):

On August 27, 2025, Credit Linked Notes (Series 2) of par value NIS 1,385,978,000 were issued;

On January 14, 2026, in an international private offering, Bonds $ 2029 of par value USD 1,000,000,000 and Bonds $ 2033 of par value USD 1,000,000,000 were issued.

Standard 20 Trading on the stock exchange – securities listed for trading – dates and reasons for halt of trading (continued)

Bonds and subordinated notes totaled approximately NIS 35.9 billion as at December 31, 2025, compared with approximately NIS 20.2 billion at the end of 2024, an increase of approximately 77.8%, which resulted from the issuance of two series of commercial securities, the issuance of bonds, the expansion of series of CoCo subordinated notes, and CLN transactions contracted during 2025.
On March 6, 2025, the Bank completed an issuance at a volume of approximately NIS 2.03 billion of commercial securities for a period of one year. The principal of the commercial securities matures in one payment on March 9, 2026.
In addition, in early March 2025 the Bank expanded two series of subordinated notes with a principal loss absorption mechanism (CoCo), Series L and Series M, maturing in 2037 and 2049 respectively, subject to the Bank's right to early maturity in 2032 and 2044, respectively.

Halts of trading

On January 15, 2026, due to a technical error on the stock exchange in the calculation of the base rate, trading in Bonds $ 2029 for institutional investors and Bonds $ 2033 for institutional investors was halted. Trading was renewed after the base rates were corrected.

Standard 21 Remuneration of interested parties and senior officers

The amount of remuneration and reimbursement of expenses paid to directors (with the exception of the Chairperson of the Board) in 2025 in respect of their service, not exceeding commonly accepted levels, paid pursuant to Regulations 4, 5, and 6 of the Companies Regulations (Rules Concerning Remuneration and Expenses for External Directors), 2000, totaled approximately NIS 7,490 thousand (not including VAT). For details regarding the remuneration of the Chairperson of the Board, see Section 5.5 of the Corporate Governance Report.

Standard 21A Control of the corporation

The Bank is a banking corporation without a controlling core, and has no controlling party or shareholder holding a control permit.

Standard 22 Transactions with controlling parties

Beginning in November 2018, the Bank is a banking corporation without a controlling core, and the Bank does not have a controlling shareholder according to the directives of the Companies Law or the Securities Law. For details regarding the criteria established by the Audit Committee with regard to the approval and reporting of interested-party transactions of the Bank, see Section 5.7 in the Corporate Governance Report. For details regarding transactions with interested and related parties, see Note 33 to the Financial Statements.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1]

A. Holdings of Bank shares by interested parties

	Corporation number	Par value shares in NIS[2]	Rate of holdings in capital	Rate of holdings in voting[3]	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
Interested party						
Clal Insurance Enterprises Holdings Ltd. – nostro	520036120	1,277,267.00	0.10	0.10	0.10	0.10
Clal Insurance Enterprises Holdings Ltd. – provident funds	520036120	66,130,118.00	4.94	5.04	4.92	5.01
Phoenix Financial Ltd. – nostro	520017450	2,896,577.00	0.22	0.22	0.22	0.22
Phoenix Financial Ltd. – insurance	520017450	712,348.00	0.05	0.05	0.05	0.05
Phoenix Financial Ltd. – provident funds	520017450	70,534,986.66	5.27	5.37	5.25	5.35
Phoenix Investment House Ltd. – mutual funds	520041989	21,300,195.46	1.59	1.62	1.58	1.61
Phoenix Investment House Ltd. – market making	520041989	-46,206.53	0.00	0.00	0.00	0.00
Harel Insurance and Financial Services Investments Ltd. – nostro	520033986	6,447,976.00	0.48	0.49	0.48	0.49
Harel Insurance and Financial Services Investments Ltd. – mutual funds	520033986	23,254,000.00	1.74	1.77	1.73	1.76
Harel Insurance and Financial Services Investments Ltd. – provident funds	520033986	60,497,111.00	4.52	4.61	4.50	4.58
Menorah Mivtachim Holdings Ltd. – nostro	520007469	868,935.00	0.06	0.07	0.06	0.07
Menorah Mivtachim Holdings Ltd. – provident funds	520007469	75,976,298.00	5.68	5.79	5.65	5.76

Holdings of bonds and convertible securities of the Bank by interested parties

	Corporation number	Security	Notional value	Percentage of total series held
Name of interested party				
Clal Insurance Enterprises Holdings – nostro	520036120	Poalim Bonds 201	186,696.17	0.01
		Poalim Bonds 203	11,104.10	0.00
		Subordinated Notes K	29,868,255.00	7.78
		Subordinated Notes L	4,000,000	0.27
		Subordinated Notes N	31,675,942.00	4.61
Clal Insurance Enterprises Holdings – provident funds	520036120	Poalim Bonds 201	69,010,236.94	4.93
		Subordinated Notes E	50,057,736.00	7.15
		Subordinated Notes G	25,559,141.00	2.69
		Subordinated Notes J	82,170,615.00	7.78
		Poalim Bonds 1 – ICT	69,481,921.77	9.80
		Subordinated Notes L	221,203,669.00	15.03
		Subordinated Notes M	50,000,000.00	3.58
		Poalim Bonds 102	215,000,000.00	4.83
		Subordinated Notes N	70,000,000.00	10.19
		Poalim Bonds 204	50,456,092.00	1.48
		Poalim Bonds 2 – ICT	150,000,000.00	10.82
		Poalim Bonds 103	75,000,000.00	6.81

(1) The data are as at January 31, 2026.
(2) Par value NIS 1.0 for one ordinary share.
(3) The Bank holds 24,484,021 shares that constitute dormant shares.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

A. Holdings of Bank shares by interested parties (continued)

Holdings of bonds and convertible securities of the Bank by interested parties (continued)

	Corporation number	Security	Notional value	Percentage of total series held
Name of interested party				
Clal Insurance Enterprises Holdings – profit participating	520036120	Subordinated Notes J	11,000,000.00	1.04
Phoenix Financial Ltd. – nostro	520017450	Poalim Bonds 100	6,857,142.87	0.39
		Poalim Bonds 102	68,301,336.00	1.53
		Poalim Bonds 200	3,958,944.01	0.47
		Poalim Bonds 201	0.60	0.00
		Poalim Bonds 202	1.18	0.00
		Poalim Bonds 203	0.43	0.00
		Subordinated Notes F	8,490,893.00	2.14
		Subordinated Notes G	2,382,210.00	0.25
		Subordinated Notes J	87,286.00	0.01
		Subordinated Notes L	14,481,650.00	0.98
		Subordinated Notes M	29,310,024.00	2.10
		Subordinated Notes N	15,166,226.00	2.21
		Subordinated Notes O	43,746,898.00	4.61
Phoenix Financial Ltd. – insurance	520017450	Poalim Bonds 100	2,793,320.25	0.16
		Poalim Bonds 102	8,100,000.00	0.18
		Poalim Bonds 201	83,000.00	0.01
		Poalim Bonds 203	416,000.00	0.02
		Subordinated Notes L	5,890,000.00	0.40
Phoenix Financial Ltd. – provident funds	520017450	Poalim Bonds 100	52,509,949.50	3.02
		Poalim Bonds 102	344,878,934.00	7.75
		Poalim Bonds 200	90,020,838.68	10.67
		Poalim Bonds 201	155,702,706.33	11.12
		Poalim Bonds 202	23,438,215.03	3.51
		Poalim Bonds 203	180,409,785.23	9.71
		Poalim Bonds 204	424,647,468.00	12.42
		Subordinated Notes F	48,392,374.00	12.17
		Subordinated Notes G	5,450,000.00	0.57
		Subordinated Notes J	93,371,520.00	8.84
		Subordinated Notes L	9,136,609.00	0.62
		Subordinated Notes M	133,866,294.00	9.59
		Subordinated Notes N	63,666,419.00	9.27
		Subordinated Notes O	75,243,351.00	7.93
		Poalim Bonds 1 – ICT	69,481,920.08	9.80

(1) The data are as at January 31, 2026.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

A. Holdings of Bank shares by interested parties (continued)

Holdings of bonds and convertible securities of the Bank by interested parties (continued)

