

APPENDICES

APPENDICES

Appendix 1:

Tables

Table 1 | Principle banking system indices, 2014–22

	Common Equity Tier 1 capital ratio ¹ (percent)	Leverage ratio ² (percent)	"ROE (percent)" ratio ³	Efficiency ratio ³ (percent)	Liquidity coverage ratio ^{4,5,8} (percent)	Rate of change in balance-sheet credit to the public (percent)	Ratio of bank credit to GDP (percent)	Ratio of credit to deposits (percent)	Annual loan loss provision to total credit to the public (percent)	Hirschman Concentration Index (HHI) ^{5,8}	Average yield spread between bonds of the banks and government bonds ^{6,8} (percentage points)	Ratio of market value to book value ^{7,8} (MV/BV)
2014	9.3	7.1	72.8	3.2	79.4	0.85	0.16	0.20	0.9	0.77		
2015	9.7	6.3	9.0	67.0	113	0.84	0.11	0.20	0.9	0.69		
2016	10.7	6.5	8.1	66.9	138	0.81	0.10	0.20	0.8	0.83		
2017	10.9	6.7	8.3	65.1	126	0.81	0.14	0.20	0.7	0.91		
2018	10.8	6.8	6.2	64.5	129	0.83	0.22	0.21	0.9	0.97		
2019	11.2	6.9	8.3	61.5	126	0.83	0.29	0.20	0.6	0.69		
2020	11.1	6.2	6.2	58.3	137	0.73	0.68	0.20	0.6	0.90		
2021	10.9	5.8	13.9	54.7	125	0.72	-0.25	0.21	0.7	1.16		
2022	10.8	6.1	16.4	45.6	133	0.76	0.10	0.21	0.9	1.02		

¹ Calculated in accordance with Proper Conduct of Banking Business Directive 221.

² Calculated in accordance with Proper Conduct of Banking Business Directive 218.

³ The ratio between total operating and other expenses and total net interest and noninterest income (cost-to-income).

⁴ The LCR, developed by the Basel Committee to enhance the short-term resilience of banking corporations' liquidity profiles, indicates the quantity of HQLA (High Quality Liquid Assets) that corporations should hold in order to withstand a significant stress scenario that lasts thirty calendar days. The LCR is composed of two elements. The first, in the numerator, is the inventory of HQLA (High Quality Liquid Assets), which is comprised of two levels of assets. Level 1 includes high quality assets that may be held in unlimited amounts, and Level 2 is composed of assets that are limited to a maximum aggregate holding of 40 percent of the HQLA inventory. (This level is divided into two sublevels: 2A and 2B. At the latter level, the share of assets that may be held is limited to 15 percent.) The second element, in the denominator, is the total net cash outflow, i.e., the expected total cash outflow less the expected total cash inflow in the stress scenario. The expected total cash outflow is calculated by multiplying the balances of different categories or types of balance-sheet and off-balance-sheet liabilities by their expected runoff or drawdown rates. The total expected cash inflow is calculated by multiplying outstanding contractual receivables by the rates at which they are expected to be received in the scenario, up to a cumulative 75 percent of the predicted total cash outflow.

⁵ The Herfindal-Hirschman index of industry concentration is based on a standalone calculation of total credit at each bank, and not on a consolidated basis: $H = \sum_{i=1}^n (C_i^2)$ where y_i = the output of bank i (credit to the public, net) and y = the industry's output.

⁶ Average for December of that year.

⁷ In calculating the MV/BV ratio, the book value (BV) of the five major banks is calculated with a delay of one quarter after the market value (MV). As of December 2014, the book value includes the effect of employee rights and software expenses.

⁸ Calculated for the entire banking system

⁹ As of January 2022, Israeli banks implement the Current Expected Credit Losses (CECL) methodology, a forward-looking methodology for estimating allowances for credit losses. The change in the ratios is partly due to the transition to this method.

SOURCE: Based on Central Bureau of Statistics, Tel Aviv Stock Exchange, Bank of Israel, published financial statements, and reports to the Banking Supervision Department.

Table 2 | Structure of the Israeli banking system, December 2022¹

	Balance-sheet data					Direct holdings ²			Dividends				
	Share of total bank credit	Share of total banking system assets	Number of branches ³	Total assets	Credit to the public	Total deposits by the public	Equity	Holdings by parties at interest ⁴	Holdings by institutional investors ⁵	Holdings by the public	Dividends distributed in 2022	Distributed dividends net by parties at interest	Dividends as a share of net profit
	(percent)	(percent)		(NIS million)	(NIS million)	(NIS million)	(percent)	(percent)	(percent)	(NIS million)	(NIS million)	(percent)	
Leumi	29.3	26.5	193	699,166	389,768	557,084	49,443	0.0	29.5	70.5	1,665	1,664.8	14
Hapoalim	27.9	26.8	233	665,353	394,262	532,588	46,503	5.7	31.6	62.8	939	885.5	22
Discount	15.8	16.6	178	376,754	244,288	292,293	25,478	0.0	28.7	71.3	941	617.0	21
Mizrahi-Tefahot	18.0	21.1	198	428,292	310,356	344,514	24,868	41.6	16.7	41.7	617	549.7	18
First Int'l.	8.2	8.0	103	195,955	117,156	168,269	11,035	48.4	12.0	39.7	945	488.0	57
B. of Jerusalem	0.8	1.0	23	18,907	14,218	14,267	1,256	86.6	0.0	13.4	78	10.5	48
Total system	100	100	928	2,384,427	1,470,048	1,909,015	158,583				5,185	4,216	22

¹ Data on the entire banking system are shown on a consolidated basis

² Branches at which customer activity takes place, as opposed to performance units and headquarters of the bank itself, which are also defined by the banks as branches.

³ As of April 2023.

⁴ "Party at interest" is defined as someone who holds at least 5 percent of the banking corporation's issued share capital or voting power. In addition, reporting on the holdings of parties at interest includes the holdings of the CEO and of directors.

⁵ Holdings of institutional investors above 5 percent of the banking corporation's issued share capital or voting power. Institutional investors are as defined in Regulation 33(i) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

SOURCE: Based on published financial statements, reports to the Banking Supervision Department, and reports to the Tel Aviv Stock Exchange.

Table 3 | Total balance sheet of the Israeli banking system¹, 2020–22

	In current prices			Rate of change during 2021 (Percent)	Rate of change during 2022 (Percent)	Distribution			
	2020	2021	2022			2020	2021	2022	
	(NIS million)					(Percent)			
Assets									
Cash and deposits at banks	465,351	602,506	539,869	29.5	-10.4	24.1	27.1	22.6	
<i>Of which:</i>									
Cash ²	443,737	577,796	504,372	30.2	-12.7	95.4	95.9	93.4	
Deposits at commercial banks	21,614	24,711	35,498	14.3	43.7	4.6	4.1	6.6	
Securities	237,824	232,798	267,341	-2.1	14.8	12.3	10.5	11.2	
<i>Of which:</i>									
Securities provided as collateral to lenders	33,271	51,622	64,063	55.2	24.1	14.0	22.2	24.0	
At fair value	210,306	202,759	213,954	-3.6	5.5	88.4	87.1	80.0	
Securities borrowed or bought under reverse repurchase agreements	4,672	7,084	5,116	51.6	-27.8	0.2	0.3	0.2	
Credit to the public	1,152,361	1,309,284	1,470,048	13.6	12.3	59.6	59.0	61.7	
Allowance for credit losses	19,097	15,950	17,970	-16.5	12.7	1.0	0.7	0.8	
Net credit to the public	1,133,263	1,293,334	1,452,079	14.1	12.3	58.6	58.3	60.9	
<i>Of which:</i>									
Unindexed local currency	823,399	951,048	1,085,637	15.5	14.2	72.7	73.5	74.8	
Local currency indexed to the CPI	190,326	208,993	229,319	9.8	9.7	16.8	16.2	15.8	
Indexed to or denominated in foreign currency	116,597	128,479	127,063	10.2	-1.1	10.3	9.9	8.8	
<i>Of which:</i>									
In dollars	92,174	104,385	95,204	13.2	-8.8	79.1	81.2	74.9	
Nonmonetary items	2,941	4,814	10,059	63.7	109.0	0.3	0.4	0.7	
Credit to governments	7,567	6,861	7,049	-9.3	2.7	0.4	0.3	0.3	
Investments in subsidiary and affiliated companies	2,366	3,210	7,445	35.7	131.9	0.1	0.1	0.3	
Premises and equipment	12,117	12,523	12,756	3.3	1.9	0.6	0.6	0.5	
Intangible assets	690	685	657	-0.7	-4.1	0.0	0.0	0.0	
Assets in respect of derivative instruments	42,983	37,899	68,510	-11.8	80.8	2.2	1.7	2.9	
Other assets	25,590	23,002	23,606	-10.1	2.6	1.3	1.0	1.0	
Total assets	1,932,424	2,219,901	2,384,427	14.9	7.4	100	100	100	
Liabilities and equity									
Deposits of the public	1,545,972	1,797,073	1,909,015	16.2	6.2	80.0	81.0	80.1	
<i>Of which:</i>									
Unindexed local currency	1,124,650	1,289,478	1,379,953	14.7	7.0	72.7	71.8	72.3	
Local currency indexed to the CPI	48,515	55,583	54,905	14.6	-1.2	3.1	3.1	2.9	
Indexed to or denominated in foreign currency	369,062	445,975	461,621	20.8	3.5	23.9	24.8	24.2	

Table 3 (cont.) | Total balance sheet of the Israeli banking system, 2020–22

	In current prices			Rate of change during 2021 (Percent)	Rate of change during 2022 (Percent)	Distribution		
	2020	2021	2022			2020	2021	2022
	(NIS million)					(Percent)		
<i>Of which: In dollars</i>								
Deposits from banks	41,774	61,948	58,536	48.3	-5.5	2.2	2.8	2.5
Deposits from governments	1,842	2,439	3,910	32.4	60.3	0.1	0.1	0.2
Securities lent or sold under repurchase agreements	772	5,708	21,568	639.4	277.9	0.0	0.3	0.9
Bonds and subordinated notes	89,555	100,093	107,693	11.8	7.6	4.6	4.5	4.5
Liabilities in respect of derivative instruments	49,306	42,019	59,248	-14.8	41.0	2.6	1.9	2.5
Other liabilities	75,279	70,382	65,875	-6.5	-6.4	3.9	3.2	2.8
<i>Of which:</i>								
Allowance for credit losses in respect of off-balance-sheet credit instruments	1,752	1,729	2,166	-1.3	25.2	2.3	2.5	3.3
Total liabilities	1,804,499	2,079,661	2,225,844	15.2	7.0	93.4	93.7	93.3
Minority interest	2,261	2,512	2,203	11.1	-12.3	0.1	0.1	0.1
Shareholders equity	116,866	137,728	136,601	17.9	-0.8	6.0	6.2	5.7
Total equity	127,925	140,240	158,583	9.6	13.1	6.6	6.3	6.7
Total liabilities and equity	1,932,424	2,219,901	2,384,427	14.9	7.4	100	100	100

¹ On a consolidated basis.² Including deposits at the Bank of Israel.**SOURCE:** Based on published financial statements.

