

Banking Supervision Department

July 21, 2024

8.473.16548

To: **The banking corporations and acquirers**

Attn: Chief Accountant

To: **Ms. Eileen Toledano**—Chair of the Liaison Committee between the Institute of CPAs in Israel and the Supervisor of Banks, and Committee members

Re: The Swords of Iron War—additional emphases for reporting to the public from the second quarter of 2024 and onward

Dear Sir or Madam:

In view of the ramifications of the Swords of Iron War (hereinafter, “the War”) on the economy in Israel and on the activity of the banking corporations and acquirers (hereinafter, “banking corporations”), and in view of the importance that the Banking Supervision Department ascribes to full and high quality disclosure in the banking corporations’ reports to the public, the banking corporations are to continue ensuring that their reports to the public provide adequate expression and full disclosure to the effects of the war on the results of their activity, their financial position, the development of the various risks to which they are exposed, and how they are acting to manage those risks and to support the needs of their customers, their employees, and the economy overall.

Accordingly, a banking corporation is to continue implementing in its upcoming reports the emphases that were included in our letters dated November 9, 2023 and January 2, 2024, while adjusting for the disclosure format in the attached appendix.

Within the framework of the disclosure, a banking corporation is to detail its main policies for assessing the risk and classification of debts that underwent changes in terms, including information on the main quantitative and qualitative indicators that it uses for assessing the credit quality of debts that are in payment deferral.

We clarify that in view of the continuation of the war, there is increased importance in the existence and implementation of an orderly policy regarding the above. Further to the requirements in the Reporting to the Public Directives, an appropriate policy in this regard refers in general to a range of issues such as the state of the borrower or the debt on the date of the change (for example, the borrower’s repayment capacity, scope and depth of the arrears, and the classification on the date of the change), extent and scope of the waiver granted within the framework of the change in terms, the borrower’s repayment history, scope of support that the borrower expects to receive from the State where relevant, and any other issue that is

relevant to assessing whether the repayment of the principal and interest under the new terms is reasonably assured.

Sincerely,

Or Sofer
Deputy Supervisor of Banks

cc: Daniel Hahiashvili, Supervisor of Banks
Ido Galil, Head of the Financial Reporting Unit

Appendix: Sample format for disclosure of benefits to the public during the war

	Three months ended:						Six months ended:	
	30-Jun-24						30-Jun-24	Year of 2023
	Housing	Private individuals - other	Micro and small businesses	Medium sized businesses	Large businesses	Total	Total	Total
A. Benefits granted by the bank during the war^a								
A.1. Benefits utilized during the reported period:								
Benefits via changes in loan terms	0	0	0	0	0	0	0	0
Benefits via providing no-interest or reduced-interest loans	0	0	0	0	0	0	0	0
Benefits via fee waiver	0	0	0	0	0	0	0	0
Other benefits (Provide detail if material)	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0
A.2. Standing benefits not yet utilized as of the report date								
	0	0	0	0	0	0	0	0
B. Additional information on activities for the benefit of borrowers during the war								
	Three months ended:						Six months ended:	
	30-Jun-24						30-Jun-24	Year of 2023
B.1.a Total credit that underwent a change in terms, during the reporting period^b								
Change in terms to borrowers with financial difficulties (See Clarification 11)	0	0	0	0	0	0	0	0
Change in terms to borrowers who were not in financial difficulties	0	0	0	0	0	0	0	0
Total credit	0	0	0	0	0	0	0	0
B.1.b Balance of credit that underwent a change in terms, as of the report date:								
	30-Jun-24						31-Mar-24	31-Dec-23
Change in terms for borrowers with financial difficulties (see clarification 11)	0	0	0	0	0	0	0	0
Change in terms for borrowers who were not in financial difficulties:								
Credit with deferral of payments and/or extension of the term, for which the deferral period has not yet ended ^d	0	0	0	0	0	0	0	0
Amount of payments deferred ^d	0	0	0	0	0	0	0	0
Average deferral of payments, in months ^d	0	0	0	0	0	0	0	0
Credit with a different change in terms	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0
Additional information on changes in terms to borrowers who were not in financial difficulties								
Balance of credit with deferral of payments and/or extension of term, for which the deferral period has not yet ended	0	0	0	0	0	0	0	0
of which: troubled credit	0	0	0	0	0	0	0	0
of which: credit that is not troubled, in arrears 30 days or more	0	0	0	0	0	0	0	0
Balance of credit for which payments deferral ended	0	0	0	0	0	0	0	0
of which: Loans that defaulted after a change in terms	0	0	0	0	0	0	0	0
B.2. Balance of loans with no interest or low interest, as of the report date								
Credit balance	0	0	0	0	0	0	0	0
Average interest rate	0	0	0	0	0	0	0	0
Average prime interest rate during the discussed period ^e - X percent								
B.3. Loans granted with State guarantee funds^f, as of the report date								
Credit balance	0	0	0	0	0	0	0	0
Average interest rate	0	0	0	0	0	0	0	0
of which:								
Balance of credit granted with Bank of Israel financing	0	0	0	0	0	0	0	0
Average interest rate	0	0	0	0	0	0	0	0
B.4. Balance of loans granted with Bank of Israel financing (including through State guarantee funds), as of the report date								
Credit balance	0	0	0	0	0	0	0	0
Average interest rate	0	0	0	0	0	0	0	0
C. Special payment to the State in view of the war								

For reference to expenses recorded in income tax expense in respect of the Special Payment to Achieve the Budget Targets (temporary directive—Swords of Iron) Law, 5784-2024, see Note XXX.

Note: Where it is material, data close to the report publication date should be disclosed.

a. For the purposes of this disclosure, an estimate of the benefit is presented fully in the reporting period during which the agreement with the customer was executed, and not spread out over the lifespan of the agreement.

b. Credit that underwent a change in terms during the report period also includes credit that was granted an additional deferral of payments during the report period.

c. For changes in the loan terms executed up to December 31, 2023—credit that underwent restructuring of the troubled debt.

d. Including interest-free deferral of payments during the deferral period. In a case in which a debt was given an additional deferral of payments, the cumulative deferral period is presented. Deferral of payments does not include a deferral that utilizes a right for which the borrower is eligible according to any law.

e. The average rate of the Prime interest rate from the beginning of the war to the report date.

f. When a banking corporation provided loans backed by the government at a substantial amount, not during the war, the banking corporation shall add a reference to the location in the report where the disclosure of this credit is.