	Corporation number	Security	Notional value	Percentage of total series held
Name of interested party				
Phoenix Investment House Ltd. – mutual funds	520041989	Poalim Bonds 100	112,513,797.80	6.47
		Poalim Bonds 102	198,168,110.55	7.75
		Poalim Bonds 103	86,683.00	0.01
		Poalim Bonds 200	19.163,469.48	2.27
		Poalim Bonds 201	53,872,419.08	3.85
		Poalim Bonds 202	21,281,401.45	3.19
		Poalim Bonds 203	106,657,084.19	5.74
		Poalim Bonds 204	160,413,546.98	4.69
		Subordinated Notes E	1,121,197.00	0.16
		Subordinated Notes F	7,413,498.55	1.86
		Subordinated Notes G	12,725,903.12	1.34
		Subordinated Notes J	2,025,351.00	0.19
		Subordinated Notes K	13,945,400.01	3.63
		Subordinated Notes L	56,261,101.92	3.82
		Subordinated Notes M	29,125,903.64	2.09
		Subordinated Notes N	18,472,568.44	2.69
		Subordinated Notes O	15,662,900.15	1.65
Phoenix Investment House Ltd. – market making	520041989	Poalim Bonds 100	2.63	0.00
		Poalim Bonds 102	2.45	0.00
		Poalim Bonds 200	1.29	0.00
		Poalim Bonds 201	2,125.22	0.00
		Poalim Bonds 202	1.33	0.00
		Poalim Bonds 203	2,823.32	0.00
		Poalim Bonds 204	-17,247.98	0.00
		Subordinated Notes F	3,442.86	0.00
		Subordinated Notes G	-815.66	0.00
		Subordinated Notes K	16,664.64	0.00
		Subordinated Notes L	4,159.88	0.00
		Subordinated Notes M	2,115.53	0.00
		Subordinated Notes N	11,068.56	0.00
		Subordinated Notes O	2,263.85	0.00

(1) The data are as at January 31, 2026.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

A. Holdings of Bank shares by interested parties (continued)

Holdings of bonds and convertible securities of the Bank by interested parties (continued)

Name of interested party	Corporation number	Security	Notional value	Percentage of total series held
Harel Insurance and Financial Services Investments Ltd. – nostro	520033986	Poalim Bonds 100	-47,609.85	0.00
		Poalim Bonds 102	2,600,317.00	0.06
		Poalim Bonds 200	1,048,305.34	0.12
		Poalim Bonds 201	2,303,071.02	0.16
		Poalim Bonds 202	73,353.94	0.01
		Poalim Bonds 203	-24,171.72	0.00
		Poalim Bonds 204	222,689.00	0.00
		Subordinated Notes E	349,938.00	0.05
		Subordinated Notes F	14,593,468.00	3.67
		Subordinated Notes G	9,458,743.00	1.00
		Subordinated Notes J	300,000.00	0.03
		Subordinated Notes K	-43,962.00	0.00
		Subordinated Notes L	122,733,819.00	8.34
		Subordinated Notes M	112,160,057.00	8.03
		Subordinated Notes N	29,997,167.00	4.37
		Subordinated Notes O	-2,186.00	0.00
		Poalim Bonds 1 – ICT	15,302,158.71	2.16
Harel Insurance and Financial Services Investments Ltd. – mutual funds	520033986	Poalim Bonds 100	72,239,701.31	4.16
		Poalim Bonds 102	193,009,648.00	4.34
		Poalim Bonds 103	57,922,297.00	5.26
		Poalim Bonds 200	17,045,472.71	2.02
		Poalim Bonds 201	34,506,567.13	2.46
		Poalim Bonds 202	23,728,765.28	3.56
		Poalim Bonds 203	78,896,259.74	4.25
		Poalim Bonds 204	126,045,065.00	3.69
		Subordinated Notes E	35,067,856.00	5.01
		Subordinated Notes F	13,316,905.00	3.35
		Subordinated Notes G	34,794,640.00	3.66
		Subordinated Notes J	42,922,908.00	4.06
		Subordinated Notes K	11,044,631.00	2.88
		Subordinated Notes L	56,107,617.00	3.81
		Subordinated Notes M	45,574,013.00	3.26
		Subordinated Notes N	32,588,401.00	4.74
		Subordinated Notes O	24,933,554.00	2.63
		Poalim Commercial 1	85,405,438.00	4.20
		Poalim Commercial 2	66,085,100.00	4.50

(1) The data are as at January 31, 2026.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

A. Holdings of Bank shares by interested parties (continued)

Holdings of bonds and convertible securities of the Bank by interested parties (continued)

	Corporation number	Security	Notional value	Percentage of total series held
Name of interested party				
Harel Insurance and Financial Services Investments Ltd. – provident funds	520033986	Poalim Bonds 100	984,050.25	0.06
		Poalim Bonds 202	225,714.20	0.03
		Poalim Bonds 203	389,150.53	0.02
		Subordinated Notes E	71,771,566.00	10.25
		Subordinated Notes F	67,400,000.00	16.95
		Subordinated Notes G	71,900,000.00	7.57
		Subordinated Notes J	84,508,686.00	8.00
		Subordinated Notes K	89,650,000.00	23.34
		Subordinated Notes L	170,000.00	0.01
		Subordinated Notes M	228,621,300.00	16.38
		Subordinated Notes N	27,500,000.00	4.00
		Subordinated Notes O	195,131,417.00	20.58
		Poalim Bonds 1 – ICT	201,497,574.05	28.43
Menorah Mivtachim Holdings Ltd. – nostro	520007469	Poalim Bonds 200	8,306,482.20	0.98
		Poalim Bonds 201	4,329,676.97	0.31
		Poalim Bonds 203	150,986.18	0.01
		Poalim Bonds 204	133,722,310.00	3.91
Menorah Mivtachim Holdings Ltd. – provident funds	520007469	Poalim Bonds 100	154,241,329.66	8.87
		Poalim Bonds 102	311,958,823.00	7.01
		Poalim Bonds 201	56,719,117.11	4.05
		Poalim Bonds 202	52,827.14	0.01
		Poalim Bonds 203	129,297,894.04	6.96
		Poalim Bonds 204	247,669,802.00	7.24

B. Holdings of shares of the Bank by the directors/CEO

	Identification number		Par value shares in NIS[2]	Rate of holdings in capital	Rate of holdings in voting	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
				%			
Interested party							
Noam Hanegbi	055445647	Ordinary shares	4	-	-	-	-
Ronit Schwartz	022339766	Ordinary shares	4	-	-	-	-
Yadin Antebi	028078525	Ordinary shares	227,439	0.02	0.02	0.02	0.02
		Options	273,151			0.02	0.02

(1) The data are as at January 31, 2026.
(2) Par value NIS 1.0 for one ordinary share.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

B. Holdings of shares of the Bank by the directors/CEO (continued)

Holdings of shares by senior officers[4]

	Identification number		Par value shares in NIS[2]	Rate of holdings in capital	Rate of holdings in voting	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
				%			
Interested party							
Amit Oberkovich[3]	059030015	Ordinary shares	39,126	-	-	-	-
		Options	155,701	-	-	0.01	0.01
Yael Almog	059284745	Ordinary shares	78,458	0.01	0.01	0.01	0.01
		Options	174,658	-	-	0.01	0.01
Merav Ben Shushan Cohen	028710143	Ordinary shares	88,061	0.01	0.01	0.01	0.01
		Options	135,392	-	-	0.01	0.01
Ram Gev[3]	032283046	Ordinary shares	39,945	-	-	-	-
		Options	186,004	-	-	0.01	0.01
Pazit Garfinkel[3]	033026477	Ordinary shares	9,229	-	-	-	-
		Options	109,583	-	-	0.01	0.01
Adi Zacharia Dauber[3]	034907501	Ordinary shares	29,193	-	-	-	-
		Options	121,103	-	-	0.01	0.01
Zeev Hayo	057069676	Ordinary shares	137,242	0.01	0.01	0.01	0.01
		Options	174,658	-	-	0.01	0.01
Guy Kalif	028761088	Ordinary shares	141,236	0.01	0.01	0.01	0.01
		Options	161,742	-	-	0.01	0.01
Amir Bachar	029331113	Ordinary shares	76,928	0.01	0.01	0.01	0.01
		Options	208,650	-	-	0.02	0.02
Gilad Bloch[3]	028487296	Ordinary shares	15,143	-	-	-	-
		Options	54,018	-	-	-	-
Igal Bareket[3]	024557043	Ordinary shares	6,997	-	-	-	-
		Options	72,441	-	-	0.01	0.01
Erez Rachmil[3]	032357956	Ordinary shares	4	-	-	-	-
		Options	89,331	-	-	0.01	0.01

(1) The data are as at January 31, 2026.
(2) Par value NIS 1.0 for one ordinary share.
(3) Rate of holdings lower than 0.01%.
(4) For details regarding the entitlement of the officers to options, as part of the remuneration for the years from 2024 forward, see Note 23 to the Financial Statements.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

C. Additional details regarding principal holders

1. Clal Insurance Enterprises Holdings Ltd.

Clal Insurance Enterprises Holdings Ltd. is a public company and a reporting corporation without a controlling core, resident in Israel, securities of which are listed on the Tel Aviv Stock Exchange Ltd.