Table 4 | Total securities portfolio of the banking system, December 2021 and December 2022

	Bank Leumi						Bank Hapoalim						Mizrahi-Tefahot					
	2021		2022		2021		2022		2021		2022		2021		2022			
	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)		
Securities																		
Of the Israeli government	30,280	34.8	32,736	39.5	39,328	55.3	67,473	62.8	10,421	69.3	10,732	70.9						
Of foreign governments	26,512	30.5	16,995	20.5	21,445	30.2	24,218	22.5	2,035	13.5	1,457	9.6						
Of Israeli financial institutions	342	0.4	626	0.8	312	0.4	299	0.3	601	4.0	774	5.1						
Of foreign financial institutions	8,329	9.6	11,001	13.3	3,531	5.0	7,954	7.4	177	1.2	262	1.7						
Asset-backed or mortgage-backed securities ¹	9,532	11.0	10,999	13.3	-	-	-	-	6	0.0	55	0.4						
Other - Israeli	691	0.8	927	1.1	-	-	-	-	765	5.1	953	6.3						
Other - foreign	6,882	7.9	5,310	6.4	2,839	4.0	3,408	3.2	302	2.0	259	1.7						
Stocks	4,359	5.0	4,356	5.3	3,650	5.1	4,048	3.8	726	4.8	652	4.3						
Total securities, all types	86,927	100	82,950	100	71,105	100	107,400	100	15,033	100	15,144	100						

¹ Mortgage-backed securities (MBS) issued by US government agencies (FNMA, FHLMC and GNMA) are included in the "Asset-backed or mortgage-backed" item whether there is a government guarantee for them or not.

SOURCE: Based on published financial statements.

Table 4 (cont.) | Total securities portfolio of the banking system, December 2021 and December 2022

	Bank Discount			First International			Bank of Jerusalem					
	2021		2022	2021		2022	2021		2022			
	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Book value (NIS million)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)		
Securities												
Of the Israeli government	27,204	62.0	26,328	58.8	12,200	80.8	11,008	68.8	478	61.9	718	68.8
Of foreign governments	3,580	8.2	5,451	12.2	1,342	8.9	3,683	23.0	37	4.8	71	6.8
Of Israeli financial institutions	122	0.3	89	0.2	138	0.9	317	2.0	42	5.4	39	3.7
Of foreign financial institutions	517	1.2	549	1.2	244	1.6	360	2.2	-	-	-	-
Asset-backed or mortgage-backed securities ¹	8,190	18.7	8,412	18.8	-	-	108	0.7	-	-	-	-
Other - Israeli	553	1.3	398	0.9	363	2.4	61	0.4	109	14.1	119	11.4
Other - foreign	2,084	4.8	1,774	4.0	72	0.5	28	0.2	14	1.8	5	0.5
Stocks	1,619	3.7	1,973	4.0	732	4.9	445	2.8	93	12.0	3	8.8
Total securities, all types	43,869	100	44,794	100	15,091	100	16,010	100	773	100	1,043	100

¹ Mortgage-backed securities (MBS) issued by US government agencies (FNMA, FHLMC and GNMA) are included in the "Asset-backed or mortgage-backed" item whether there is a government guarantee for them or not.

SOURCE: Based on published financial statements.

Table 4 (cont.) | Total securities portfolio of the banking system, December 2021 and December 2022

Securities	Total system ²					
	2021			2022		
	Book value (NIS million)	Distribution (Percent)	Distribution (Percent)	Book value (NIS million)	Distribution (Percent)	Distribution (Percent)
Of the Israeli government	119,911	51.5	55.7	148,995	55.7	55.7
Of foreign governments	54,951	23.6	19.4	51,875	19.4	19.4
Of Israeli financial institutions	1,557	0.7	0.8	2,144	0.8	0.8
Of foreign financial institutions	12,798	5.5	7.5	20,126	7.5	7.5
Asset-backed or mortgage-backed securities ¹	17,728	7.6	7.3	19,574	7.3	7.3
Other - Israeli	2,481	1.1	0.9	2,458	0.9	0.9
Other - foreign	12,193	5.2	4.0	10,784	4.0	4.0
Stocks	11,179	4.8	4.3	11,386	4.3	4.3
Total securities, all types	232,798	100	100	267,341	100	100

¹ Mortgage-backed securities (MBS) issued by US government agencies (FNMA, FHLMC and GNMA) are included in the "Asset-backed or mortgage-backed" item whether there is a government guarantee for them or not.

² Including data for Union Bank prior to its merger with Mizrahi-Tefahot.

SOURCE: Based on published financial statements.

Table 5 | Transactions in off-balance-sheet financial instruments where the par value reflects credit risk, total banking system, 2020–22

	End of year balance			Rate of change during 2021	Rate of change during 2022	Distribution		
	2020	2021	2022			2020	2021	2022
	(NIS million)			(percent)		(percent)		
Documentary credit	3,634	5,590	5,216	53.8	-6.7	0.6	0.9	0.8
Credit guarantees	17,163	19,485	22,671	13.5	16.4	3.1	3.0	3.4
Guarantees for home purchases	68,026	96,993	118,536	42.6	22.2	12.1	15.0	17.9
Other guarantees and liabilities	37,317	78,937	98,651	17.3	25.0	12.0	12.2	14.9
Unutilized credit card facilities	83,675	73,949	81,419	-11.6	10.1	14.9	11.4	12.3
Unutilized CLA and other credit facilities in demand accounts	108,822	104,494	92,514	-4.0	-11.5	19.4	16.2	14.0
Irrevocable commitments to provide credit that has not yet been extended	145,390	190,181	165,463	30.8	-13.0	25.9	29.4	25.0
Commitments to issue guarantees	68,327	77,121	78,582	12.9	1.9	12.2	11.9	11.9
Total	562,354	646,749	663,052	15.0	2.5	100.0	100.0	100.0

SOURCE: Based on published financial statements.

Table 6 | Main items in consolidated profit and loss statements, total banking system, 2020-2022 | (NIS million, at current prices)

	Leumi			Hapoalim			Mizrahi-Tefahot					
	2020	2021	2022	% change in 2022 compared with 2021	2020	2021	2022	% change in 2022 compared with 2021	2020	2021	2022	% change in 2022 compared with 2021
Interest income	10,175	11,672	18,795	61.0	10,260	11,684	19,220	64.5	7,528	10,557	16,195	53.4
Interest expenses	1,452	1,326	5,584	321.1	1,463	1,917	5,753	200.1	1,708	2,872	5,955	107.3
Net interest income	8,723	10,346	13,211	27.7	8,797	9,767	13,467	37.9	5,820	7,685	10,240	33.2
Loan loss provisions	2,552	-812	498	161.3	1,943	-1,220	-34	-97.2	1,050	-278	532	-291.4
Net interest income after loan loss provisions	6,171	11,158	12,713	13.9	6,854	10,987	13,501	22.9	4,770	7,963	9,708	21.9
Noninterest income	4,366	5,511	5,018	-8.9	4,379	4,625	4,453	-3.7	2,113	2,635	3,428	30.1
<i>of which: Noninterest financing income</i>	1,026	1,714	1,408	-17.9	1,088	1,081	581	-46.3	221	401	754	88.0
<i>of which: Stocks¹</i>	232	841	1,205	43.3	73	612	-106	-117.3	51	139	-44	-131.7
<i>Bonds²</i>	428	213	-344	-261.5	169	202	-137	-167.8	133	34	38	11.8
<i>Activity in derivative instruments³</i>	-1,420	-1,303	7,641	-686.4	-1,037	-1,430	6,586	-560.6	-883	-896	3,815	-525.8
<i>Exchange rate differentials</i>	1,786	1,962	-7,151	-464.5	1,862	1,697	-5,659	-433.5	920	1,124	-3,063	-372.5
<i>of which: Fees</i>	3,281	3,506	3,535	0.8	3,155	3,355	3,705	10.4	1,671	1,947	2,052	5.4
Total operating and other expenses	7,046	7,428	6,835	-8.0	7,501	7,803	7,972	2.2	4,279	5,568	6,173	10.9
<i>of which: salaries and related expenses</i>	3,742	4,242	3,935	-7.2	3,836	4,333	4,387	1.2	2,644	3,536	4,029	13.9
Pre-tax profit	3,491	9,241	10,896	17.9	3,732	7,809	9,982	27.8	2,604	5,030	6,963	38.4
Provision for tax on profits	1,356	3,275	3,564	8.8	1,590	2,958	3,548	19.9	903	1,730	2,356	36.2
After-tax profit	2,135	5,966	7,332	22.9	2,142	4,851	6,434	32.6	1,701	3,300	4,607	39.6
Net profit attributed to shareholders	2,102	6,028	7,709	27.9	2,056	4,914	6,532	32.9	1,610	3,188	4,472	40.3
Total pre-tax ROE (percent)	9.47	23.00	24.03		9.71	18.76	22.55		15.37	24.93	31.30	
Total after-tax ROE (percent)	5.70	15.00	17.00		5.35	11.80	14.75		9.50	15.80	20.10	
Total ROA (percent)	0.41	0.99	1.14		0.41	0.83	1.00		0.51	0.85	1.09	

¹ Includes the profits/losses from investments in shares available for sale, profits from the sales of shares of affiliated companies, dividends and profits/losses from adjustments to fair value of tradable shares.

² Includes the profits/losses from investments in bonds held to maturity and available for sale and income/expenses realized and not yet realized from adjustments to fair value of tradable bonds.

³ Includes derivative instruments not intended for hedging purposes (ALM instruments) and other derivative instruments.

SOURCE: Based on published financial statements.

