

Isracard Ltd. and its consolidated companies

Report on Risks
Disclosure according to Pillar 3 and additional information on risks

As of March 31, 2026

Table of Contents

Section No.	Subject	Page
	Forward-looking information	<u>3</u>
.1	Introduction	<u>5</u>
.1.1	Background	<u>5</u>
.1.2	Purpose	<u>5</u>
.1.3	Concise description of the Group	<u>5</u>
.1.4	Scope of application	<u>6</u>
.1.5	The security situation in the State of Israel	<u>6</u>
.2	Key regulatory ratios and overview of risk management and risk assets	<u>8</u>
.2.1	Description and discussion of the most significant leading and emerging risks	<u>9</u>
.2.2	Risk assets and capital requirements	<u>13</u>
.3	Capital composition	<u>14</u>
.3.1	Minimum capital ratios	<u>14</u>
.3.2	Minimum capital adequacy target	<u>14</u>
.4	Leverage ratio	<u>18</u>
.5	Credit risk	<u>20</u>
.6	Market risk	<u>23</u>
.7	Interest rate risk	<u>23</u>

Condensed interim reports as of March 31, 2026

The Company and its consolidated companies

Forward-Looking Information

Part of the information detailed in these reports, which does not refer to historical facts (even if based on processing of historical data), constitutes forward-looking information as defined in the Securities Law, 1968 ("Securities Law"). Actual results may differ, including materially, from estimates and assessments included within the framework of forward-looking information, as a result of a large number of factors, including, among others, as a result: of changes in the payment and credit market in Israel and/or outside Israel, of changes in the Group's work plan,¹ **global and domestic economic effects**, direct and/or indirect, on the state of the economy, the Group's customers, and the various areas of activity in which the Group operates; from consumer behavior in Israel and the world; from the existence or absence of various resources in the hands of the Group; from the activity of entities and players in the payment and credit markets in Israel and/or outside Israel, from decisions of various international bodies and organizations with which the Group conducts business or those whose decisions affect the Group; from changes in the volumes of activity and the number of the Group's cardholders; from the development and implementation of technological means in the Group; from the realization of all or part of the risk factors detailed in Chapter 3 "Risk Review" in the Board of Directors and Management Report for the year ended December 31, 2025, included in the Periodic report of the Company for 2025 as published on March 18, 2026 ("**2025 Board of Directors Report**" and "**the Periodic report of the Company for 2025**") and in the Report on Risks - Disclosure in accordance with Pillar 3 and additional information on risks as of December 31, 2025 attached to the 2025 Periodic report ("**Report on Risks for 2025**"), and also in Chapter 3 "Risk Review" in the Board of Directors and Management Report as of March 31, 2026 ("**Board of Directors Report for the First Quarter of 2026**" or "**Board of Directors Report**") and in the Report on Risks - Disclosure in accordance with Pillar 3 and additional information on risks as of March 31, 2026 attached to this quarterly report ("**the Report on Risks for the First Quarter of 2026**"); from the state of the economy and capital markets; from macro-economic changes including changes in the credit rating of the State of Israel, changes in inflation rates and interest rates in Israel and/or outside Israel and recession; from changes in the security situation (including war), its nature, duration, and its local and global consequences (see Section 1.2 of this Board of Directors report); from changes in the geopolitical situation, including the consequences of diplomatic, security, economic and political conflicts (local or global); from regulatory changes with possible consequences for the Group; from accounting changes and changes in taxation rules; as well as from changes in other areas that may have an impact on the Group's activities and the business environment in which it operates that are not under the Group's control, and which may lead to the non-realization (full or partial) of the assessments and/or changes in the Group's business plans and/or their realization in a different manner, even materially, from what was predicted (together: "**Uncertainty Factors**"). Forward-looking information may be characterized by words or expressions such as: "the Group intends", "in the Company's assessment", "the Group strives", "the Company is considering", "the Company is unable to assess", "based on preliminary assessments", "taking into account the uncertainty", "may/could", "expected", and similar expressions. These forward-looking information and expressions involve risks and uncertainty, and they are based on management's assessments and estimates for the date of signing the condensed consolidated interim financial statements as of March 31, 2026 ("**Condensed Financial Statements as of March 31, 2026**") or a date close to it (as applicable) ("**Date of signing the report**") regarding future events, which are affected or may be affected, by uncertainty factors, and which cannot be predicted (including their duration and intensity) and/or their full impact, in advance. Also, part of the information presented below is based, among other things, on information based on reports and publications of various external parties, such as: the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, local and international authorities, entities active in the payments market (including credit card companies and other acquirers) and other entities, which the Company relies on without having the ability to verify them.