2. Phoenix Financial Ltd.

Phoenix Financial Ltd. (formerly Phoenix Holdings Ltd.), public company no. 520017450, is a public company and a reporting corporation without a controlling core.

Phoenix Investment House Ltd., private company no. 520041989, is a company under the control of Phoenix Financial Ltd.

3. Harel Insurance and Financial Services Investments Ltd.

Harel Insurance and Financial Services Investments Ltd. ("Harel Investments") is a public company, the shares of which are traded on the Tel Aviv Stock Exchange.

The controlling parties of Harel Investments are: Yair Hamburger, ID no. 007048671; Gideon Hamburger, ID no. 007048663; Nurit Manor, ID no. 051171312.

The holding of the controlling parties of Harel Investments is primarily through G.Y.N. Investment Management & Economic Consulting 2017 Limited Partnership (partnership no. 550272587), which is a partnership under the full control and ownership of the controlling parties, which they hold as limited partners through private companies under their full ownership; they also hold the general partner in the partnership G.Y.N. The controlling parties hold approximately 45.65% of the voting rights and issued share capital of Harel Investments. The remaining shares of Harel Investments are held by the public.

4. Menora Mivtachim Holdings Ltd.

A public company the shares of which are traded on the Tel Aviv Stock Exchange. The principal shareholders of the company are Palamas Establishment and Najaden Establishment (foreign corporations), which hold jointly in trust approximately 63% (taking the quantity of dormant shares into consideration) of the shares of the company for Mss. Tali Griffel and Niva Gurevitch, respectively. The foreign corporations have granted Ms. Tali Griffel and Ms. Niva Gurevitch power of attorney to vote in each of their names (respectively) at the general meetings of the company, and accordingly Ms. Tali Griffel and Ms. Niva Gurevitch are considered the controlling parties thereof.

D. Dormant shares

As at the date of approval of the report, the Bank holds 24,484,021 dormant shares, which do not confer rights in capital or in voting, constituting approximately 1.83% of the issued share capital of the Bank (approximately 1.82% fully diluted).

(1) The data are as at January 31, 2026.

Standard 24A Registered capital, issued capital, and convertible securities[1]

	Amount in NIS	
	Registered	Issued and paid-up
Share capital		
Ordinary shares of NIS 1	4,000,000,000	1,337,682,310

The Bank holds 24,484,021 shares that constitute dormant shares.

The number of shares included in issued share capital, excluding the dormant shares (which confer no rights), is 1,313,198,289.

The shares are registered for trading on the Tel Aviv Stock Exchange.

Standard 24B Registry of shareholders[1]

Book of shareholders – Bank Hapoalim B.M.	Number of shares
Bank Hapoalim Nominee Company Ltd.[2]	1,337,644,315
Tzitzian Avraham	31,680
Don Maxwell	2,450
Florsheim Mark and Zippora	1,640
Agmon Eliahu	700
Berkner Albert	603
Levy Victoria	544
Mindel Shira Milca	122
Geva Arieh	100
Pentzer Natan	75
Zachs Eran	40
Yehuda Bar-Lev	10
Neuman David	10
Aharon Elias	10
Caleb Victoria	5
IMM C. Investments and Finance Ltd.	2
Zaktzar Ram	1
Tal Erez	1
Kramer Moshe	1
Livnat Raz	1
Total	1,337,682,310

(1) The data are as at January 31, 2026.
(2) The quantity of shares at the Nominee Company includes 24,484,021 dormant shares owned by Bank Hapoalim.

Standard 26 Board of Directors of the Bank[1]

Name	Noam Hanegbi
Personal details	Identification number: 055445647 Date of Birth: July 20, 1958 Address: Trumpeldor 5, Kfar Saba Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Strategy and Business Development Committee, and chairperson of the Corporate Governance and Stakeholders Committee. Member of the following board committees: the Credit Committee, the Risk Management and Control Committee, the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities, and the Committee for Technology and Technological Innovation (served as chairperson of the committee until March 1, 2026).
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No. Chairperson of the Board of Directors of the Bank as of February 18, 2025.
Date of commencement of service as a director of the company	October 6, 2019.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics and Computer Science, Bar-Ilan University. CEO of Noam Hanegbi Ltd. (a wholly-owned company). Chairperson of the Poalim Community Foundation (R.A.). Member of the executive board on behalf of Bank Hapoalim at the Association of Banks in Israel (R.A.).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with professional qualification. An expert director. Has banking experience. Has knowledge and experience in the areas of information technology and has experience, expertise, and skill in the area of cybersecurity, mainly from the perspective of policy and management at large organizations in the Israeli economy; in his past roles as head of information systems at Israel Discount Bank Ltd. and head of information systems at Maccabi Health Services, engaged extensively in cybersecurity issues – setting policies, work plans, acquisition of solutions, running surveys and implementing solutions to the findings, surveying types of risks and acquiring solutions, setting up centers to identify and cope with attacks, training and absorption, and more.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Yair Avidan
Personal details	Identification number: 056131618 Date of birth: December 25, 1959 Address: Ha'Odem 5/5, Hod Hasharon Citizenship: Israeli
Membership in committees of the Board of Directors	The Audit Committee, the Risk Management and Control Committee, the Corporate Governance and Stakeholders Committee, and the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301 and independent director.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	December 25, 2024.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Statistics and Economics, Tel Aviv University; M.A. in Finance and Accounting Tel Aviv University; M.A. in Education Administration and Leadership, Tel Aviv University. As of 2025 – director at Zim Integrated Shipping Services Ltd. and at Sollapay Ltd.; member of the investment committee of JGive; member of the advisory committee of the Israel Fintech Center; member of the Israeli Forum for Impact Economy (IFIE); senior associate of the Institute for Policy and Strategy (IPS), Reichman University; and chairperson of the non-profit organization A Home for Every Child (R.A.). As of 2024 – external director at Modiin Energy Limited Partnership, and member of the executive boards of the following non-profit organizations: Hadassah Neurim Rural Education Center (R.A.), Nitzotzot - Shiur Acher (R.A.), Sapir Academic College (R.A.), and Israel Nature & Heritage Foundation (R.A.). As of 2023 – chairperson of the advisory council at the Arison ESG Center, Reichman University; and member of the Supporters of Laniado Hospital, Sanz Medical Center. Formerly – Supervisor of Banks (2020–2023); Neema Shefa Ltd. (2023–2024); member of the executive board of the following entities: Climate First Ltd. technology incubator (2023–2024), Finhawk Sentinel (A.R.) (2023–2024).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	David Avner
Personal details	Identification number: 050782184 Date of birth: August 29, 1951 Address: Derech Hasadot 16, Beit Yitzhak Citizenship: Israeli
Membership in committees of the Board of Directors	The Audit Committee, the Risk Management and Control Committee, the Strategy and Business Development Committee, and the Information Technology and Technological Innovation Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 10, 2019.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Mathematics, in the Computer Science and Philosophy program, Haifa University; M.B.A., Technion Israel Institute of Technology; graduate of information-systems analyst courses, Technion Israel Institute of Technology, External Studies Division. Formerly – chairperson of the board of directors of Cellomat Ltd. (2018–2022).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Ronit Abramson-Rokach
Personal details	Identification number: 054121108 Date of birth: August 17, 1957 Address: Shimshon 5, Jerusalem Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Audit Committee and chairperson of the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities. Member of the following board committees: the Credit Committee, the Corporate Governance and Stakeholders Committee, and the Remuneration Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	February 5, 2018.
Education and occupation in last five years, with details of service at corporations as a director	L.L.B., Hebrew University of Jerusalem. Serves as a legal advisor in the areas of companies, securities, and banking. Member of the executive board of the Shiluv Family and Couples Therapy Institute (R.A.), the Jerusalem Foundation (R.A.), Beit Berl College (R.A.), and the general assembly of the Zippori Center for Training and Leadership Ltd. (Public Benefit Company).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Michal Halperin
Personal details	Identification number: 059714824 Date of birth: June 21, 1966 Address: Kiryati 29, Ramat Gan Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Remuneration Committee. Member of the following board committees: the Audit Committee and the Risk Management and Control Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	April 12, 2024.
Education and occupation in last five years, with details of service at corporations as a director	L.L.B., Hebrew University of Jerusalem. Mediator, Neaman Institute. As of 2022 – founder of the venture Heznek 800 Ltd. (Public Benefit Company). As of 2024 – a judge on the court of the World Zionist Organization. Formerly – Director General of the Israel Competition Authority (2016–2021), research fellow at the Harvard Kennedy School (2021–2025).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with professional qualification. An expert director.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Israel Trau
Personal details	Identification number: 053641775 Date of birth: December 16, 1955 Address: Pnina Salzman 4, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Credit Committee. Member of the following board committees: the Audit Committee, the Information Technology and Technological Innovation Committee, and the Strategy and Business Development Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 24, 2020.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Humanities (Geography, expanded), Tel Aviv University; senior management course, Lahav Executive Education; advanced course on investments and the capital market, Lahav Executive Education, Tel Aviv University. As of 2019 – serves as a business consultant for several companies and ventures, and as an external director at Aviation Links Ltd. As of 2025 – director at Summa Technologies Ltd.
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Odelia Levanon
Personal details	Identification number: 057971632 Date of birth: November 16, 1962 Address: Aharon Becker 11, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Technology and Technological Innovation Committee (as of March 1, 2026). Member of the following board committees: the Information Technology and Technological Innovation Committee, the Corporate Governance and Stakeholders Committee, the Strategy and Business Development Committee, and the Audit Committee.
Is the director an independent/external director according to the Companies Law or an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 13, 2022
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Mathematics and Computer Science, Tel Aviv University; M.Sc. in Computer Science, Tel Aviv University; Ph.D. studies in Business, Tel Aviv University. As of 2015 – lecturer on information systems management at the Academic College of Ramat Gan. Formerly – CEO of the Inter-University Computation Center (IUCC) (2017–2021); director at Bos Dimex Ltd. (2014–2021); and independent director at ETG Group Ltd. (2021–2022).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with professional qualification. An expert director. Has knowledge and experience in the areas of information technology, and has experience in the management of an information security, cybersecurity, and cloud system within the various roles she has held, including in her past position as CEO of IUCC. In this position, she was responsible for information security and cybersecurity of the internet network of all of the research institutions in Israel.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Yoel Mintz
Personal details	Identification number: 052302825 Date of birth: February 3, 1954 Address: Hamatsbi'im 58, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Credit Committee, the Remuneration Committee, the Risk Management and Control Committee, and the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301, and independent director.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 25, 2021
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics, Tel Aviv University; M.B.A., Tel Aviv University.
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	David Zvilichovsky
Personal details	Identification number: 057056426 Date of birth: August 31, 1961 Address: Habanim 1, Ramat Hasharon Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Risk Management and Control Committee. Member of the following board committees: the Credit Committee, the Information Technology and Technological Innovation Committee, and the Strategy and Business Development Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 25, 2019.
Education and occupation in last five years, with details of service at corporations as a director	Ph.D. in Economics, Tel Aviv University; M.Sc. in Computer Science, Tel Aviv University; B.A. in Economics, Computer Science, and Mathematics, Hebrew University. As of 2011 – member of the senior academic staff of the Department of Management at Tel Aviv University. As of 2022 – head of the MBA program in entrepreneurship and innovation management at Tel Aviv University. Teaches in international academic programs, including programs of the Wharton business school. Provides advisory services to advanced-technology companies. Director and controlling shareholder at Innovent Israel Ltd. (a wholly-owned company).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has knowledge and proven experience in the areas of information technology, and has expertise in the areas of information security and cybersecurity, from MA studies, and experience in the area of information security from various roles in which he served in the past.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Ronit Schwartz
Personal details	Identification number: 022339766 Date of birth: May 29, 1966 Address: Rabbi Chanina 21/6, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Risk Management and Control Committee, the Credit Committee, the Corporate Governance and Stakeholders Committee, the Remuneration Committee, and the Strategy and Business Development Committee.
Is the director an independent director/ an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 23, 2021.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics, Tel Aviv University; M.B.A., Tel Aviv University; graduate of corporate directors and senior officers course, School of Management, Tel Aviv University. Serves as a director at Energy Infrastructures Ltd. as of 2018 and at Amir Marketing and Investments in Agriculture Ltd. as of 2017. As of 2017 – director at Amir Marketing and Investments in Agriculture Ltd. and member of the executive board of the Association for Israel's Soldiers. Formerly – director at Energy Infrastructures Ltd. (2018–2025); external director at SimiGon Ltd. (2019–2022) and at Elad Canada Realty Inc. (2018–2021).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1]