Table 6 (cont.) | Main items in consolidated profit and loss statements, total banking system, 2020-2022 | (NIS million, at current prices)

	Discount			First International			Bank of Jerusalem					
	2020	2021	2022	2020	2021	2022	2020	2021	2022	% change in 2022 compared with 2021		
			% change in 2022 compared with 2021			% change in 2022 compared with 2021			% change in 2022 compared with 2021			
Interest income	6,987	7,491	11,700	56.2	2,878	3,150	5,161	63.8	522	629	907	44.2
Interest expenses	1,089	962	3,007	212.6	241	356	1,358	281.5	101	175	312	78.5
Net interest income	5,898	6,529	8,693	33.1	2,637	2,794	3,803	36.1	421	454	595	31.0
Loan loss provisions	1,718	-693	407	-158.7	464	-216	123	-156.9	102	-59	79	-233.8
Net interest income after loan loss provisions	4,180	7,222	8,286	14.7	2,173	3,010	3,680	22.3	318	513	516	0.6
Noninterest income	4,007	3,962	4,251	7.3	1,523	1,756	1,611	-8.3	169	161	225	40.0
<i>of which: Noninterest financing income</i>	1,142	765	417	-45.5	148	303	113	-62.7	74	45	77	73.1
<i>of which: Stocks¹</i>	231	398	84	-78.9	-2	233	-64	-127.5	2	0	3	-3200.0
<i>Bonds²</i>	495	109	-8	-107.3	28	21	-31	-247.6	4	0	-4	800.0
<i>Activity in derivative instruments³</i>	-1,001	-807	3,116	-486.1	-672	-440	1,616	-467.3	-1	-2	4	-340.0
Exchange rate differentials	1,414	1,065	-2,780	-361.0	794	489	-1,408	-387.9	2	3	8	228.0
<i>of which: Fees</i>	2,826	3,125	3,404	8.9	1,371	1,444	1,489	3.1	95	103	117	13.9
Total operating and other expenses	6,681	6,858	7,217	5.2	2,569	2,652	2,755	3.9	408	452	490	8.5
<i>of which: salaries and related expenses</i>	3,242	3,468	3,568	2.9	1,532	1,601	1,680	4.9	185	207	222	7.0
Pre-tax profit	1,506	4,326	5,320	23.0	1,127	2,114	2,536	20.0	80	222	251	13.1
Provision for tax on profits	549	1,516	1,806	19.1	368	728	884	21.4	30	78	87	11.7
After-tax profit	957	2,810	3,514	25.1	759	1,386	1,652	19.2	50	144	164	13.9
Net profit attributed to shareholders	975	2,773	3,495	26.0	750	1,405	1,667	18.6	50	144	163	13.6
Total pre-tax ROE (percent)	7.88	21.22	22.98	12.92	22.12	25.25	8.12	20.67	21.21	13.80	13.80	
Total after-tax ROE (percent)	5.10	13.60	15.10	8.60	14.70	16.60	5.10	13.40	13.80	13.80	13.80	
Total ROA (percent)	0.35	0.88	0.98	0.49	0.81	0.89	0.34	0.30	0.91	0.91	0.91	

¹ Includes the profits/losses from investments in shares available for sale, profits from the sales of shares of affiliated companies, dividends and profits/losses from adjustments to fair value of tradable shares.

² Includes the profits/losses from investments in bonds held to maturity and available for sale and income/expenses realized and not yet realized from adjustments to fair value of tradable bonds.

³ Includes derivative instruments not intended for hedging purposes (ALM instruments) and other derivative instruments.

SOURCE: Based on published financial statements.

Table 6 (cont.) | Main items in consolidated profit and loss statements, total banking system, 2020-22 | (NIS million, at current prices)

	Total banking system			
	2020	2021	2022	% change in 2022 compared with 2021
Interest income	39,020	45,183	71,978	59.3
Interest expenses	6,171	7,608	21,969	188.8
Net interest income	32,849	37,575	50,009	33.1
Loan loss provisions	7,829	-3,278	1,605	-149.0
Net interest income after loan loss provisions	24,466	40,853	48,404	18.5
Noninterest income	16,557	18,650	18,986	1.8
<i>of which: Noninterest financing income</i>	3,699	4,309	3,350	-22.2
<i>of which: Stocks¹</i>	587	2,223	1,078	-51.5
<i>Bonds²</i>	1,257	579	-486	-183.9
<i>Activity in derivative instruments³</i>	-5,014	-4,878	22,778	-567.0
<i>Exchange rate differentials</i>	6,778	6,340	-20,053	-416.3
<i>of which: Fees</i>	12,582	13,480	14,302	6.1
Total operating and other expenses	28,484	30,761	31,442	2.2
<i>of which: salaries and related expenses</i>	15,181	17,387	17,821	2.5
Pre-tax profit	12,540	28,742	35,948	25.1
Provision for tax on profits	4,796	10,285	12,245	19.1
After-tax profit	7,744	18,457	23,703	28.4
Net profit attributed to shareholders	7,543	18,452	24,038	30.3
Total pre-tax ROE (percent)	10.36	21.60	24.79	
Total after-tax ROE (percent)	6.23	13.87	16.44	
Total ROA (percent)	0.42	0.89	1.04	

¹ Includes the profits/losses from investments in shares available for sale, profits from the sales of shares of affiliated companies, dividends and profits/losses from adjustments to fair value of tradable shares.

² Includes the profits/losses from investments in bonds held to maturity and available for sale and income/expenses realized and not yet realized from adjustments to fair value of tradable bonds.

³ Includes derivative instruments not intended for hedging purposes (ALM instruments) and other derivative instruments.

SOURCE: Based on published financial statements.

Table 7 | The effect of quantity¹ and price² on interest income and expenses, total banking system, 2020-2022 (change compared with the same period the year before, NIS million)

	2022								
	Quantity effect			Price effect			Net change		Contribution to net interest income
	Assets side	Liabilities side	Net quantity effect	Assets side	Liabilities side	Net quantity effect	Assets side	Liabilities side	
Credit to the public (assets) / deposits of the public (liabilities) in Israel	8,362	2,125	6,238	10,454	9,104	1,350	18,816	11,229	7,587
Credit to the public (assets) / deposits of the public (liabilities) abroad	-178	51	-229	738	492	246	560	543	17
Total credit to the public / deposits of the public	8,184	2,176	6,009	11,192	9,596	1,596	19,376	11,772	7,604
Other interest-bearing assets / liabilities in Israel	629	1,198	-569	6,441	1,380	5,060	7,070	2,578	4,492
Other interest-bearing assets / liabilities abroad	-70	4	-74	419	7	412	349	11	338
Total other interest-bearing assets / liabilities	559	1,202	-643	6,860	1,387	5,472	7,419	2,589	4,830
Total interest income / expenses	8,744	3,378	5,366	18,052	10,984	7,068	26,795	14,361	12,434
	2021								
	Quantity effect			Price effect			Net change		Contribution to net interest income
	Assets side	Liabilities side	Net quantity effect	Assets side	Liabilities side	Net quantity effect	Assets side	Liabilities side	
Credit to the public (assets) / deposits of the public (liabilities) in Israel	3,928	451	3,477	3,323	-120	3,443	7,250	331	6,919
Credit to the public (assets) / deposits of the public (liabilities) abroad	22	4	18	-190	-366	176	-168	-362	194
Total credit to the public / deposits of the public	3,950	455	3,495	3,133	-486	3,619	7,082	-31	7,113
Other interest-bearing assets / liabilities in Israel	563	492	71	-667	1,128	-1,795	-104	1,620	-1,724
Other interest-bearing assets / liabilities abroad	33	-11	44	-178	-24	-154	-145	-35	-110
Total other interest-bearing assets / liabilities	596	481	115	-845	1,104	-1,949	-249	1,585	-1,834
Total interest income / expenses	4,546	936	3,610	2,288	618	1,670	6,833	1,554	5,280

¹ The quantity effect is calculated as the change in the balance-sheet balance (current year versus previous year) multiplied by the price during the current period, divided by 1000.

² The price effect is calculated as the change in price (current year versus previous year) multiplied by the balance-sheet balance for the same period in the previous year, divided by 1,000.

SOURCE: Banking Supervision Department based on published financial statements.

Table 8 | Average balances, interest income and expense rates, and interest rate gap in respect of assets and liabilities, total banking system, December 2021 and December 2022
(NIS million, percent, in annual terms)

2022								
	Assets				Liabilities			
	Average yearly balance (NIS million)	Interest income (NIS million)	Income rate (%)		Average yearly balance (NIS million)	Interest expenses (NIS million)	Expense rate (%)	Interest rate gap
Credit to the public	1,347,517	61,694	4.58	Deposits of the public	1,207,084	-16,174	-1.34	3.24
Deposits at banks	34,490	418	1.21	Deposits from banks	26,450	-162	-0.61	0.60
Deposits at central banks	447,411	5,429	1.21	Deposits from central banks	35,046	-21	-0.06	1.15
Bonds	238,771	4,077	1.71	Bonds	103,460	-5,220	-5.05	-3.34
Other assets ¹	14,907	360	2.41	Other liabilities ¹	17,385	-391	-2.25	0.17
Total interest-bearing assets	2,083,095	71,978	3.46	Total interest-bearing liabilities	1,389,425	-21,969	-1.58	1.87
Net yield on interest-bearing assets (net interest margin)²	2,083,095	50,009	2.40					
2021								
	Assets				Liabilities			
	Average yearly balance (NIS million)	Interest income (NIS million)	Income rate (%)		Average yearly balance (NIS million)	Interest expenses (NIS million)	Expense rate (%)	Interest rate gap
Credit to the public	1,168,356	42,318	3.62	Deposits of the public	1,048,024	-4,403	-0.42	3.20
Deposits at banks	23,681	120	0.51	Deposits from banks	22,687	-50	-0.22	0.29
Deposits at central banks	437,999	434	0.10	Deposits from central banks	29,464	-18	-0.06	0.04
Bonds	218,664	2,127	0.97	Bonds	85,962	-3,101	-3.61	-2.63
Other assets ¹	16,645	184	1.11	Other liabilities ¹	4,968	-36	-0.72	0.38
Total interest-bearing assets	1,865,345	45,183	2.42	Total interest-bearing liabilities	1,191,105	-7,608	-0.64	1.78
Net yield on interest-bearing assets (net interest margin)²	1,865,345	37,575	2.01					

¹ Other liabilities and assets also include credit to the government and government deposits, and securities loaned or borrowed in repurchase agreements, among other things.

² The net interest margin is the ratio between net interest income and total interest-bearing assets. The margin is shown in percent.

SOURCE: Banking Supervision Department based on published financial statements.