¹ "The Group" or "Isracard Group" - Isracard Ltd. together with its material held companies.

Condensed interim reports as of March 31, 2026
The Company and its consolidated companies

List of Tables

Subject		Page
Table 1 Key regulatory ratios (KM1)		<u>8</u>
Table 2 Overview of risk-weighted assets (OV1)		<u>13</u>
Table 3 Calculation of the capital ratio		<u>15</u>
Table 4 Composition of regulatory capital		<u>15</u>
Table 5 Composition of the regulatory balance sheet indicating references to regulatory capital components (CC1)		<u>16</u>
Table 6 Comparison between assets in the balance sheet and exposure measurement for the purpose of the leverage ratio (LR1)		<u>18</u>
Table 7 Leverage ratio format (LR2)		<u>19</u>
Table 8 Credit quality of credit exposures (CR1)		<u>20</u>
Table 9 Credit risk mitigation techniques (CR3)		<u>21</u>
Table 10 Standardized approach - credit risk exposure and credit risk mitigation effects (CR4)		<u>22</u>
Table 11 Market risk under the standardized approach (MR1)		<u>23</u>
Table 12 Net balance sheet balance and adjusted net fair value of the financial instruments of the Company and its consolidated companies		<u>23</u>
Table 13 Effect of interest rate change scenarios on the adjusted net fair value of the Company and its consolidated companies		<u>24</u>
Table 14 Effect of interest rate change scenarios on net interest income and on non-interest financing income		<u>25</u>
Table 15 Total exposure of the Company and its consolidated companies to changes in interest rates		<u>26</u>

Report on Risks as of March 31, 2026
The Company and its consolidated companies

1. Introduction

1.1. Background

This report constitutes supplementary and expanded information to the Group's financial report on risk and capital management.

The report includes disclosure requirements published by the Basel Committee and risk disclosure requirements based on other sources, including disclosure requirements published by the Financial Stability Forum and disclosure requirements published by the task force ("EDTF") established by the Financial Stability Board ("FSB") to improve risk disclosure in banking corporations and credit card companies.

This report is presented in accordance with the disclosure requirements set out in Public Reporting Directive No. 651 "Basel Pillar 3 Disclosure Requirements and Additional Information on Risks", under which it is required to present a separate report on the risks to which the banking corporation or credit card company is exposed.

This report includes the activities of Isracard Ltd. and its consolidated companies. This report should be read in conjunction with the financial statements and accompanying notes as of March 31, 2026.

1.2. Purpose

This report is intended to provide information regarding risk exposure and management methods. The report includes disclosure requirements established under Pillar 3 of the Basel directives, the task force for improving disclosure, and other sources as adopted by the Banking Supervision. This report has two purposes:

- To provide a response for compliance with the Banking Supervision's disclosure requirements regarding capital and risk management in banking corporations and credit card companies.
- To provide additional useful information regarding the risk profile, capital adequacy, liquidity status, and leverage of the banking corporation and credit card company.

1.3. Concise Description of the Group

Isracard Ltd. ("the Company" or "Isracard") was founded in Israel in 1975 and is a stable payment service provider ("SPSP") as defined in the Banking Law (Licensing), 1981, a credit card company, and/or an 'acquirer' as the term is defined in the directives and procedures of the Banking Supervision, and together with its material held companies operates primarily in the areas of credit and issuance (including issuance operation)² to private customers, and credit and advanced payment solutions (including acquiring of debit cards) to business customers. The Company issues (including operating issuance) and acquires the "Mastercard", "Visa", "American Express", and "Isracard" brands ("the Group brands")³ and offers its customers financing products and solutions based on the nature of the customer's activity and characteristics, paying attention to their classification as private or business.

The Company has been a public company since April 2019, and its securities are traded on the Tel Aviv Stock Exchange Ltd. As of July 24, 2025, the controlling shareholder (directly) in the Company is Delek Group Ltd. ("Delek Group"), a public company controlled by Mr. Yitzhak Sharon (Tshuva) ("Mr. Tshuva"). For details regarding the investment transaction in the Company by Delek Group, under which Delek Group became the controlling shareholder in the Company. For further details, see Section 1.1.b in the Board of Directors' Report for 2025.