Name	**Yadin Antebi**
Personal details	Identification number: 028078525 Date of birth: October 31, 1970
Date of commencement of service	August 15, 2024.
Position at the corporation or at a subsidiary, related company, and/or interested party thereof	President and Chief Executive Officer, Member of the Board of Management.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics and Accounting, Hebrew University of Jerusalem; M.B.A., Hebrew University of Jerusalem. Formerly – Head of Financial Markets and International Banking (May 2018 to August 2024); chairperson of the board of directors of Hapoalim Switzerland Ltd., Poalim Mortgages Insurance Agency (2005) Ltd., Poalim Equity & Investments Holdings Ltd., and Poalim Equity Investment House Ltd. (until November 2024).

Name	**Amit Oberkovich**
Personal details	Identification number: 059030015 Date of birth: August 19, 1964
Date of commencement of service	December 1, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Human Resources. Chairperson of the board of directors at Avuka Hevra le Hashkaot Ltd. (a subsidiary of the Bank).
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	M.A. in Political Science, Tel Aviv University; M.B.A., University of Derby. Vice chairperson of the Olympic Committee of Israel (as of January 2025). Formerly – a member of the executive board (volunteer) of A.V. Israel (R.A.) (1998–2023).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Yael Almog
Personal details	Identification number: 59284745 Date of birth: March 6, 1968
Date of commencement of service	June 1, 2017.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Legal Advisor of the Bank, as of March 1, 2018.[2]
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	L.L.B., Tel Aviv University; M.A. in Law, Columbia University, New York. Harvard Business School – Advanced Management Program. Licensed to practice law.

Name	Shmulik Arbel
Personal details	Identification number: 024272957 Date of birth: July 23, 1969
Date of commencement of service	December 1, 2025.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Corporate Banking. As of December 1, 2025, chairperson of the boards of directors of the subsidiaries: Diur B.P. Ltd., Diur B.P. Properties (1993) Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics and Management, Tel Aviv University; M.B.A., specialized in finance and marketing, Tel Aviv University. Formerly – chairperson of the members' investment committee and chairperson of the credit committee at Migdal (2024 to November 2025); director at IMCC (2024 to September 2025); head of banking division and deputy CEO at Bank Leumi (2021–2023); head of corporate division and member of bank management at Bank Leumi (2018–2020); director at the following companies: Delta Capita Group, Canada Global, Africa Israel Residences Ltd. (2024 to November 2025), Tarya Israel Ltd. (2025 to November 2025); and consultant to the Arion Fund (2024 to November 2025).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.
(2) On January 18, 2026, Yael Almog gave notice of her intention to leave the Bank.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Amir Bachar
Personal details	Identification number: 029331113 Date of birth: April 20, 1972
Date of commencement of service	May 29, 2018.
Position at the corporation or at a subsidiary, related company, or interested party thereof	At the rank of a Member of the Board of Management, serves as Chief Internal Auditor. Head of Internal Audit in Israel and Abroad as of June 1, 2022.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Law and Economics, Hebrew University; M.A. in Economics and Ph.D. in Law, Hebrew University. Licensed to practice law. Lecturer on banking law at Reichman University (as of 2022) and lecturer on banking law at Bar Ilan University (as of 2024). Formerly – Member of the Board of Management, Chief Risk Officer (CRO) of the Bank (May 2018–May 2022).

Name	Merav Ben Shushan Cohen
Personal details	Identification number: 28710143 Date of birth: August 14, 1971
Date of commencement of service	June 1, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Risk Officer (CRO).
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics and Management, Technion. Formerly – Asset and Liability Management Area Manager at the Bank (August 2016–May 2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Ram Gev
Personal details	Identification number: 032283046 Date of birth: April 3, 1975
Date of commencement of service	January 1, 2020.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Financial Officer (CFO). Chairperson of the board of directors at the following subsidiaries: Mivnim Vetsiud Ltd., Bitan Investments and Mortgages Ltd., Alzur Property Development Company Ltd., Tzadit Ltd., Revadim (Nechasim) Ltd., and Ramchal Poalim Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Hebrew University; M.B.A., Hebrew University. CPA. Formerly – CFO of Isracard Ltd. (from June 2019 also served as Deputy CEO of Isracard) (2011–2019).