Table 9 | Unit output cost¹ and efficiency ratio² of the total banking system³, 2018–22 (percent)

	Year	Leumi	Hapoalim	Mizrahi-Tefahot ^{4,5}	Discount	First International	Bank of Jerusalem	Total banking system
Unit output cost	2018	1.83	1.96	1.76	2.67	2.09	3.01	1.99
	2019	1.70	1.90	1.50	2.52	1.93	2.97	1.88
	2020	1.38	1.50	1.35	2.41	1.66	2.79	1.60
	2021	1.23	1.32	1.48	2.18 ^{5,4}	1.52	2.85	1.48
	2022	1.01	1.22	1.50	2.03	1.46	2.74	1.37
Efficiency ratio	2018	60.6	65.1	63.6	68.2	68.4	72.4	64.5
	2019	56.8	66.4	54.6	65.2	64.4	70.0	61.5
	2020	53.8	56.9	53.9	67.5	61.8	69.1	58.3
	2021	46.8	54.2	54.0	65.4	58.3	73.5	54.7
	2022	37.5	44.5	45.2	55.8	50.9	59.8	45.6

1 The ratio between total operating and other expenses and the average balance of assets (average cost).

2 The ratio between total operating and other expenses and total net interest and noninterest income (cost-to-income).

3 Data for the Hapoalim group do not include the Isracard group. From 2019, data for the Leumi group do not include the Leumi Card group.

4 The merger with Union Bank in the fourth quarter of 2020 biased the unit output cost for 2020 downward.

5 Starting with the annual report for 2020, data on the Mizrahi-Tefahot group include Union Bank.

SOURCE: Based on published financial statements.

Table 10 | Expenses in Respect of Employees¹, Total Banking System, 2003–22
(reported amounts², current prices)

Year	Average number of employee posts ³	Salaries		Related expenses in respect of employees ⁴		Salaries and related expenses	
		Total (NIS million)	Per employee post (NIS thousand)	Total (NIS million)	Per employee post (NIS thousand)	Total (NIS million)	Per employee post (NIS thousand)
2003	38,427	7,260	189	3,566	93	10,826	282
2004	38,170	7,898	207	3,681	96	11,579	303
2005	40,029	8,595	215	4,283	107	12,878	322
2006	42,200	9,561	227	5,354	127	14,915	353
2007	44,286	9,798	221	4,718	107	14,516	328
2008	46,628	9,015	193	5,705	122	14,720	316
2009	47,097	9,640	205	4,378	93	14,018	298
2010	47,818	10,336	216	5,280	110	15,616	327
2011	48,344	10,717	222	5,814	120	16,531	342
2012	48,010	10,872	226	6,389	133	17,261	360
2013	47,577	11,336	238	6,363	134	17,699	372
2014	46,889	11,042	235	7,286	155	18,328	391
2015	47,648	11,964	251	4,966	104	16,929	355
2016	45,810	11,255	246	5,211	114	16,466	359
2017	43,138	11,244	261	5,283	122	16,526	383
2018	40,866	11,474	281	4,928	121	16,402	401
2019	39,793	11,037	277	5,081	128	16,118	405
2020	37,696	10,124	269	5,056	134	15,181	403
2021	37,107	11,932	322	5,455	147	17,387	469
2022	36,800	12,410	337	5,411	147	17,821	484
Change from previous year (percent)							
2004	-0.7	8.8	9.5	3.2	3.9	7.0	7.7
2005	4.9	8.8	3.8	16.4	11.0	11.2	6.1
2006	5.4	11.2	5.5	25.0	18.6	15.8	9.9
2007	4.9	2.5	-2.3	-11.9	-16.0	-2.7	-7.3
2008	5.3	-8.0	-12.6	20.9	14.8	1.4	-3.7
2009	1.0	6.9	5.9	-23.3	-24.0	-4.8	-5.7
2010	1.5	7.2	5.6	20.6	18.8	11.4	9.7
2011	1.1	3.7	2.6	10.1	8.9	5.9	4.7
2012	-0.7	1.4	2.2	9.9	10.7	4.4	5.1
2013	-0.9	4.3	5.2	-0.4	0.5	2.5	3.5
2014	-1.4	-2.6	-1.2	14.5	16.2	3.6	5.1
2015	1.6	8.3	6.6	-31.8	-32.9	-7.6	-9.1
2016	-3.9	-5.9	-2.1	4.9	9.1	-2.7	1.2
2017	-5.8	-0.1	6.1	1.4	7.7	0.4	6.6
2018	-5.3	2.0	7.7	-6.7	-1.5	-0.8	4.8
2019	-2.6	-3.8	-1.2	3.1	5.9	-1.7	0.9
2020	-5.3	-8.3	-3.2	-0.5	5.0	-5.8	-0.6
2021	-1.4	17.9	19.7	7.9	0	14.5	16.4
2022	-1.1	4.0	4.9	-0.8	0	2.5	3.3

1 Beginning in 2017, the data do not include the Isracard group, and include a reclassification of expenses in respect of pension and benefits after the end of employment in accordance with the circular published by the Banking Supervision Department in January 2018 on "Improvement of the presentation of expenses in respect of pension and other benefits upon completion of employment." Beginning in 2018, the data do not include Leumi Card.

2 Until 2002, the amounts are adjusted for the effect of inflation based on the CPI reading for December 2003.

3 The number of employee posts includes employee posts at subsidiary companies abroad and at consolidated companies, as well as a translation of the cost of overtime and budgets for outside manpower required for adjustment of current manpower and implementation of projects.

4 This item mainly includes severance pay, benefits, advanced training funds, pension, vacation, National Insurance payments and payroll tax, other related expenses, voluntary retirement expenses, and benefits due to the allocation of options to employees.

SOURCE: Based on published financial statements.

Table 11 | Number of employee posts and expenses by annual wage level,¹ total banking system,² 2021 and 2022

	2021		2022		Rate of change from 2020 to 2021 (percent)	
	Number of employee posts	Salaries and related expenses (NIS thousand)	Number of employee posts	Salaries and related expenses (NIS thousand)	Number of employee posts	Salaries and related expenses
Annual wage level of active employees at offices in Israel (NIS thousand)						
Up to 60	10	278	11	620	19.3	123.0
60–120	1,733	167,694	1,376	146,875	-20.6	-12.4
120–240	9,011	1,743,135	9,092	1,766,006	0.9	1.3
240–360	10,480	3,147,354	10,569	3,224,423	0.8	2.4
360–600	12,016	5,540,757	12,288	5,532,064	2.3	-0.2
600–1,000	3,585	2,596,917	3,843	2,817,365	7.2	8.5
Above 1,000	629	906,381	655	1,005,084	4.2	10.9
Wage and associated payment components attributed to active employees at offices in Israel	37,463	14,102,516	37,835	14,492,435	1.0	2.8
of which: Expenses for manpower workers, annual wage levels (NIS thousand)	2,139	872,590	2,027	886,127	-25.7	1.6
Up to 120	253	28,736	188	20,392	-2.5	-29.0
Above 120	1,886	843,854	1,839	865,735	-5.2	2.6
Wage and associated payment components not attributed to active employees at offices in Israel		3,221,236		3,333,218		
Bank employees at offices abroad	1,573	1,104,907	1,201	1,172,815	-28.3	6.1
Wage expenses capitalized to assets	-1,699	-861,051	-2,001	-981,905	17.8	14.0
Total	37,337	17,567,608	37,035	18,016,563	-1.0	2.6

1 The number of employee posts is reported on the basis of the monthly average, as reported in the published annual financial statements.

2 Total system, including foreign banks operating in Israel.

SOURCE: Based on reports to the Banking Supervision Department.

Table 12 | Distribution of capital and capital ratios in the banking system, December 2021 and December 2022

	Leumi		Hapoalim		Discount		Mizrahi-Tefahot		First Int'l.		B. of Jerusalem		Total banking system	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Equity ¹	42,052	49,443	42,747	46,503	22,148	25,478	21,729	24,868	10,437	11,035	1,127	1,256	140,240	158,583
Tier 1 capital ²	43,117	48,797	42,772	46,745	21,839	25,353	21,969	25,072	10,199	10,802	1,121	1,256	141,017	158,025
Additional Tier 1 capital ²	0	0	244	0	178	0	0	0	0	0	0	0	422	0
Tier 2 capital ²	10,148	12,020	12,490	14,349	6,971	6,878	7,914	8,015	1,891	3,448	363	347	39,777	45,057
Capital base	53,265	60,817	55,506	61,094	28,988	32,231	29,883	33,087	12,090	14,250	1,484	1,603	181,216	203,082
Total balance sheet	656,454	699,166	638,781	665,353	335,088	376,754	392,271	428,292	180,470	195,955	16,837	18,907	2,219,901	2,384,427
Credit risk	346,602	392,658	363,588	386,550	196,200	227,129	202,611	234,383	81,660	94,786	9,393	10,833	1,200,054	1,346,339
Market risks	5,592	6,610	4,097	4,007	3,738	3,633	2,268	1,301	683	789	85	32	16,463	16,372
Operational risk	22,582	26,375	22,595	25,020	15,383	16,685	13,831	16,567	6,645	8,061	987	1,128	82,023	93,836
Total weighted items	374,776	425,643	390,280	415,577	215,321	247,447	218,710	252,251	88,988	103,636	10,466	11,994	1,298,541	1,456,548
	(Percent)													
Tier 1 capital ratio	11.5	11.5	11.0	11.2	10.1	10.2	10.0	9.9	11.5	10.4	10.7	10.5	10.9	10.8
Total capital adequacy ratio	14.2	14.3	14.2	14.7	13.5	13.0	13.7	13.1	13.6	13.8	14.2	13.4	14.0	13.9
Minimum required Tier 1 capital ratio	9.2	10.2	9.2	10.2	8.2	9.2	8.6	9.6	8.2	9.2	8.6	9.5		
Minimum required total capital ratio ³	12.5	13.5	12.5	13.5	11.5	12.5	12.5	12.5	11.5	12.5	11.5	12.5		

¹ Including minority shareholders' rights, according to the groups' balance sheets.

² After deductions.

³ Including capital requirements at a rate that reflects 1 percent of outstanding housing loans to the reporting date, implemented gradually at equal quarterly rates from April 1, 2015 until January 1, 2017.

SOURCE: Based on published financial statements and reports to the Banking Supervision Department.