Isracard and its subsidiary, Premium Express Ltd. ("Premium Express")⁴ are subject to the supervision of the Banking Supervision in connection with, among other things, their activities as an 'SPSP', 'credit card companies' and 'acquirer'⁵.

² "Issuance operation" and "issuance operator" (as applicable) - the performance of actions and services related to the issuance of debit cards (excluding the issuance itself of the debit cards and the determination of the fees and costs involved in issuing the debit cards and using them). In the issuance activity, the Group constitutes an 'issuer' and 'issuance operator' in connection with non-bank cards and an 'issuer'/'joint issuer' and/or 'issuance operator' in connection with bank cards (as these terms are defined in the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017 ("the Strum Law")). Unless stated or implied otherwise by the content or context, the description of issuance activity in this report includes 'issuance operation'.

³ The Group's issuance and acquiring activity is performed through the Company and Premium Express Ltd. ("Premium Express"), a wholly-owned subsidiary of the Company.

⁴ The exclusive issuer and acquirer in Israel of "American Express" debit cards. For details regarding the operation of acquirers as segments in the closed brands "American Express" and "Diners" in light of the Law for Regulating the Occupation of Payment Services and Payment Application, 2023 ("Occupation Regulation Law") see Section 2.1.4 of the Board of Directors' Report for 2025.

⁵ For details regarding the acquirer license granted to the Company and its terms, see Section 2.1.6 of the Board of Directors' Report for 2025.

1.4 Scope of Application

As of the report date, the directives on measurement and capital adequacy apply to the Company as well as to Premium Express Ltd. (formerly "Poalim Express Ltd.").

As of the report date, the Company has major consolidated subsidiaries as follows: Isracard Finance Ltd., Premium Express Ltd., Tzamaret Finance Ltd. For further details see Section 2.5 of the Board of Directors' Report for 2025.

In general, the Company's capital requirement is based on the financial statements, prepared in accordance with Proper Banking Management Directives 201-211 regarding "Measurement and Capital Adequacy", Proper Banking Management Directive 218 regarding "Leverage Ratio" and Proper Banking Management Directive 299 regarding "Regulatory Capital - Transitional Provisions".

At the same time, as of March 31, 2026, there are no differences between the basis of consolidation according to accepted accounting principles and the regulatory consolidation basis for capital adequacy purposes. There are no significant prohibitions or restrictions on the transfer of regulatory capital within the Company.

1.5 The Security Situation in the State of Israel

On October 7, 2023, the "Iron Swords" war ("the War" or "the 'Iron Swords' War") began, and from that date, the State of Israel has been in a security situation characterized by multiple arenas and periods of combat at varying levels of intensity.

In this context, starting from the end of February 2026, a direct conflict occurred between Israel and Iran ("Operation []"), in which Israel and the USA launched an extensive aerial attack in Iran, and in response Iran attacked with ballistic missiles and UAVs on Israel and other countries in the region. At the beginning of March 2026, the conflict expanded also to the Lebanon sector, where combat is ongoing at varying intensities between Israel and the Hezbollah organization. At the beginning of April, a temporary ceasefire was reached between the USA and Israel and Iran, which is being partially maintained as of the report's signing date. The period of the operation was characterized by relatively low activity cycles compared to the same period last year, including in outbound and inbound tourism, as well as a slowdown in consumer credit, among other things in light of changes in reporting dates to the credit data register, as detailed in Note 24.c.2[b] to the financial statements for 2025. For further details regarding material developments in income and expenses in the first quarter of 2026 compared to the same period last year, see Section 2.2 of the Board of Directors' Report.

After the outbreak of the war and from time to time, the Group granted various benefits and reliefs to its customers, some in accordance with the Bank of Israel outline, some in accordance with the directives of other governmental bodies (see Note 24.c.2[b] to the financial statements for 2025) and some on the initiative of the Group. The benefits, the utilization of which in the three-month period ended March 31, 2026 amounted to non-material amounts, were recorded in the profit and loss statement concurrently with their exercise by the Group's customers. Furthermore, as of the report's signing date, the credit balance under payment deferral, the credit balance where terms were modified for borrowers in financial difficulties, and the balance of debts that failed after terms were modified, are not material.