Name	Pazit Garfinkel
Personal details	Identification number: 033026477 Date of birth: July 31, 1976
Date of commencement of service	October 29, 2024.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Retail Banking. Serves as chairperson of the board of directors of Poalim Ofakim Ltd. (as of May 18, 2025).
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics, Academic College of Tel Aviv Jaffa; M.B.A., Tel Aviv University. Formerly – Head of the Customer Experience and Direct Banking Area (February 2021–October 2024); Jerusalem Region Manager (May 2020–February 2021).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Adi Zacharia Dauber
Personal details	Identification number: 034907501 Date of Birth: September 3, 1978
Date of commencement of service	September 25, 2024.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Financial Markets. As of November 11, 2024, serves as chairperson of the boards of directors of the following companies: Poalim Equity Investment House Ltd., Poalim Equity Investments Holdings Ltd., Poalim Financial Holdings (1993) Ltd., Opaz Ltd., BAMI Nechasim Ltd., and Nominee Company of Bank Hapoalim Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business, Interdisciplinary Center Herzliya. Formerly – Head of the Dealing Rooms and Brokerage Area (January 2021 to September 2024); Head of the Dealing Room Customer Department (January 2019 to January 2021).

Name	Zeev Hayo
Personal details	Identification number: 057069676 Date of birth: February 24, 1961
Date of commencement of service	July 14, 2014.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Banking Services, as of June 1, 2022.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Tel Aviv University. CPA. Formerly – Chief Internal Auditor, Head of Internal Audit in Israel and Abroad at the Bank (July 2014 to May 2022); Internal auditor of the following companies: Isracard Ltd., Europay (Eurocard) Israel Ltd., Peilim (July 2014 to May 2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Guy Kalif
Personal details	Identification number: 028761088 Date of birth: September 23, 1971
Date of commencement of service	January 1, 2021.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Accountant.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Tel Aviv University; M.B.A., Tel Aviv University. CPA. Formerly a director at Hapoalim Switzerland (May 2018 to September 2023).
Name	**Erez Rachmil**
Personal details	Identification number: 032357956 Date of birth: August 21, 1975
Date of commencement of service	March 19, 2025.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Information Technology. Chairperson of the board of directors at the subsidiary Poalit Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Management, Ben-Gurion University; M.A. in Law, Technology, and Business Innovation, Reichman University. Has experience, expertise, and skill in information security and cybersecurity in his role as Head of Information Technology at the Bank, which also encompasses cybersecurity. Formerly CTO at Playtika (2021–2024); EVP of development and VP of information systems at Playtika (2014–2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Gilad Bloch
Personal details	Identification number: 028487296 Date of birth: March 15, 1971
Date of commencement of service	February 1, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Corporate Secretary
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business Administration, College of Management, Rishon Lezion; M.B.A., Executive MBA Program, Tel Aviv University.

Name	Igal Bareket
Personal details	Identification number: 024557043 Date of birth: October 24, 1969
Date of commencement of service	May 16, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Chief Marketing Officer.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which the education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business and Communications, College of Management. Formerly – CEO of the advertising firm Yehoshua TBWA (2017–2022).

Itamar Furman	Served as Deputy CEO, Member of the Board of Management, Head of Retail Banking, from July 20, 2022, to November 30, 2025.
Eti Ben-Zeev	Served as Deputy CEO, Member of the Board of Management, Head of Information Technology, from February 14, 2016, to March 18, 2025.
Rivka Gugig	Served as CTRO from September 4, 2022, to August 4, 2025.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26B Independent authorized signatories

None.

Standard 27 Accountants of the Bank

Ziv Haft, Certified Public Accountants, 48 Menachem Begin Rd., Tel-Aviv.
Somekh Chaikin, Certified Public Accountants, 17 Ha'arba'ah St., Tel Aviv.

Standard 28 Details of changes in the Memorandum and Articles of the Bank

There were no changes in the Memorandum and Articles of the Bank in 2025.

Standard 29 Recommendations and resolutions of the directors

A. Recommendations of the Board of Directors to the general meeting, and resolutions that do not require approval by the general meeting:

1. Distribution – For details regarding dividend distribution and regarding a plan for buybacks of shares of the Bank and the execution thereof, see Notes 24.B and 24.C to the Financial Statements.
2. Change in issued capital – For details regarding a change in the number of dormant shares of the Bank as a result of the plans for buyback of shares of the Bank and the execution thereof, see Note 24.C to the Financial Statements. 1,124,592 ordinary shares of the Bank were allotted to customers of the Bank during 2025, out of the dormant shares held at the Bank, within the Gift Shares and Gift Shares 2.0 processes. For further details, see Note 24.D to the Financial Statements.
3. Change in the Memorandum and Articles of the Bank – None.
4. Redemption of redeemable securities – None. For details regarding the plan for buyback of shares of the Bank, see Note 24.C to the Financial Statements.
5. Early redemption of bonds – With the approval of the Board of Directors and the Supervisor of Banks, full early redemption of Subordinated Notes (Series I), in the amount of approximately NIS 1.2 billion, was executed on April 3, 2025.
6. Transactions not at market terms between the Bank and an interested party of the Bank, except a transaction of the corporation with a subsidiary thereof – None.

B. Resolutions of the general meeting passed in contradiction of the recommendations of the Board of Directors – None.

C. Resolutions of a special general meeting – No special general meeting was held in 2025. For details regarding resolutions passed at the annual general meeting held on August 21, 2025, see the section "Other matters" in the report Corporate Governance Report and Additional Information.

Standard 29A Resolutions of the company

Standard 29A(4) – All of the directors and officers of the Bank have exemption letters and indemnity commitments, and are insured under an officers' liability policy.

Exemption for officers

On February 18, 2016, the general meeting of shareholders of the Bank, following the approval of the Remuneration Committee (at its meetings of January 7 and 10, 2016), and the Board of Directors of the Bank (at its meeting of January 13, 2016), approved the granting of letters of exemption to the officers and directors of the Bank serving and/or who may serve from time to time at the Bank, including the CEO of the Bank, serving and/or who may serve from time to time, and including the officers and directors of the Bank, serving and/or who may serve from time to time, in the granting of letters of exemption to whom the controlling party of the Bank (at the time) may have been considered to have a personal interest. Pursuant to the letters of exemption, the Bank exempts the officer, subject to the provisions of the Companies Law, from responsibility towards the Bank due to any damage to the Bank and/or to subsidiaries of the Bank and/or to related companies of the Bank and/or to any other corporations in which the Bank holds securities, and/or may hold securities from time to time, caused by a past or future action or omission of the officer during the term of the officer's service, which constitutes a violation of the duty of care of the officer towards the Bank. The exemption shall not apply to an action or omission of the officer pertaining to a decision or transaction in which the controlling party or any officer of the Bank has a personal interest. At the date of the report, all of the directors and officers of the Bank have letters of exemption. For further details, see the Immediate Report on the meeting summons issued by the Bank on January 13, 2016 (reference no. 2016-01-009607).

Officers' insurance

Within the officer remuneration policy of the Bank, which was approved by the meeting of shareholders of the Bank on November 8, 2023, a framework of liability limits of up to USD 500 million was established for the acquisition of an officer liability insurance policy, and in addition, an option to acquire a POSI (public offering of securities insurance) policy, and a run-off officer liability insurance policy (providing coverage for past activity) under circumstances of structural changes or changes in control.

In June 2025, the Remuneration Committee (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (the "Relief Regulations")) and the Board of Directors approved the renewal of an insurance policy providing coverage for liability of directors and officers at the Bank Group and monetary indebtedness that may be imposed upon them due to their function as officers, also including coverage for the company in respect of amounts for which it indemnifies officers and in respect of securities claims. The insurance coverage has liability limits of USD 185 million, as well as additional coverage for directors and officers (Side A) with liability limits of USD 70 million (total coverage of USD 255 million), beginning July 1, 2025, for a period of twelve months. The total premium for the aforesaid insurance coverage is approximately USD 3 million.

Within the separation from Isracard Ltd. ("Isracard"), on December 26, 2018, further to the approval of the Audit Committee on December 19, 2018, and the approval of the Remuneration Committee on December 19, 2018 (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000), the Board of Directors approved the acquisition of a POSI (public offering of securities insurance) policy in connection with the offering of shares of Isracard, jointly with Isracard. The policy insures directors' and officers' liability at the Bank and at Isracard, and insures the Bank and Isracard in respect of offerings of shares of Isracard to the public by the Bank, and an initial offering of bonds by Isracard in April 2019. The liability limit of the policy is in the amount of USD 200 million per claim and cumulatively. The premium for the POSI policy is approximately USD 1 million. The policy is in effect from March 1, 2019, to January 31, 2028.

Indemnification of officers

For details regarding indemnity letters received by all officers serving at the Bank, see Note 25.B.3 to the Financial Statements.