Table 13 | Distribution of credit risk exposure, December 2021 and December 2022

	Leumi		Hapoalim		Discount		Mizrahi-Tefahot		First Int'l.		B. of Jerusalem		Total banking system	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Sovereigns	36.5	32.5	35.2	30.2	27.3	25.7	25.9	22.5	40.8	38.1	20.3	18.3	33.1	29.3
Public sector entities (PSEs)	2.2	1.5	1.1	1.0	3.3	3.0	0.7	0.4	0.7	0.4	0.3	0.1	1.6	1.3
Banks	3.1	3.1	1.5	2.7	2.3	2.1	1.2	1.0	1.5	2.1	1.5	1.1	2.0	2.4
Securities firms	0.3	0.2	0.4	0.3	0.1	0.2	0.2	0.2	0.8	0.4	0.1	0.2	0.3	0.3
Corporates	21.1	23.3	19.8	23.0	32.9	34.0	16.1	19.7	19.4	22.7	10.6	13.6	21.4	24.1
Retail exposure to individuals	5.7	6.0	7.6	7.5	9.2	9.0	6.2	6.3	12.8	12.3	0.0	11.0	7.4	7.5
Loans to small businesses	2.4	2.5	1.4	1.4	4.1	3.8	3.1	3.0	2.7	2.5	8.7	0.8	2.6	2.5
Secured by residential property	15.6	17.5	17.0	18.0	16.1	17.5	42.9	43.4	17.7	18.0	0.8	50.4	21.0	22.6
Secured by commercial real estate	10.7	11.3	13.3	13.1	1.3	1.2	1.5	1.2	1.3	1.6	52.7	0.0	8.0	7.5
Past due loans	0.4	0.3	0.3	0.4	0.6	0.6	0.6	0.8	0.3	0.3	1.4	0.5	0.4	0.5
Other assets	2.0	1.8	2.4	2.3	2.9	2.8	1.5	1.6	1.9	1.6	3.7	4.0	2.2	2.1

SOURCE: Based on published financial statements and reports to the Banking Supervision Department.

Table 14 | Main capital indices, December 2017 to December 2022

	Year	Leumi	Hapoalim	Discount	Mizrahi-Tefahot	First Int'l.	B. of Jerusalem	Total banking system
Tier 1 Capital Ratio	2017	11.43	11.26	10.00	10.20	10.38	10.16	10.90
	2018	11.07	11.16	10.24	10.01	10.51	10.46	10.79
	2019	11.88	11.53	10.31	10.14	10.81	10.40	11.15
	2020	11.87	11.52	10.20	10.04	11.18	10.48	11.11
	2021	11.50	10.96	10.14	10.04	11.46	10.71	10.86
	2022	11.46	11.25	10.25	9.94	10.42	10.47	10.85
Ratio of credit risk assets to total exposure	2017	0.56	0.58	0.58	0.50	0.48	0.51	0.55
	2018	0.58	0.60	0.59	0.50	0.50	0.53	0.57
	2019	0.56	0.60	0.59	0.51	0.49	0.54	0.57
	2020	0.51	0.54	0.55	0.48	0.43	0.54	0.51
	2021	0.49	0.51	0.53	0.48	0.43	0.53	0.49
	2022	0.51	0.52	0.55	0.51	0.46	0.55	0.52
Leverage ratio	2017	6.94	7.37	6.81	5.48	5.50	5.71	6.67
	2018	7.05	7.51	6.90	5.42	5.76	6.17	6.76
	2019	7.35	7.61	6.87	5.55	5.81	6.23	6.91
	2020	6.57	6.78	6.28	5.19	5.29	6.30	6.22
	2021	6.06	6.03	5.98	5.18	5.34	6.29	5.83
	2022	6.36	6.34	6.15	5.42	5.19	6.35	6.06
Ratio of equity to total balance-sheet assets	2017	7.44	7.92	7.26	5.98	5.93	6.18	7.15
	2018	7.85	8.17	7.39	5.97	6.27	6.73	7.42
	2019	7.65	8.24	7.39	6.15	6.32	6.72	7.40
	2020	6.85	7.39	6.71	5.46	5.68	6.71	6.62
	2021	6.41	6.69	6.61	5.54	5.78	6.69	6.32
	2022	7.07	6.99	6.76	5.81	5.63	6.64	6.65

SOURCE: Based on published financial statements and reports to the Banking Supervision Department.

Table 15 | Credit and spreads by supervisory activity segment, household sector,¹ total banking system, 2021 and 2022

Balance of credit to the end of the reporting period												
	Housing			Credit cards			Other consumer			Total household sector		
	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change
	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)
Leumi	103,610	119,690	16,080	15.52	4,072	4,285	213	5.23	24,060	26,643	2,583	10.74
Hapoalim	115,127	128,105	12,978	11.27	4,715	4,514	-201	(4.26)	30,130	30,703	573	1.90
Mizrahi-Tefahot	175,626	196,717	21,091	12.01	4,653	4,648	-5	(0.11)	21,672	23,065	1,393	6.43
Discount	53,716	64,989	11,273	20.99	15,508	17,975	2,467	15.91	14,851	14,983	132	0.89
First Int'l.	32,260	35,474	3,214	9.96	3,911	4,108	197	5.04	18,806	19,560	754	4.01
B. of Jerusalem	9,109	9,719	610	6.70	-	-	-	-	1,375	1,542	167	12.14
Total banking system	489,448	554,694	65,246	13.33	32,859	35,530	2,671	8.13	110,894	116,496	5,602	5.05
Spread from credit activity												
	Housing			Credit cards			Other consumer			Total household sector		
	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change
	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)
Leumi	1.18	1.23	0.05	4.23	1.37	1.39	0.02	1.44	4.73	4.83	0.10	2.04
Hapoalim	1.10	1.12	0.02	1.77	0.39	0.34	(0.05)	(12.01)	5.37	5.04	(0.33)	(6.15)
Mizrahi-Tefahot	1.30	1.25	(0.05)	(3.96)	0.92	1.05	0.13	14.49	4.42	4.39	(0.03)	(0.61)
Discount	1.20	1.26	0.07	5.53	3.67	4.90	1.23	33.40	4.58	4.46	(0.13)	(2.75)
First Int'l.	1.42	1.35	(0.07)	(5.00)	0.29	0.39	0.10	36.84	3.66	3.49	(0.16)	(4.51)
B. of Jerusalem	1.95	1.97	0.02	1.05	-	-	-	-	7.59	8.15	0.56	7.36
Total banking system	1.24	1.23	(0.00)	(0.16)	2.29	2.90	0.61	26.43	4.67	4.56	(0.11)	(2.34)

¹ Excluding private banking.**SOURCE:** Based on published financial statements and reports to the Banking Supervision Department.

Table 16 | Credit and spreads by supervisory activity segment, business sector,^{1,2} total banking system, 2021 and 2022

	Balance of credit to the end of the reporting period															
	Small and micro businesses				Medium businesses				Large businesses				Total business sector			
	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change
	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)
Leumi	57,527	65,803	8,276	14.39	34,534	39,473	4,939	14.30	93,927	126,628	32,701	34.82	185,988	231,904	45,916	24.69
Hapoalim	60,258	61,649	1,391	2.31	38,269	39,270	1,001	2.62	89,436	108,834	19,398	21.69	187,963	209,753	21,790	11.59
Mizrahi-Tefahot	30,744	35,147	4,403	14.32	10,066	12,902	2,836	28.17	23,574	28,779	5,205	22.08	64,384	76,828	12,444	19.33
Discount	39,031	41,185	2,154	5.52	14,770	17,224	2,454	16.61	50,393	58,407	8,014	15.90	104,194	116,816	12,622	12.11
First Int'l.	21,044	20,468	-576	(2.74)	6,101	8,215	2,114	34.65	18,571	27,389	8,818	47.48	45,716	56,072	10,356	22.65
B. of Jerusalem	1,275	2,254	978	76.74	336	435	99	29.38	-	-	-	-	1,611	2,688	1,077	66.86
Total banking system	209,879	226,506	16,627	7.92	104,076	117,519	13,443	12.92	275,901	350,037	74,136	26.87	589,856	694,061	104,205	17.67
	Spread from credit activity															
	Small and micro businesses				Medium businesses				Large businesses				Total business sector			
2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	2021	2022	Difference	Rate of change	
	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	(NIS million)	(NIS million)	(NIS million)	(percent)	
Leumi	3.13	3.12	(0.01)	(0.27)	2.35	2.35	0.01	0.28	1.88	1.84	(0.04)	(2.36)	2.37	2.30	(0.07)	(2.90)
Hapoalim	3.44	3.27	(0.17)	(4.91)	2.32	2.20	(0.12)	(5.31)	1.61	1.57	(0.04)	(2.42)	2.37	2.22	(0.15)	(6.22)
Mizrahi-Tefahot	3.88	3.91	0.03	0.79	3.18	2.92	(0.26)	(8.10)	2.35	2.22	(0.13)	(5.64)	3.25	3.12	(0.13)	(4.02)
Discount	3.62	3.67	0.05	1.30	2.58	2.46	(0.11)	(4.43)	1.81	1.87	0.06	3.06	2.61	2.62	0.01	0.50
First Int'l.	3.02	2.80	(0.22)	(7.35)	2.58	2.43	(0.15)	(5.86)	1.67	1.42	(0.25)	(15.11)	2.41	2.13	(0.29)	(11.86)
B. of Jerusalem	2.71	2.82	0.11	3.96	2.78	2.32	(0.46)	(16.64)	-	-	-	-	2.73	2.74	0.01	0.31
Total banking system	3.41	3.35	(0.06)	(1.80)	2.47	2.38	(0.09)	(3.53)	1.81	1.76	(0.05)	(2.55)	2.52	2.41	(0.11)	(4.21)

¹ Small and micro businesses - business turnover of less than NIS 50 million; Medium businesses - turnover of NIS 50-250 million; Large businesses - turnover of NIS 250 million or more.

² The data relate to activity in Israel and do not include financial institutions, the financial management segment, "other", or adjustments.

SOURCE: Based on published financial statements.