The Company continuously monitors the business activities of the Group companies, maps customer needs, and examines the need for actions in this regard. Furthermore, the Company implements relevant measures to ensure business continuity in accordance with the Group's plans (with required adjustments) for dealing with emergencies in various scenarios, intended to ensure the continuation of service provision across various channels.

According to the Company's assessment, the security situation (including the war), as long as it continues, may have further effects on the activity of the economy and consequently on the Company's activity and results. Some of the effects depend on actions taken by the Israeli government, international reactions to such actions, the escalation and expansion of combat, and regulatory directives given and to be given in this regard. As of the report's signing date, it is evident that the tourism industry, both domestic and inbound as well as outbound, is the industry most affected by the security situation and its various derivatives.

In addition, as of the report's signing date, uncertainty still exists regarding the scope of the short and long-term damage of the war and the security situation and their derivatives on the Israeli economy (for further details see also Section 2.1.2 of the Board of Directors' Report). Furthermore, uncertainty exists regarding the government's ways of dealing with the consequences of the war and the security situation thereafter, to maintain the stability of the economy. Government involvement has the potential to influence the probability of risk materialization in the Company, with emphasis on credit risks. For details regarding the impact of the war and the security situation on the collective allowance for credit losses in the Group and on the assessment of the credit quality of debts, including those under payment deferral, see Section 3.2 of the Board of Directors' Report for 2025 and the Board of Directors' Report.

It will be clarified that the security situation and its derivatives (including its prolongation and the renewal of combat in additional sectors) may affect various issues related to the Group's activity, such as: business activity, debit card activity cycles in Israel and abroad, decrease in credit demand, and potential damage to the repayment capacity of borrowers. As of the report's signing date, the Company is unable to estimate the overall impact of the current and potential security situation (including in the international arena) on the Group's results, among other things due to the uncertainty regarding the continuation of the security situation and its direct and indirect consequences on the Group, which may affect it (including materially) adversely. For further details regarding the actions taken and the Company's monitoring of the impact of the war and the security situation, see Section 3 of the Board of Directors' Report for 2025.

It will be clarified that since the aforementioned events in the economic environment following the outbreak of the war and other security and state events are characterized by frequent and unpredictable changes, there is an inherent and unique difficulty in assessing their impacts, which cross many sectors in the economy and the local economy. Accordingly, it will be clarified that the Company's assessments and the trends that may develop from the aforementioned data are uncertain and not under the Company's control, and constitute forward-looking information as defined in the Securities Law.

These assessments are based, among other things, on the Company's assessments and forecasts regarding the economic situation in the economy and the capital market, on publications regarding the implications of the inflationary environment in the economy and on the credit market specifically, the actions taken to deal with the effects of the aforementioned factors, the experience of the Company's management and the effectiveness of the possible means available to the Company (including in the environment of economic and security crises), on the assessment of the Company's management regarding the capability and effectiveness of the possible means available to the Company to deal with the various impacts of crises of the type described above, and on the working assumptions and the Company's assessments regarding the scope of granting and exercising benefits and reliefs by the Group to various populations of its customers in connection with the "Iron Swords" war.

These assessments may not materialize, in whole or in part, or materialize differently, including materially, from what was expected or assessed by the Company, as a result of a number of factors, including the way the "Iron Swords" war develops and its local and global consequences, its nature, scope and duration, the existence of tension and expansion of combat in all sectors, the period and nature of the benefits granted by the Group to its customers in connection with the war, the scope of exercise of benefits and reliefs in connection with the war by the Group's customers from various populations, the failure of the actions taken to deal with the aforementioned events, incorrect assessments regarding the capability and effectiveness of the possible means available to the Group to deal with the various impacts of the aforementioned events, changes in the Group's plans, changes in the competitive and business environment, changes in the financial markets and available liquidity sources, changes in consumer preferences and trends in the credit market, as well as from the materialization of any of the risk factors detailed in Chapter 3 ("Risk Overview") of the Board of Directors' Report as of March 31, 2026 and this report.