Guy Kalif
Deputy CEO, Chief Accountant

Gilad Bloch
Corporate Secretary

Tel-Aviv, March 4, 2026

Corporate Governance Questionnaire[1]

Independence of the board of directors			
		True	False
1.	Throughout the reported year, two or more external directors served at the corporation. This question can be answered "True" if the period during which two external directors did not serve does not exceed 90 days, as noted in Section 363A(b)(10) of the Companies Law; however, with any answer (true/false), the duration of the period (in days) in which two or more external directors did not serve at the corporation during the reported year should be noted (including a term of service approved retrospectively, separately for each of the external directors): Director A: **Ronit Abramson-Rokach** Director B: **David Avner** Director C: **Michal Halperin** Number of external directors serving at the corporation as at the date of publication of this questionnaire: **3 (and 3 additional external directors as defined in Directive 301 of the Supervisor of Banks, who are not external directors pursuant to the directives of the Companies Law).**	✓	
2.	Rate[2] of independent directors[3] serving at the corporation as at the date of publication of this questionnaire: **5/10.** Rate of independent directors established in the articles[4] of the corporation[5]: _____ Not applicable (no directive has been established in the articles). **Pursuant to the provisions of the Banking Ordinance, because the Bank is a banking corporation without a controlling core, all of the directors are required to have no affinity to the Bank, or, effectively, to be independent of the Bank. In addition, pursuant to Directive 301 of the Supervisor of Banks, at least one-third of the directors on the Board of Directors of the Bank are required to be external directors, as defined in Directive 301 (including external directors pursuant to the Companies Law).**	____	____
3.	An examination was conducted in the reported year with the external directors (and the independent directors), and it was found that they fulfilled the directives of Section 240(B) and (F) of the Companies Law, in the reported year, with regard to the lack of affinity of the external (and independent) directors serving at the corporation, and that they fulfilled the required conditions for service as external (or independent) directors.	✓	

(1) Published pursuant to the proposed legislation for the improvement of financial statements of March 16, 2014.
(2) In this questionnaire, **"rate"** indicates the specific number out of the total; for example, 3/8.
(3) Including "external directors" as defined in the Companies Law.
(4) For the purposes of this question, "articles," including according to a specific legal directive applicable to the corporation (for example, at a banking corporation, the directives of the Supervisor of Banks).
(5) A bond company is not required to answer this item.

Corporate Governance Questionnaire (continued)

Independence of the board of directors (continued)			
		True	False
4.	None of the directors who served at the corporation during the reported year report[6] to the general manager, directly or indirectly (with the exception of a director who is a representative of the employees, if the corporation has employee representation). If your answer is "False" (i.e. the director reports to the general manager, as noted), the rate of directors who do not meet this limit should be noted: _____	✓	
5.	All directors who gave notice of the existence of a personal interest in the approval of a transaction on the agenda of a meeting did not attend that discussion and did not participate in such voting (with the exception of a discussion and/or vote under circumstances according to Section 278(B) of the Companies Law). If your answer is "False" – Was this for the purpose of presentation of a specific subject by the director, in accordance with the directives of Section 278(A), last clause? ☐ **Yes** ☐ No (mark an X in the appropriate box) Note the rate of meetings in which directors as noted above were present at a discussion and/or participated in a vote, except under the circumstances as noted in Subsection (a): **0%**.	✓	
6.	A controlling party (including a relative thereof and/or a person acting on behalf thereof), who is not a director or other senior officer of the corporation, was not present at the meetings of the board of directors held during the reporting year. If your answer is "False" (i.e., a controlling party and/or a relative thereof and/or a person acting on behalf thereof who is not a member of the board of directors and/or a senior officer of the corporation was present at meetings of the board of directors, as noted) – state the following information regarding the presence of each additional person at meetings of the board of directors, as noted: Identity: — Position at the corporation (if any): — Details of affinity to controlling party (if the person present is not the controlling party): — Was this for the purpose of presentation of a specific subject by the attendee? ☐ Yes ☒ **No** (mark an X in the appropriate box) Rate of attendance[7] at meetings of the board of directors held in the reported year in order to present a specific subject: — Other attendance: — ☒ Not applicable (the corporation does not have a controlling party).		

(6) For the purposes of this question, service as a director at an affiliated corporation controlled by the corporation shall not be considered, in itself, "reporting." However, service of a director of the corporation as an officer (other than a director) and/or employee of an affiliated corporation controlled by the corporation shall be considered "reporting" for the purposes of this question.

(7) With differentiation of the controlling party, a relative thereof, and/or a person acting on behalf thereof.

Corporate Governance Questionnaire (continued)

Qualification and skills of directors				
			True	False
7.		The articles of the corporation do not contain a directive restricting its ability to immediately terminate the service of any directors of the corporation who are not external directors (for this purpose, determination by simple majority is not considered a restriction).[8] **Special legal directives apply to a banking corporation without a controlling core.** If your answer is "False" (i.e., such a restriction does exist), state:	✓	
	A.	The period of time specified in the articles for the service of a director: _____		
	B.	The required majority specified in the articles for the termination of service of directors: _____		
	C.	The legal quorum at the general meeting specified in the articles for the termination of service of directors: _____		
	D.	The majority required to change these directives in the articles: _____		
8.		The corporation has prepared a training program for new directors in the area of the business of the corporation and in the area of the law applicable to the corporation and to the directors, as well as a program for continued training of serving directors, adapted, among other matters, to the position held by the director at the corporation. If your answer is "True," state whether the program was operated during the reported year: ☒ **Yes** ☐ No (mark an X in the appropriate box)	✓	
9.	A.	A minimum required number of directors on the board of directors who must have accounting and financial expertise has been established at the corporation. If your answer is "True," state the minimum number established: **3**.	✓	
	B.	The number of directors who served at the corporation during the reported year who have accounting and financial expertise:[9] **7** Directors with professional qualification:[10] **10** If the number of such directors changed during the reported year, state the lowest number (except during the period of 60 days from the change) of directors of each kind who served during the reported year.		
10.	A.	The composition of the board of directors included members of both sexes throughout the reported year. If your answer is "False," state the duration of the period (in days) during which this was not the case: _____ This question can be answered "True" if the period during which directors of both sexes did not serve does not exceed 60 days; however, for any answer (true/false), the duration of the period (in days) in which directors of both sexes did not serve at the corporation should be noted: _____	✓	
	B.	Number of directors of each sex serving on the board of directors of the corporation as at the date of publication of this questionnaire: Men: **6**, Women: **4**.		

(8) A bond company is not required to answer this item.
(9) After evaluation of the Board of Directors, pursuant to the directives of the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise), 2005.
(10) See footnote 9 above.

Corporate Governance Questionnaire (continued)

<table>
<tr><th colspan="9">Meetings of the board of directors (and convening of the general meeting)</th></tr>
<tr><td colspan="7"></td><td>True</td><td>False</td></tr>
<tr><td>11.</td><td>A.</td><td colspan="5">Number of meetings of the board of directors held during each quarter of the reported year:
First quarter (2025): <u>11</u>
Second quarter: <u>14</u>
Third quarter: <u>9</u>
Fourth quarter: <u>15</u></td><td></td><td></td></tr>
<tr><td></td><td>B.</td><td colspan="5">Beside each of the names of the directors who served at the corporation during the reported year, note the rate of meetings of the board of directors in which he or she participated (in this subsection, including meetings of the committees of the board of directors of which he or she is a member, as noted below), which were held during the reported year (in reference to the term of his or her service):
(add additional rows according to the number of directors).</td><td></td><td></td></tr>
<tr><td></td><td></td><td>Director's name</td><td>Rate of participation in meetings of the plenum of the board of directors</td><td>Rate of participation in meetings of the audit committee[11]</td><td>Rate of participation in meetings of the committee for the examination of the financial statements[12]</td><td>Rate of participation in meetings of the remuneration committee</td><td>Rate of participation in meetings of additional committees of the board of directors of which the director is a member (note the name of the committee)</td><td></td><td></td></tr>
<tr><td></td><td></td><td>Noam Hanegbi[13]</td><td>98%</td><td>100%
(with regard to meetings of the Audit Committee held during the period from January 1, 2025, to February 17, 2025)</td><td>100%
(with regard to meetings of the Audit Committee held during the period from January 1, 2025, to February 17, 2025)</td><td></td><td>Strategy and Business Development Committee – 100%
Corporate Governance and Stakeholders Committee – 100%
Information Technology and Technological Innovation Committee – 100%
Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100%
Risk Management and Control Committee – 77%
Credit Committee – 81%</td><td></td><td></td></tr>
</table>

(11) With regard to a director who is a member of this committee. Pursuant to the supervisory directives, discussions of the financial statements are held by the audit committee of the board of directors.
(12) See footnote 11 above.
(13) Noam Hanegbi was appointed Chairperson of the Board of Directors as of February 18, 2025.