Table 17 | Outstanding credit to the public, by principal industry, total banking system, 2021 and 2022

	Total balance of credit risk ¹						Balance-sheet credit ² (debts)							
	Balance		Distribution of credit to the public		Change in credit		Balance		Distribution of credit to the public		Change in credit			
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022		
	(NIS million)						(NIS million)						(percent)	
Borrower activity in Israel	1,736,785	1,903,709	91.0	91.9	9.6		1,217,466	1,379,514	93.0	93.8	13.3			
Business sector	962,779	1,064,591	50.5	51.4	10.6		587,358	675,610	44.9	46.0	15.0			
Agriculture	9,331	9,687	0.5	0.5	3.8		7,638	8,128	0.6	0.6	6.4			
Manufacturing	100,896	110,420	5.3	5.3	9.4		56,093	64,226	4.3	4.4	14.5			
Mining and quarrying	4,031	3,950	0.2	0.2	-2.0		2,097	2,334	0.2	0.2	11.3			
Construction and real estate	383,175	438,302	20.1	21.2	14.4		219,470	260,379	16.8	17.7	18.6			
<i>Of which: Construction</i>	277,428	322,633	14.5	15.6	16.3		131,792	160,620	10.1	10.9	21.9			
Real estate	105,747	115,669	5.5	5.6	9.4		87,679	99,758	6.7	6.8	13.8			
Electricity and water	37,890	41,327	2.0	2.0	9.1		21,473	23,019	1.6	1.6	7.2			
Commerce	119,215	130,408	6.2	6.3	9.4		87,565	100,832	6.7	6.9	15.2			
Tourism	1,727	571	0.1	0.0	-66.9		18,178	17,838	1.4	1.2	-1.9			
Transport and storage	30,799	33,770	1.6	1.6	9.6		22,719	25,467	1.7	1.7	12.1			
Communications and computer services	18,629	21,221	1.0	1.0	13.9		11,458	13,414	0.9	0.9	17.1			
Financial services	153,325	165,247	8.0	8.0	7.8		78,560	93,917	6.0	6.4	19.5			
Other business services	46,197	49,729	2.4	2.4	7.6		31,820	33,764	2.4	2.3	6.1			
Public and community services	37,678	39,540	2.0	1.9	4.9		30,286	32,291	2.3	2.2	6.6			
Private individuals	774,006	839,118	40.6	40.5	8.4		630,109	703,904	48.1	47.9	11.7			
<i>Of which: Housing loans</i>	538,450	589,594	28.2	28.5	9.5		488,828	554,004	37.3	37.7	13.3			
Nonhousing loans	235,556	249,524	12.3	12.0	5.9		141,281	149,900	10.8	10.2	6.1			
Borrowers' activity abroad	170,873	167,912	9.0	8.1	-1.7		91,818	90,534	7.0	6.2	-1.4			
Total	1,907,658	2,071,621	100.0	100.0	8.6		1,309,284	1,470,048	100.0	100.0	11.9			

¹ Includes balance-sheet and non-balance-sheet credit risk.

² Includes credit to the public, excludes bonds and securities borrowed or purchased under reverse repurchase agreements.

SOURCE: Banking Supervision Department based on published financial statements.

Table 18 | Indices of credit portfolio quality of the total banking system, 2018-22 (percent)

	Year	Leumi	Hapoalim	Mizrahi-Tefahot	Discount	First International	Bank of Jerusalem	Total banking system
Loan loss provision as a share of total balance-sheet credit to the public	2018	0.18	0.21	0.16	0.32	0.19	0.35	0.22
	2019	0.21	0.43	0.18	0.38	0.16	0.34	0.29
	2020	0.85	0.63	0.42	0.89	0.50	0.92	0.68
	2021	-0.23	-0.34	-0.10	-0.32	-0.21	-0.48	-0.25
	2022	0.12	-0.02	0.17	0.17	0.10	0.55	0.10
Net write-offs as a share of total balance-sheet credit to the public	2018	0.09	0.19	0.11	0.25	0.16	0.36	0.17
	2019	0.23	0.12	0.11	0.22	0.09	0.24	0.17
	2020	0.18	0.09	0.11	0.19	0.10	0.21	0.13
	2021	-0.03	-0.06	0.05	0.03	-0.01	0.15	-0.01
	2022	0.07	-0.02	0.09	0.10	0.02	0.17	0.05
Allowance for credit losses as a share of total balance-sheet credit to the public	2018	1.24	1.31	0.80	1.36	1.02	1.01	1.18
	2019	1.16	1.58	0.82	1.38	1.05	1.04	1.24
	2020	1.76	2.00	0.98	1.95	1.38	1.73	1.66
	2021	1.30	1.43	0.77	1.41	1.05	0.93	1.22
	2022	1.28	1.40	0.93	1.31	1.02	1.13	1.22
Problematic loans as a share of total balance-sheet credit to the public	2018	2.45	2.30	1.52	2.23	1.89	1.85	2.19
	2019	1.96	3.06	1.78	2.56	1.86	1.63	2.32
	2020	2.87	3.41	1.50	3.90	2.16	2.62	2.79
	2021	1.87	2.26	1.25	2.85	1.68	1.20	1.99
	2022	1.54	1.63	1.27	2.74	1.15	1.16	1.67
Impaired loans and nonimpaired loans 90 days or more past due as a share of total balance-sheet credit to the public ¹	2018	1.25	1.04	1.21	0.87	0.78	1.61	1.09
	2019	1.10	1.61	1.34	0.90	1.01	1.50	1.24
	2020	1.43	1.28	1.13	0.96	0.80	1.29	1.19
	2021	1.04	1.00	0.95	0.69	0.67	1.14	0.92
	2022	0.51	0.89	0.87	0.67	0.48	1.02	0.71
Allowance for credit losses as a share of impaired loans and nonimpaired loans more than 90 days past due ¹	2018	112.66	144.84	70.44	168.97	141.00	64.57	119.56
	2019	118.36	109.69	65.46	166.59	109.79	70.96	111.27
	2020	132.93	175.97	95.25	220.60	183.94	135.57	158.12
	2021	138.13	165.07	92.38	218.10	167.63	84.07	146.76
	2022	280.94	183.33	115.39	222.08	232.21	111.55	191.99
Nonperformance-rated credit as a share of total credit risk ²	2019	2.35	4.34	4.20	2.08	3.96	2.82	3.41
	2020	4.65	6.46	5.76	3.09	3.90	3.57	4.98
	2021	2.77	4.46	4.44	2.21	3.46	1.95	3.62
	2022	2.01	3.96	3.41	2.43	2.77	2.22	3.03

¹ As of January 2022, Israeli banks implement the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses, a forward-looking methodology in which the credit classification has been changed from impaired credit to nonaccumulating credit. The index readings prior to 2022 are based on an estimate of nonaccumulating credit.

² Credit for which the rating on the statement date is consistent with a credit rating for providing new credit in accordance with the bank's policy. In other words, credit issued in the past that was not issued in accordance with current terms.

SOURCE: Based on published financial statements.

Table 19 | Credit quality^{1,2} by principal segments, total banking system, December 2018–2022 (percent)

	Year	Leumi	Hapoalim	Discount	Mizrahi-Tefahot	First International	Bank of Jerusalem	Total banking system
Commercial credit								
Weight of commercial credit	2018	59.01	56.52	61.94	25.10	47.04	14.08	50.73
	2019	60.65	56.86	61.23	24.34	46.81	17.07	51.13
	2020	61.22	56.71	61.38	27.10	46.16	17.91	51.08
	2021	62.09	58.09	60.46	26.66	46.31	15.54	51.66
	2022	61.48	58.60	59.30	28.02	49.63	20.80	51.94
Loan loss provisions as a share of total commercial credit	2018	0.15	0.07	0.17	0.33	0.25	-0.01	0.16
	2019	0.26	0.62	0.31	0.44	0.16	0.13	0.39
	2020	1.14	0.68	1.00	0.94	0.81	0.29	0.93
	2021	-0.29	-0.27	-0.41	-0.12	-0.45	0.04	-0.30
	2022	0.10	-0.08	0.13	0.39	0.14	0.43	0.09
Nonaccumulating or accumulating credit 90 days or more past due as a share of total commercial credit ³	2018	1.35	1.17	0.94	2.01	0.92	0.35	1.26
	2019	1.16	2.13	1.00	2.30	1.35	0.21	1.54
	2020	1.78	1.67	1.20	2.14	0.97	0.32	1.61
	2021	1.23	1.31	0.96	1.54	0.74	0.40	1.20
	2022	0.48	1.17	0.88	1.45	0.53	0.66	0.88
Loan loss allowance as a share of total impaired commercial credit	2018	119.96	158.57	164.89	77.53	146.49	150.00	130.43
	2019	128.79	111.06	162.19	74.76	105.54	265.79	118.51
	2020	130.73	175.79	199.08	96.11	214.36	222.22	153.28
	2021	141.54	174.41	180.21	111.64	191.43	156.00	156.55
	2022	381.69	186.44	197.27	133.91	262.70	101.03	215.56
Housing credit								
Weight of housing credit	2018	28.47	28.41	19.71	64.83	28.56	74.97	34.50
	2019	29.54	30.14	20.31	65.69	28.80	71.17	35.44
	2020	30.07	32.29	22.16	63.15	30.72	71.73	36.91
	2021	29.85	32.18	24.95	64.26	31.55	74.68	37.42
	2022	30.72	32.49	26.74	63.42	30.28	68.35	37.77
Loan loss provisions as a share of total housing credit	2018	0.04	0.04	0.07	0.03	0.02	0.03	0.04
	2019	0.03	0.03	0.07	0.03	0.01	-0.04	0.03
	2020	0.19	0.32	0.16	0.18	0.14	0.13	0.21
	2021	-0.14	-0.20	0.01	-0.08	-0.02	-0.01	-0.10
	2022	0.09	0.06	0.10	0.05	0.07	0.09	0.07

¹ Including credit in respect of borrowers' activity in Israel and abroad.

² In annual terms.

³ As of January 2022, Israeli banks implement the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses, a forward-looking methodology in which the credit classification has been changed from impaired credit to nonaccumulating credit. The index readings prior to 2022 are based on an estimate of nonaccumulating credit.

SOURCE: Banking Supervision Department based on published financial statements.