Risk Report as of March 31, 2026

The Company and its consolidated companies

2. Key Regulatory Ratios and Overview of Risk Management and Risk Assets

Table 1: Key Regulatory Ratios (KM1)⁽¹⁾

On a consolidated basis

	As of March 31, 2026	As of Dec 31, 2025	As of Sep 30, 2025	As of June 30, 2025	As of March 31, 2025
Available capital (NIS million)					
Common Equity Tier 1 capital	3,071	3,011	2,926	2,731	2,963
Tier 1 capital	3,071	3,011	2,926	2,731	2,963
Total capital	3,570	3,505	3,415	3,009	3,242
Risk-weighted assets (NIS million)					
Total risk-weighted assets (RWA)	28,789	28,248	27,963	26,027	26,125
Capital adequacy ratios (in percentages) according to Banking Supervision directives					
Common Equity Tier 1 capital ratio ⁽²⁾	10.7%	10.7%	10.5%	10.5%	11.3%
Tier 1 capital ratio ⁽²⁾	10.7%	10.7%	10.5%	10.5%	11.3%
Total capital ratio ⁽²⁾	12.4%	12.4%	12.2%	11.6%	12.4%
Common Equity Tier 1 capital ratio required by Banking Supervision	8.0%	8.0%	8.0%	8.0%	8.0%
Leverage ratio according to Banking Supervision directives					
Total exposures (NIS million)	35,690	35,584	35,985	32,877	33,768
Leverage ratio ⁽³⁾ (in percentages)	8.6%	8.5%	8.1%	8.3%	8.8%

⁽¹⁾ Calculated in accordance with Proper Banking Management Directives Nos. 201-211 regarding "Measurement and Capital Adequacy" and Transitional Directive 299.

⁽²⁾ The decrease in the Common Equity Tier 1 capital ratio as of March 31, 2026 compared to March 31, 2025 stems primarily from an increase in risk assets and was also affected by a loss resulting from a ruling regarding VAT assessments, as stated in Note 24.e to the financial statements for 2025, as well as from a deduction from regulatory capital, resulting from an increase in the balance of deferred taxes deducted from capital (in accordance with Proper Banking Management Directive No. 202).

⁽³⁾ See expansion regarding the leverage ratio in Part 4 below.

2.1. Description and Discussion of the Most Significant Leading and Emerging Risks (EDTF)

Based on the recommendation of the FSB (Financial Stability Board), a leading risk is defined as a development currently occurring in the Group's business environment, which could adversely affect the Group's results during the coming year. Conversely, an emerging risk is defined as when there is greater uncertainty regarding the timing of its realization into an occurrence with a material impact on the Group's strategy (usually, beyond the coming year).

The Group's activities involve various risks, the primary ones being: operational risk, credit risk, liquidity risk, information security and cyber incidents risk, legal risk, regulatory risk, strategic and competition risk, and compliance risk (including conduct-risk).

As detailed in Section 1.2 of the Board of Directors Report as of March 31, 2026, the "Iron Swords" war is an event with material macro-economic consequences affecting the potential for the realization of various risks, including credit and liquidity risk. As of the date of signing the report, there is uncertainty regarding the duration of the event and its future consequences on the Group's activities and results, the local economy, the Group's customers, and the way the increase in various risks will manifest given the possible effects of the war, including a possible escalation of the current security situation and economic and political aspects in Israel and abroad.

From the day the "Iron Swords" war broke out until the date of signing the report, the Group has taken various actions aimed at reducing the impact of the war's damage to the Group as much as possible and ensuring its continued proper operation, including providing continuous services to its customers in the various activity sectors. The Group monitors the effects of the war on the various risks related to its activities and prepares accordingly in light of developments. For further details, see Section 1.2 of the Board of Directors Report as of March 31, 2026.

As of the date of signing the report, it is not possible to estimate all the consequences of the "Iron Swords" war on the level of the various risks in the Group. The uncertainty of the duration of the fighting, the intensity of the fighting and its scope, the government's response and its support for the business and civilian home front, as well as possible consequences of further downgrades of the credit rating of the State of Israel and Israeli banks, are significant factors which may directly or indirectly affect an increase in the Group's exposure to various risks and their realization. Since the outbreak of the war, the Group has been taking increased monitoring and control processes regarding the various risk aspects, and additional work and control processes may be adapted according to developments.