Corporate Governance Questionnaire (continued)

Meetings of the board of directors (and convening of the general meeting) (continued)									
								True	False
		Yair Avidan	92%	90.5%	90.5%		Risk Management and Control Committee – 100% Corporate Governance and Stakeholders Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100%		
		David Avner	96%	100%	100%	100%	Strategy and Business Development Committee – 100% Risk Management and Control Committee –100% Information Technology and Technological Innovation Committee – 100%		
		Ronit Abramson-Rokach	98%	100%	100%	100%	Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100% Corporate Governance and Stakeholders Committee – 100% Credit Committee – 100%		
		Michal Halperin	98%	100%	100%	100%	Risk Management and Control Committee – 94%		
		Israel Trau	96%	96%	96%		Credit Committee – 94% Strategy and Business Development Committee – 100% Information Technology and Technological Innovation Committee – 100%		
		Odelia Levanon	100%	100%	100%		Corporate Governance and Stakeholders Committee – 100% Information Technology and Technological Innovation Committee – 100% Strategy and Business Development Committee – 100%		

Corporate Governance Questionnaire (continued)

Meetings of the board of directors (and convening of the general meeting) (continued)								True	False
		Yoel Mintz	100%			100%	Credit Committee – 94% Risk Management and Control Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100%		
		David Zvilichovsky	98%				Risk Management and Control Committee – 100% Credit Committee – 100% Strategy and Business Development Committee – 100% Information Technology and Technological Innovation Committee – 100%		
		Ronit Schwartz	98%			100%	Credit Committee – 100% Risk Management and Control Committee – 100% Corporate Governance and Stakeholders Committee – 100% Strategy and Business Development Committee – 100%		
		Ruben Krupik[14]	100%				Credit Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100% Risk Management and Control Committee – 100%		
12.	The board of directors held at least one discussion during the reported year regarding the management of the business of the corporation by the general manager and the officers who report to the general manager, when they were not present, and they were given the opportunity to express their position.							✓	

(14) Ruben Krupik ended his service as Chairperson of the Board of Directors on February 17, 2025.

Corporate Governance Questionnaire (continued)

Separation of the duties of the general manager and the chairperson of the board of directors				
			True	False
13.	A chairperson of the board of directors served at the corporation throughout the reported year. This question can be answered "True" if the period during which a chairperson of the board of directors did not serve at the corporation does not exceed 60 days, as noted in Section 363A(2) of the Companies Law; however, for any answer (true/false), the duration of the period (in days) in which a chairperson of the board of directors did not serve at the corporation should be noted: **0**.		✓	
14.	A general manager served at the corporation throughout the reported year. This question can be answered "True" if the period during which a general manager did not serve at the corporation does not exceed 90 days, as noted in Section 363A(6) of the Companies Law; however, for any answer (true/false), the duration of the period (in days) in which a general manager did not serve at the corporation should be noted: **0**.		✓	
15.	At a corporation where the chairperson of the board of directors also serves as the general manager of the corporation and/or exercises the authority of the general manager, the double service has been approved in accordance with the directives of Section 121(C) of the Companies Law.[15] ☒ Not relevant (as no such double service exists at the corporation).			
16.	The general manager is not a relative of the chairperson of the board of directors. If your answer is "False" (i.e., the general manager is a relative of the chairperson of the board of directors) –		✓	
	A	State the familial relationship between the parties: _____	____	____
	B	The service was approved pursuant to Section 121(C) of the Companies Law:[16] ☐ Yes ☐ No (mark an X in the appropriate box)	____	____
17.	A controlling party or a relative thereof does not serve as the general manager or as a senior officer of the corporation, except as a director. ☒ Not applicable (the corporation does not have a controlling party).			

(15) At a bond company, approval pursuant to Section 121(D) of the Companies Law.
(16) At a bond company, approval pursuant to Section 121(D) of the Companies Law.

Corporate Governance Questionnaire (continued)

Audit committee				
			True	False
18.	The following persons did not serve on the audit committee during the reported year:		____	____
	A.	A controlling party or a relative thereof. ☒ Not applicable (the corporation does not have a controlling party).		
	B.	The chairperson of the board of directors.	✓	
	C.	A director employed by the corporation or by a controlling party of the corporation or by a corporation under a controlling party's control.	✓	
	D.	A director who regularly provides services to the corporation or to a controlling party of the corporation or to a corporation under a controlling party's control.	✓	
	E.	A director whose primary livelihood depends on the controlling party. ☒ Not applicable (the corporation does not have a controlling party).		
19.	No person not permitted to be a member of the audit committee, including a controlling party or a relative thereof, was present at the meetings of the audit committee during the reported year, except in accordance with the directives of section 115(E) of the Companies Law.[17]		✓	
20.	The legal quorum for discussion and for the passing of resolutions at all meetings of the audit committee held during the reported year was a majority of the members of the committee, where the majority of those present were independent directors, and at least one of those present was an external director. If your answer is "False," state the rate of meetings at which this requirement was not fulfilled: _____		✓	
21.	The audit committee held at least one meeting during the reported year in the presence of the internal auditor and the external auditor, without the presence of officers of the corporation who are not members of the committee, with regard to flaws in the business management of the corporation.		✓	
22.	For all meetings of the audit committee attended by a person not authorized to be a committee member, such attendance was approved by the chairperson of the committee and/or was at the request of the committee (with regard to the legal counsel and secretary of the corporation who is not a controlling party or a relative thereof).		✓	
23.	Arrangements were in effect during the reported year, established by the audit committee, with respect to the treatment of complaints of employees of the corporation regarding flaws in the management of its business and with respect to the protection to be given to employees who make such complaints.		✓	
24.	The audit committee (and/or the committee for the examination of the financial statements) obtained satisfactory assurance that the volume of work and the fees of the external auditor with respect to the financial statements in the reported year were appropriate in order to adequately perform the auditing and reviewing work.		✓	

(17) Members of the Board of Directors who are not members of the Audit Committee were present at parts of several meetings of the committee in 2025 in order to present a specific topic (in accordance with the directives of Section 115(E) of the Companies Law), and were present while the financial statements were discussed, when the committee was in session as the committee for the examination of the financial statements.

Corporate Governance Questionnaire (continued)

Duties of the committee for the examination of the financial statements (hereinafter: the committee) in its preliminary work prior to the approval of the financial statements[18]				
			True	False
25.	A.	Period of time (in days) established by the board of directors as a reasonable period for the submission of recommendations of the Committee in advance of the meeting of the board of directors in which the financial statements are approved: **2 days, if possible.**	____	____
	B.	Actual number of days elapsed from the submission of the recommendations to the board of directors to the date of the discussion of the approval of the financial statements by the board of directors: Report for the first quarter (2025): **2** Report for the second quarter: **1** Report for the third quarter: **2** Annual report: **2**	____	____
	C.	Number of days elapsed from the submission of the draft of the financial statements to the directors to the date of the discussion of the approval of the financial statements by the board of directors: Report for the first quarter (2025): **7** Report for the second quarter: **7** Report for the third quarter: **6** Annual report: **7**		
26.	The external auditor of the corporation attended all meetings of the Committee and of the board of directors in which the financial statements of the corporation referring to the periods included in the reported year were discussed. If your answer is "False," state the rate of participation: _____		✓	

(18) In accordance with the directives of the Banking Supervision Department, the Audit Committee serves as the committee for the examination of the financial statements.

Corporate Governance Questionnaire (continued)

Duties of the committee for the examination of the financial statements (hereinafter: the Committee) in its preliminary work prior to the approval of the financial statements[18] (continued)				
			True	False
27.		All of the following conditions were fulfilled by the Committee during the entire reported year and until the publication of the annual report:	____	____
	A.	The number of members did not fall below three (at the date of the discussion by the Committee and the approval of the financial statements, as noted).	✓	
	B.	All of the conditions set forth in Section 115(B) and (C) of the Companies Law (with regard to the service of members of the audit committee) were fulfilled.[19]	✓	
	C.	The chairperson of the Committee is an external director.	✓	
	D.	All of the members are directors and the majority of members are independent directors.	✓	
	E.	All of the members have the ability to read and understand financial statements, and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	The members of the Committee made a declaration prior to their appointment.	✓	
	G.	The legal quorum for discussions and for passing of resolutions in the Committee is a majority of its members, provided that the majority of those present are independent directors, including at least one external director.	✓	
		If your answer to one or more of the subsections of this question is "False," note the report (periodic/quarterly) with respect to which the condition was not fulfilled and state which condition was not fulfilled: _____	____	____

(18) In accordance with the directives of the Banking Supervision Department, the Audit Committee serves as the committee for the examination of the financial statements.
(19) See footnote 23 above.