Table 19 (cont.) | Credit quality^{1,2} by principal segments, total banking system, December 2018–2022 (percent)

	Year	Leumi	Hapoalim	Discount	Mizrahi-Tefahot	First International	Bank of Jerusalem	Total banking system
Nonaccumulating or accumulating credit 90 days or more past due as a share of total housing creditc	2018	1.07	0.78	0.95	1.03	0.79	1.88	0.97
	2019	0.99	0.78	0.96	1.13	0.77	1.88	0.99
	2020	0.83	0.63	0.74	0.81	0.68	1.64	0.77
	2021	0.61	0.50	0.51	0.74	0.66	1.35	0.64
	2022	0.47	0.45	0.35	0.68	0.41	1.19	0.53
Loan loss allowance as a share of total housing credit 90 days or more past due	2018	55.57	67.09	60.32	49.16	62.30	32.13	55.47
	2019	56.27	64.17	58.64	43.99	61.73	32.38	53.43
	2020	85.25	120.89	82.17	74.00	85.42	43.86	85.77
	2021	77.74	93.67	95.20	61.85	75.00	45.33	74.06
	2022	74.96	90.73	124.45	67.87	104.14	42.24	78.81
Other private credit								
Weight of other private credit	2018	12.52	15.07	18.35	10.08	24.40	10.96	14.78
	2019	9.81	13.00	18.46	9.98	24.39	11.76	13.43
	2020	8.71	11.00	16.46	9.75	23.13	10.37	12.01
	2021	8.06	9.73	14.59	9.08	22.14	9.78	10.92
	2022	7.81	8.91	13.96	8.55	20.09	10.85	10.29
Loan loss provisions as a share of total other private credit	2018	0.65	1.06	1.11	0.54	0.30	2.95	0.84
	2019	0.48	0.49	0.92	0.49	0.32	2.99	0.62
	2020	1.03	1.32	1.43	0.56	0.36	7.51	1.06
	2021	-0.16	-1.22	-0.55	-0.23	0.01	-4.94	-0.53
	2022	0.37	0.11	0.48	0.37	0.07	3.68	0.32
Nonaccumulating or accumulating credit 90 days or more past due as a share of total housing creditc	2018	1.18	1.06	0.54	0.38	0.48	1.36	0.81
	2019	1.05	1.22	0.51	0.38	0.66	1.09	0.81
	2020	1.04	1.12	0.35	0.35	0.65	0.57	0.72
	2021	0.92	0.81	0.38	0.32	0.56	0.68	0.61
	2022	0.87	0.74	0.36	0.37	0.46	0.65	0.57
Loan loss allowance as a share of total impaired other private credit and private credit 90 days or more past due	2018	189.44	194.83	395.78	341.56	271.00	342.95	238.43
	2019	221.21	165.62	416.86	345.57	192.31	419.57	242.93
	2020	290.11	267.19	886.49	395.35	230.43	1862.12	358.79
	2021	281.78	218.12	633.61	317.50	256.69	606.17	312.33
	2022	275.19	352.85	651.59	517.17	315.60	927.72	392.93

¹ Including credit in respect of borrowers' activity in Israel and abroad.

² In annual terms.

³ As of January 2022, Israeli banks implement the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses, a forward-looking methodology in which the credit classification has been changed from impaired credit to nonaccumulating credit. The index readings prior to 2022 are based on an estimate of nonaccumulating credit.

SOURCE: Banking Supervision Department based on published financial statements.

Appendix 2: Directives published by the Banking Supervision Department in 2022¹

January 11 Publication of a Supervisor's letter on the closure and relocation of branches

The Supervisor of Banks sent a letter to the banks asking them to insist on the implementation of the requirements in Directive 400 on the "Closure of Bank Branches and Downsizing of Teller Services", emphasize the examination of geographic deployment and adjusting it to customers' needs, and to conduct an in-depth examination, prior to submitting a request to close branches, of all circumstances relating to each individual case, with the necessary sensitivity and with the philosophy of "the customer is the focus", as well as an understanding that the need to maintain branches and provide face-to-face service has not become redundant.

January 31 Procedures for issuing housing loans – publication of an amendment to Proper Conduct of Banking Business Directive 451

This amendment set out the reform in mortgages, which advances consumer measures intended to strengthen customers, improve the competitive environment in this market, and make it easier for borrowers taking out a mortgage, in three areas: improving transparency and the ability to compare banks; increase simplicity and understandability; and streamlining the process. On July 7, 2022, a further amendment to the Directive was published. In the process of the banking corporations' work to implement the requirements set out in the Directive, various questions arose, and the latter amendment was intended to provide responses. These measures took effect on August 31, 2022.

February 16 Publication of a Supervisor's letter on increasing transparency with regard to consumer-related enforcement by the Banking Supervision Department

As part of increasing transparency to the public and to supervised entities, the letter clarified the Banking Supervision Department's intention to expand the information published on the Bank of Israel's website in the area of consumer-related enforcement.

Publication of a Supervisor's letter on disclosing the cost of service – Section 11 of the full price list

The letter spelled out the Banking Supervision Department's policy with regard to the disclosure of third-party costs in Section 11 of the full price list, as reflected in the positions submitted by the Banking Supervision Department in class-action suits dealing with the issue.

March 14 Publication of a Supervisor's letter on participation of the banking corporations and credit card companies in the process of assessing fairness in the banking system

The Banking Supervision Department began developing a methodology for measuring the fairness of organizational cultures in the banking system, based on qualitative and quantitative measures. In the letter, the Banking Supervision Department invited the banking corporations and credit card companies to engage in internal thinking on the matter of assessing fairness, and to send the Department suggestions for enhancing the methodology.

¹ The full and binding text of regulation activities appears on the Bank of Israel's website.

March 14 **Publication of a Supervisor’s letter on restricting a closed checking account, sending notice to the customer**

The letter clarified to the banking corporations that in accordance with the law, they are obligated to send notices with regard to the imposition of restrictions on an account, even in cases where the restriction is imposed on a closed account.

March 15 **Publication of an amendment to Proper Conduct of Banking Business Directive 203A: “Handling of Counterparty Credit Risk”**

Directive 203A adopts the Basel Committee directive for calculating exposure to counterparty credit risk using the standard approach. The amendment inserts various clarifications into the body of the Directive with regard to the manner of implementing the Basel Committee’s directive (questions and answers).

Publication of an amendment to Proper Conduct of Banking Business Directive 480: “Adjustments to Proper Conduct of Banking Business Directives that Apply to a New Banking Corporation”

Experience accumulated by the Banking Supervision Department in guiding the process of establishing a new banking corporation led to the need to revise the Directive. The amendments deal with both a new banking corporation and a banking corporation being established.

April 10 **Publication of an amendment to Proper Conduct of Banking Business Directives 301: “Board of Directors”, and 301A: “Compensation Policy at a Banking Corporation”**

The Directives were amended and adapted to legislative requirements of chairpersons of the Board of Directors at banking corporations in general, and at banking corporations with no controlling core in particular. The amendment to Directive 301 sets out that the Board of Directors must define and detail the functions and authorities of the Chairman, such that they not deviate from the functions and authorities ascribed to him pursuant to the provisions of the law, and that the Chairman’s functions and how they are performed not be intermixed with the functions of management, in such a way that the latter not derogate from or replace the Board of Directors’ functions or subtract from the other directors’ obligations and responsibilities. With regard to a banking corporation with no controlling core, that no attachment should be established between the Chairman and the banking corporation. The amendment to Directive 301A clarifies the principle that compensation of the Chairman of the Board must be set in relation to the manner of compensation of the other members of the Board of Directors. The amendment is intended to allow banking corporations with no controlling core to pay the Chairman of the Board compensation that is in line with the requirements of fulfilling the function, provided that this not create an attachment or negatively affect the independence of the Chairman of the Board.

May 9 **Publication of an amendment to Proper Conduct of Banking Business Directive 411: “Management of Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Risks”**

In recent years, there has been an increase in the volume of customer activity using virtual currencies. As a result, there has been an increase in the number of customer requests to transfer money originating in such activity to payment accounts managed in the banking system, or to transfer money from those accounts for the purpose of such activity. The Directive regulates the risk management principles involved in receiving money originating in virtual currency activity from the accounts of virtual currency service providers to the accounts of banking corporation customers who are not virtual currency service providers.

May 15 **Publication of an amendment to Proper Conduct of Banking Business Directive 250: “Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus”**

Due to the continuation of the effects of the COVID-19 crisis on banking corporation assets, including support for the economy's credit needs and the high level of deposits at the Bank of Israel, the leniencies set out with regard to the leverage ratio were extended until December 31, 2023. A banking corporation utilizing the leniency at that time will be required to return to the leverage ratio required prior to the temporary order within two quarters.

May 22 **Publication of an amendment to Proper Conduct of Banking Business Directive 203: “Measuring Capital Adequacy – The Standardized Approach – Credit Risk”**

In view of the accelerated growth in outstanding credit to the construction and real estate industry, the increase in risk appetite, and the leniencies in underwriting conditions, and with the aim of strengthening the banking system's resilience against these risks, the risk weights in the directive were revised. The Banking Supervision Department views financing the purchase of land at a rate of more than 80 percent as increased risk, and the weight of such credit risk was increased from 100 to 150 percent.

May 25 **Publication of amendments to Proper Conduct of Banking Business Directive 221: “Liquidity Coverage Ratio” and Directive 222: “Net Stable Funding Ratio”, as well as question and answer files to these directives**

The definition of “financial institution” included in these directives was revised. In addition, questions and answers in the Directive files were revised in order to clarify certain definitions in the directives and how certain instruments are dealt with in the directives.

June 6 **Publication of a Supervisor's letter on “Risks Inherent in Associating with Entities Listed on the International Sanctions List and on the National Sanctions Lists of Foreign Countries”**

Due to the war between Russia and Ukraine, various foreign countries and international organizations imposed sanctions regimes on various entities due to activity vis-à-vis Russia. The potential of exploiting the banking system in order to bypass these sanctions regimes exposes the banking

corporations to significant risks, including compliance risks and AML/CFT risks. In view of this, the Banking Supervision Department published a letter to the banking corporations, in which the latter were asked, as part of their risk management processes, to set out policies and procedures with regard to how the sanctions lists will be used. The letter also set out that refusal to open an account or make transactions, or a halt to relations due to the implementation of the policy will be considered a reasonable refusal.

June 13 Publication of an amendment to Proper Conduct of Banking Business Directive 362: “Cloud Computing”

In view of the changes in the world of technology, in which various technological components are provided as a service by technology companies, and the ability of cloud computing services to progress and empower organizational computing capabilities and enable banking corporations to streamline and to rapidly respond to the needs of the market, the Banking Supervision Department decided to enable the use of cloud computing services in Israel and abroad. The decision affects all computing services at the banking corporations, including core systems, with the obligating principle of imposing responsibility and risk management on the banking corporation’s management and Board of Directors.

Cloud computing services shall be used in accordance with the principles set out with regard to corporate governance; compliance, regulation, and legal risk assessment; privacy protection; information security and cyber defense; operational aspects; business continuity; and fit and proper checks of cloud computing service providers and the contracts with them, including the existence of an end-of-contract plan.

The amendment includes a requirement of the banking corporations to revise their policies for the use of cloud computing services. As part of this, they will be required in part to revise their risk management processes for the use of cloud computing services and to determine the characteristics of services defined as “material cloud computing”, subject to the definition of that term in the Directive.

Simplification of customer documents – Amendment to Proper Conduct of Banking Business Directive 449

Further to the amendment to Proper Conduct of Banking Business Directive 451 on “Procedures for Extending Housing Loans”, adjustments must be made to this Directive, setting out a format for the first page of the loan agreement, with the aim of bringing together all of the main details that the customer must consider.

Advanced payment services – Publication of a new Proper Conduct of Banking Business Directive (427)

This Directive complements the provisions of the Payment Services Law. 5779–2019 with regard to payment transactions, and adds requirements of disclosure to the customer that apply to banking corporations with regard to payment transactions made using a payment application.