It should be clarified that the security situation (as well as tension and/or expansion of fighting in additional arenas) can affect various issues related to the Group's activities, such as: the activity of businesses, debit card activity cycles in Israel and abroad, a decrease in demand for credit, and possible damage to the repayment capacity of borrowers. As of the date of signing the report, the Company is unable to estimate the overall impact of the war on the Group's results, among other things, in light of the uncertainty regarding the development of the war and its direct and indirect consequences on the Group, which could significantly affect it for the worse.

Looking forward, there is uncertainty regarding the development of macro-economic environment indices and their effects on the Group. The Group monitors market trends and continuously examines changes in the macro-economic environment and their effects on the various exposures, including credit exposure, and among others, fraud and embezzlement risks that intensify during periods of economic instability.

For further details regarding the said risk factors and other risk factors to which the Group is exposed, see Chapter 3 "Risk Review" in the Board of Directors Report as of March 31, 2026. For further information on the mapping of main risk factors to which the Company is exposed, see Table 33: Discussion of Risk Factors, in the Board of Directors Report for 2025.

As of the date of signing the report, the following risks were identified by the Group as the most relevant leading and emerging risks:

A. Credit Risk

Credit risk is the possibility that a borrower/counterparty will not meet its obligations in accordance with the agreed terms.

Credit risk is managed, monitored, and controlled within the Group, as required by the nature of its activities as a group engaged, among other things, in providing credit. The credit risk management process helps the Group manage the risk in the credit portfolio across all levels: credit models, sales and underwriting processes, as well as monitoring and collection, through appropriate control processes.

The Company views credit activity as one of the Group's main growth engines, while maintaining prudent risk management. Accordingly, in recent years, a growth trend has been evident in the Group's credit field, both for private individuals and in commercial credit. Following this, in the first three months of 2026, the growth trend in credit balances for private customers and commercial credit balances continued.

The overall increase in recent years in credit balances for private customers and commercial credit increases the Group's credit risk. In addition, the interest rate environment and the high inflation persisting over time, despite a moderate decrease from the peak level in 2023, have increased the monthly repayment amount for customers with variable-rate and linked loans, in a manner that increases concern regarding the repayment ability of households and business customers and may affect the quality of the credit portfolio. Alongside this, provided that security calm prevails, economic forecasts are mostly positive, and the Bank of Israel forecast from March 2026⁶ estimates that GDP is expected to grow by 3.8% in 2026 and by 5.5% in 2027, inflation will moderate, and the average interest rate in the first quarter of 2027 may decrease to 3.5%. In addition, the broad unemployment rate in main working ages will indeed rise to an average of 4.5% for 2026 (mainly due to the effects of the fighting with Iran), but will drop to a relatively low average rate of 3.4% in 2027. For further details, see Section 2.1.2 of the Board of Directors Report as of March 31, 2026.

As of the date of signing the report, the full realization of credit risk on private and business borrowers has not yet been observed as a result of the consequences of the security situation following the "Iron Swords" war and the "Lion's Roar" operation. The uncertainty of the duration of the security, political, and economic situation, as well as the government's response and its support for the business and civilian home front, are significant factors which may directly or indirectly affect credit risk. The Group is taking increased monitoring and control processes for the credit portfolio and is examining the impact of the security situation on credit underwriting models, and additional work and control processes may be adapted according to developments.

Looking forward, there is uncertainty regarding the development of macro-economic environment indices and their effects on the Group. The Group monitors market trends and continuously examines changes in the macro-economic environment and their effects on the various exposures, including credit exposure.

For further details, see Section 3.2 of the Board of Directors Report for 2025.

B. Operational Risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, people, and systems or as a result of external events. The Group's areas of activity are characterized by very high operational complexity, and therefore operational risk is a material risk within the Group's business activity. For details, see Section 3.4.2 of the Board of Directors Report for 2025.

It should be noted that as part of operational risk management and in light of the duration of the security situation, the Company refreshes and examines (according to changing circumstances) the business continuity scenarios in the Group, and has practically exercised a variety of scenarios.

C. Information Security and Cyber Incidents Risk

Information security is defined as the set of actions, means, and controls taken and implemented in information systems in order to protect them from damage to availability and survivability, from unwanted disclosure, from intentional or accidental modification of information, and from damage to information integrity and reliability. The general goal of information security in the Group is the preservation of confidentiality, integrity, availability, and reliability of information, against intentional or unintentional harm by a past and/or present employee of the Group or by external parties.