Corporate Governance Questionnaire (continued)

The remuneration committee				
			True	False
28.	In the reported year, the committee consisted of at least three members, and external directors were a majority of the committee (at the date of the discussion in the committee). ☐ Not applicable (no discussion was held).		✓	
29.	The terms of service and employment of all members of the remuneration committee in the reported year are in accordance with the Companies Regulations (Rules for Remuneration and Expenses of External Directors), 2000.		✓	
30.	The following persons did not serve on the remuneration committee during the reported year:		____	____
	A.	A controlling party or a relative thereof. ☒ Not applicable (the corporation does not have a controlling party).		
	B.	The chairperson of the board of directors.	✓	
	C.	A director employed by the corporation or by a controlling party of the corporation or by a corporation under a controlling party's control.	✓	
	D.	A director who regularly provides services to the corporation or to a controlling party of the corporation or to a corporation under a controlling party's control.	✓	
	E.	A director whose primary livelihood depends on the controlling party. ☒ Not applicable (the corporation does not have a controlling party).		
31.	A controlling party or a relative thereof were not present at the meetings of the remuneration committee during the reported year, unless the chairperson of the committee determined that the presence of any of them was required for the presentation of a particular matter. ☒ Not applicable (the corporation does not have a controlling party).			
32.	The remuneration committee and the board of directors did not exercise their authority pursuant to sections 267A(C), 272(C)(3), and 272(C1)(1)(c) for the approval of a transaction or remuneration policy despite the objection of the general meeting of shareholders. If your answer is "False," state – The type of transaction approved in the aforesaid manner: _____ The number of times this authority was exercised during the reported year: _____		✓	

Corporate Governance Questionnaire (continued)

Internal auditor			
		True	False
33.	The chairperson of the board of directors or the general manager of the corporation is the organizational supervisor of the internal auditor of the corporation.	✓	
34.	The chairperson of the board of directors or the audit committee approved the work plan in the reported year. In addition, list the audit subjects addressed by the internal auditor during the reported year: For details regarding internal audit at the Bank, see Section 5.2, "Internal audit," in the section of the report concerning corporate governance and additional information.	✓	
35.	Volume of employment of the internal auditor at the corporation in the reported year (in hours[20]): **100% position** **For details regarding number of employee positions in Internal Audit at the Bank, see Section 5.2, "Internal audit," in the section of the report concerning corporate governance and additional information.**	____	____
	A discussion of the findings of the internal auditor was held (by the audit committee or the board of directors) during the reported year.	✓	
36.	The internal auditor is not an interested party of the corporation, a relative thereof, an external auditor, or anyone acting on behalf thereof, and does not maintain material business ties with the corporation, a controlling party of the corporation, a relative thereof, or corporations under their control.	✓	

(20) Including hours of work invested at affiliated corporations and in audits outside Israel, as relevant.

Corporate Governance Questionnaire (continued)

Transactions with interested parties			
		True	False
37.	The controlling party or a relative thereof (including a company under the control thereof) is not employed by the corporation and does not provide the corporation with management services. If your answer is "False" (i.e., the controlling party or a relative thereof is employed by the corporation or provides it with management services), state – The number of relatives (including the controlling party) employed by the corporation (including companies under their control and/or through management companies):_____ Were the aforesaid employment agreements and/or management services approved by the legally appointed organs: ☐ Yes ☐ No (mark an X in the appropriate box) ☒ Not applicable (the corporation does not have a controlling party). _____		
38.	To the best of the corporation's knowledge, the controlling party does not have additional business in the area of activity of the corporation (in one or more areas). If your answer is "False" – state whether an arrangement has been established for boundaries between the activities of the corporation and of the controlling party thereof: ☐ Yes ☐ No (mark an X in the appropriate box) ☒ Not applicable (the corporation does not have a controlling party).		

Noam Hanegbi
Chairperson of the Board of Directors

Ronit Abramson-Rokach
Chairperson of the Audit Committee[21]

Tel Aviv, March 4, 2026

(21) See footnote 19 above.

Active market

A market in which transactions in an asset or liability are executed at a sufficient frequency and volume in order to provide pricing information on a regular basis.

Average duration

Weighted average term to maturity of the principal and interest payments on a bond.

B2B

Business to business

A business activity in which a product is sold or a service is provided by an organization to another organization.

Basel 2/Basel 3

Risk-management regulations for banks, established by the Basel Committee, which supervises and sets standards for supervision of banks worldwide.

Bid-ask spread

The spread between a proposed buying and selling price. Essentially, the difference between the highest price that a buyer is willing to pay for an asset and the lowest price at which the seller is willing to sell it.

Bond

A security that constitutes a certificate of obligation to pay a debt, in which the issuer promises to pay the holder of the bond the amount of principal issued, plus interest/coupon payments, at fixed intervals or upon fulfillment of a particular condition; a financial instrument that can be used by the government and by firms to borrow money from the public.

CPI

Consumer price index

An index published by the Central Bureau of Statistics, measuring monthly changes in the prices of products and services that compose the "consumption basket" of an average family.

CVA

Credit valuation adjustment

Calculation of credit risk in derivatives reflecting the potential expected loss to the bank in the event of default by the counterparty.

Debt

A contractual right to receive money on demand, or at fixed or fixable intervals, recognized in the balance sheet of the banking corporation as an asset (e.g. deposits with banks, bonds, securities purchased or sold in agreements to resell, credit to the public, credit to the government, etc.). Debts do not include deposits with the Bank of Israel or assets in respect of derivative instruments.

Debt contingent on collateral

Debt expected to be repaid exclusively from the collateral, where there are no other available and reliable repayment sources.

Derivative instrument

A financial instrument or future contract, the value of which is derived from the value of an underlying asset, for which a market exists wherein its value can be determined.

Dormant shares

Shares held directly by the company itself. These shares are denied rights to capital or voting in the company.

FATCA

Foreign Accounts Tax Compliance Act

An American law aimed at improving tax enforcement, pursuant to which financial entities outside the United States must report to the US tax authorities on accounts maintained with them and owned by anyone obligated to report to these authorities, even if not a resident of the United States.

FDIC

Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation in the United States.

Financial instrument

Any contract that creates a financial asset in one entity and a financial liability or equity instrument in another entity.

FINMA

Swiss Financial Market Supervisory Authority

The government agency that supervises financial institutions in Switzerland.

Fixed-term deposits

Deposits in which the depositor does not have the right or authorization to withdraw funds for at least six days from the date of the deposit.

GRI

Global Reporting Initiative

An international standard for reporting on sustainability and corporate social responsibility.

ICAAP

Internal Capital Adequacy Assessment Process

An internal process to assess capital adequacy and establish strategy to ensure the capital adequacy of banking corporations. The process is designed to ensure that banking corporations hold adequate capital to support all of the risks inherent in their activities, and that they develop and apply appropriate processes to manage risks. Among other elements, the process includes setting capital targets, performing capital planning processes, and examining the condition of capital under a variety of extreme scenarios.

Indebtedness

As defined in Proper Conduct of Banking Business Directive 313.

LDC

Less developed country

A country classified by the World Bank as having low or medium revenue.

LTV

Loan to value ratio

The amount of a loan (including an unutilized approved credit facility) as a percentage of the pledged asset (according to the banking corporation's share in the pledge).

MTM

Mark to market

Revaluation of a derivative instrument based on price quotes from relevant markets, or in the absence thereof, based on alternative evaluation methods.

NPL

Non-performing loan

Credit not accruing interest income.

Obligo

Total indebtedness; total liabilities of the customer to the Bank.

Off-balance sheet credit

Commitments to grant credit and guarantees (excluding derivative instruments).

On-demand deposits

Deposits other than fixed-term deposits.

OTC derivative

Over-the-counter derivative

A derivative instrument in which financial institutions contract during the ordinary course of business, for which a market exists where its value can be determined.

Repurchase/resale agreements

Agreements to purchase or sell securities in consideration for cash or securities, in which, at the time of the transaction, the seller and the buyer agree to perform the reverse transaction at a date and price agreed upon in advance.

Securitization

Non-bank capital raising by a financial entity through special bonds reflecting the expected cash flows in respect of pooled loans.

Subordinated notes

Notes in which rights are subordinate to the claims of all other creditors of the banking corporation, excluding other notes and notes of the same type.

Supervisory capital

Supervisory capital comprises two tiers: Tier 1 capital and Tier 2 capital, as defined in Proper Conduct of Banking Business Directive 202.

Syndication

A transaction in which several lenders jointly grant a loan to a single borrower, but each lender provides a loan to the borrower in a specific amount and has the right to repayment by the borrower. Groups of lenders frequently finance loans together when the amount granted is higher than the amount that any one lender is willing to lend.

Tier 1 capital

Includes common equity Tier 1 capital and additional Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202.

Tier 2 capital

Gone-concern capital, as defined in Proper Conduct of Banking Business Directive 202.

VaR

Value at risk

A commonly used statistical model for the quantification of market risks. The model uses historical data to assess the maximum expected loss in respect of a particular position or portfolio, for a defined time horizon, at a defined significance level.

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