Presentation of data on securities deposit activity – Publication of an amendment to Proper Conduct of Banking Business Directive 460

The Directive, which was first published on December 26, 2021, sets out a uniform format for presenting information and data to the customer with regard to his securities deposit at the banking corporation, both through a quarterly report and on an on-going basis. Due to issues that were raised by the banking system as a result of their work implementing the Directive, a number of amendments to the guidelines set out in the Directive were necessary.

July 21 Publication of a Supervisor's Letter on Banking (Service to the Customer) Law (Amendment 34)(Restriction of Fees when Submitting a Request for a Housing Loan), 5782–2022

Following the publication of Amendment 34 to the Banking (Service to the Customer) Law, 5741–1981, which set out the maximum fee that a banking corporation is permitted to charge for handling a request for a housing loan, the Supervisor of Banks issued a letter to the banks, with necessary clarifications with regard to the implementation of the Amendment.

August 11 Publication of a Supervisor's Letter containing clarifications with regard to third-party expenses due to the provision of credit

Further to the letter on “Disclosure of the cost of service—Section 11 of the full price list” on December 16, 2022, clarifications were necessary with regard to the issue of third-party expenses charged due to credit, in cases of credit types that are not during the course of the banking corporation's normal business, and which therefore require special consulting by a third party.

August 16 Publication of a Supervisor's Letter concerning “Opening accounts for new immigrants and receiving money from Russia through the Israeli banking system”

In view of the sanctions regimes imposed by various entities with regard to activity vis-à-vis Russia, the banking corporations in Israel are faced with many challenges with regard to finding the correct balance between the importance of managing various risks and the importance of providing service to existing and new customers. In view of this, the Banking Supervision Department published a letter to the banking corporations emphasizing the regulatory obligations that apply to the banking system (providing service and managing risks in view of the sanctions regime) and the necessary sensitivity in behavior toward new immigrants. This is further to the discussion with the Ministry of Finance on the matter. The letter was published after consulting with the Ministry of Foreign Affairs. Another letter on the matter was published on February 2, 2023, as detailed below.

September 1 Banking (Service to the Customer)(Supervision of Teller-Executed Transactions, Direct Channel Transactions, Expanded Track, and Expanded-Plus Track) Order, 5782–2022

The Banking Supervision Department published a supervisory order on basic current account fees, based on considerations of the public good, and with the aim of freezing the existing price level. The services over which supervision was expanded are: “Teller-executed transactions”, “Direct channel

transactions”, “Expanded track”, and “Expanded-plus track”. The Order came into force on September 1, 2022.

Publication of a Supervisor’s Letter concerning “Consumer fairness in a changing financial environment”

In view of changes that have taken place in the interest rate and inflation environments, the Supervisor of Banks sent a letter to the banking corporations in which he emphasized his expectations that customer matters would be maintained in view of these changes. In addition, the Supervisor updated the banks that the Banking Supervision Department intends to publish interest rates, both those actually paid for shekel deposits and those actually charged for the provision of credit.

September 19 Publication of an amendment to Proper Conduct of Banking Business Directive 411: “Management of Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Risks”

Since the implementation of Appendix 2b to the Directive requires complex and significant technological preparations, it was originally set out that the preparation period for implementation would be one year. However, it turns out that a short extension is necessary in order to complete the preparations in the optimal manner. It was therefore decided to delay the implementation date of the amendment to Directive 411 from October 26, 2021, which included the addition of the period stated in Appendix 2b, to January 15, 2023.

October 6 Publication of Proper Conduct of Banking Business Directive 329B, “Sale of Housing Loans and Cooperation in the Provision of Housing Loans”

The banking corporations occasionally make transactions to sell housing loan portfolios and transactions to syndicate housing loans. Such transactions contribute to the general financial system by clearing capital and enabling the continued provision of bank credit; bringing new participants into the credit provision market; and providing institutional investors with diversification of their investment portfolios and a transaction timeframe that suits their needs. The Directive regulates the principles for making such transactions, which are partly intended to maintain borrowers’ rights in the loan portfolios that are sold, prevent a situation of negative selection that would damage the quality of the bank’s credit portfolio, and prevent the development of moral risk for the purchasing entity.

October 31 Publication of an amendment to Proper Conduct of Banking Business Directive 221: “Liquidity Coverage Ratio” and a questions and answers file for that Directive

The Liquidity Coverage Ratio Directive includes a definition of “operational deposits”, which are handled in a special manner in outgoing cashflow, in a way that allocates a lower rate of outgoing cashflow than to the same type of deposit that is not an “operational deposit”. In view of experience gained since the implementation of the liquidity ratio coverage in Israel, and in view of the volume activity in operational deposits at banks in selected foreign countries compared with activity in Israel, the Banking Supervision Department found it proper to revise the policy on recognizing operational deposits. The change enables the banking corporations to recognize operational deposits of larger

volumes, but subject to a prior application to the Banking Supervision Department and to quantitative restrictions set out in the Directive. Due to the change, the questions and answers file accompanying Proper Conduct of Banking Business Directive 221 was also revised.

Proper Conduct of Banking Business Directive 311: “Credit Risk Management” was revised

A corporation that is part of a foreign banking group that is not required to publish financial statements pursuant to the law applicable to it is exempt from the requirement to submit a financial statement.

November 6 Publication of a revision to the question and answer file on the Money Laundering Prohibition Order and Proper Conduct of Banking Business Directive 411: “Management of Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Risks” for merchant acquirers

As part of the revision to the question and answer file, the maximum amount that can be loaded onto a prepaid card that can be used in a closed group of merchants in Israel was increased from NIS 1,000 to NIS 1,500. In addition, in view of the Payment Services Law, 5779–2019, terms in the question and answer file were adapted to the law.

December 5 Publication of an amendment to Proper Conduct of Banking Business Directive 411: “Management of Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Risks”

In view of the imposition of an obligation on employers to pay wages to Palestinian employees through bank transfers, the Directive was amended to state that when making wage payments to Palestinian employees through bank transfers to bank accounts managed in the Palestinian Authority, a banking corporation must verify the information regarding the employee vis-à-vis the information that exists in the Population Authority's database. In the Banking Supervision Department's view, verification of information regarding employees vis-à-vis the State of Israel's official database should significantly reduce the risk of financing terrorism and money laundering that is inherent in such activity, since it shows the absence of information from Israeli defense agencies regarding involvement in terrorism, and the legality of the employment.

In addition, in view of the expiry of biometric ID cards issued for limited periods, and with the aim of enabling access to banking services, alongside the Population Authority's assessment that these cards still enable proper identification with regard to the service recipient's details, the Directive was amended so that it will be possible to use these cards in order to identify customers when opening and managing accounts at banking corporations for a limited period.

Directives since the beginning of 2023

January 23 Publication of an amendment to Proper Conduct of Banking Business Directive 365: “Reporting on Technological Failures and Cyber Incidents”

The Financial Information Law sets out (Section 31(a)) that in the event of a “serious security event” as defined in the provisions of Section 36 of the Privacy Protection Law, the service provider shall immediately notify the regulator involved and to the information source that the security event occurred with regard to information received from that source, and shall report to the service provider’s regulator on the measures taken due to the incident. The information source receiving a notice with regard to this matter shall report on it without delay to the regulator of the information source.

Out of a desire to make it easier for banking corporations to report on the variety of events that require reporting to the Banking Supervision Department, and to combine those reports, the Banking Supervision Department set out that the manner of reporting on a “serious security incident” to the Banking Supervision Department as the regulator of the information source, as part of the banking corporation’s activity as an information source or as a service provider as stated in the law, shall be in accordance with the provisions of Directive 365.

February 2 Publication of a Supervisor’s letter on “Providing service to the customers of the Israeli banking system in view of the war between Russia and Ukraine”

In view of the sanctions regimes imposed by various entities with regard to activity vis-à-vis Russia, the banking corporations in Israel must continue to act with a high level of sensitivity to the situation of the new immigrants, while balancing the need to manage the risk of exposure to contraventions of the international sanctions regimes and the expectation of providing optimal service to customers. The letter also clarified that in general, risks should not be managed through a blanket refusal to provide services, and that if the banking corporation refuses a customer’s request, it must provide a detailed and clear reason for doing so.

February 26 Publication of an amendment to Proper Conduct of Banking Business Directive 310: “Risk Management”

In recent years, we have seen an increase in activity in the field of financial cryptographic assets in Israel and abroad. The involvement of banking corporations and merchant acquirers in activity related to crypto-assets, whether direct or indirect, contains risks that may have an impact on the ability to ensure a stable and dependable financial environment. The amendment regulates the banks’ abilities to offer new products to customers in the area of crypto-assets, while setting an obligation to provide advance written notification to the Supervisor of Banks with regard to activity related to crypto-assets.

Publication of a Supervisor's letter on consumer-related measures in a changing financial environment

In view of changes in the interest rate and inflation environments, and further to the Supervisor's letter on the matter, the Supervisor of Banks sent a letter to the banking corporations clarifying his expectation that they act with extra sensitivity and with a view of the customer's benefit and needs, and that they take steps that will help customers in view of these changes.

Publication of a Supervisor's letter on "Dealing in financial cryptographic assets"

In view of the failure of various entities in the crypto-assets world in the past year, which led in part to a strong increase in volatility in this market and a sharp decline in the value of crypto-assets, the Supervisor of Banks sent a letter to the CEOs of the banking corporations and credit card companies, detailing the main risks involved in activity in this field.

March 29 Publication of an amendment to Proper Conduct of Banking Business Directive 422: Opening and Managing a Current Account with no Credit Facility

The application of the Directive's obligation to enable the management of a basic payment services account, including the conducting of remote transactions, was expanded, so that beyond applying to a current account with no credit facility, it now also applies to the management of a current account with a credit facility that does not exceed the approved credit facility. In addition, in view of the importance and need of providing banking services to all customers, the amendment clarifies that sweeping rules for blocking a customer's activity because he is part of a certain population group should not be set out. In addition, the list of basic payment services set out in the Directive was expanded. The Directive takes effect one year from its publication date.

Publication of a new Proper Conduct of Banking Business Directive on Managing a Customer Support and Service System (501)

This new Directive anchors the principles for providing service and support to the banking system's customers through various service channels. It sets out obligations in the areas of the banking corporations' corporate governance and work processes, as well as in the areas of setting out a service covenant and the publication of details regarding the customer service and support system. The aim is to advance organizational cultures that emphasize the quality and availability of service and support given to the customer, and to increase transparency toward the customer. Most of the clauses in the Directive will take effect one year from the date of publication.

The Banking Supervision Department