Cyber risk is the potential for damage resulting from the occurrence of a cyber event, considering its level of probability and the severity of its consequences. A cyber event is an event during which an attack is carried out on a computing system and/or embedded systems and infrastructure, by or on behalf of adversaries (external or internal to the Group) which could cause the realization of cyber risk. It should be noted that this definition also includes an attempt to carry out such an attack even if no actual damage was caused.

⁶ See Bank of Israel press release dated March 30, 2026, titled: "The Research Department's Macroeconomic Forecast, March 2026".

Risk Report as of March 31, 2026

The Company and its consolidated companies

Since the outbreak of the "Iron Swords" war, there has been an increase in cyber attacks on Israel, which is also reflected in an increase in attacks on the Group. The Group has prepared accordingly to minimize the potential damage by improving defense arrays, definitions, and sensitivity thresholds, as well as expanding controls and additional measures, and continuously monitors the changing threat map in light of the situation, while adjusting the required level of security and controls according to the derived risk level.

As of the date of signing the report, the Company is not aware of events that could have a material impact on the Company's financial results.⁷ In the past five years and up to the date of signing the report, no material cyber events have occurred in the Company that affected the financial reports and/or the filing of lawsuits, damage to reputation, etc.

For further details regarding information security and cyber incidents risk, see Section 3.4.3 of the Board of Directors Report for 2025. For details regarding cyber risk insurance and professional liability and crime insurance, see Section 7.5 of the Corporate Governance Report for 2025.

D. Regulatory Risk

Regulatory risk is the risk of damage to the Group's income and/or capital caused by material changes from legislative processes and/or changes or draft instructions from various regulatory bodies, which set limits on areas of activity and sources of income for the Group, or impose duties whose implementation involves significant costs for the Group, thereby potentially harming its profitability. The risk is future-looking in nature, as it refers to the risk inherent in possible material changes in legislation and regulation.

The abundance of regulatory procedures, to the extent they become final, including instructions and changes in the payment and credit market, including amendments to privacy protection laws, the entry of payment service providers, open banking, the Law for the Regulation of Engagement in Payment Services and Payment Initiation, as well as trends in this market, could significantly affect the Group for the worse, but at this stage, their scope and consequences cannot be estimated with sufficient certainty.

As of the date of signing the report, the security, political, and geopolitical situation and its effects, including possible future effects on households and businesses, may bring additional regulatory changes as part of the efforts of the government, the Knesset, and various regulators to ease the burden on the population and cope with the consequences of the situation. As of the date of signing the report, it is not possible to estimate all the consequences of future regulatory changes as a result of the above on the Group's business activity. The uncertainty of the duration and intensity of the security situation, the intensity of the fighting, the government's response and its support for the business and civilian home front, are significant factors which may directly and/or indirectly affect the Group and its objectives.

For further details regarding regulatory risk, see Section 3.4.4 of the Board of Directors Report for 2025.

For further details regarding regulatory impacts on the Group's areas of activity, see Section 2.1.5 of this Board of Directors Report and Note 10.c.2 to the Condensed Financial Statements as of March 31, 2026.

E. Strategic and Competition Risk

Strategic risk is the risk of damage to the Company's profits and capital as a result of incorrect business decisions, improper implementation of business decisions, and non-execution or mismatch of the work plan to changes in the business environment. Strategic risk is affected by internal and external risk factors.

For further details, see Section 2.1.1 of the Board of Directors Report as of March 31, 2026, and Section 3.4.5 of the Board of Directors Report for 2025.

As of the date of signing the report, it is not possible to estimate all the consequences of the security, political, and geopolitical situation and its level of impact on the business activity and strategic objectives defined for the Company. The uncertainty accompanying the said situation, its intensity and consequences, as well as the government's response and its support for the business and civilian home front, are significant factors which may directly or indirectly affect the need to update the Company's strategy and objectives.

⁷ The Company's assessment as stated above is forward-looking information, as defined in the Securities Law. Such assessment is based, among other things, on the nature of the specific events mentioned, their number and scope (including over time), the nature of the reporting and investigation procedures conducted with the Privacy Protection Authority as stated, the existence of an insurance policy to cover such events, and the assessments of the Company's management and its understanding of the possible consequences of the legal provisions applicable to the Group in this context. These assessments may not materialize, or may materialize differently, including materially, than expected, among other things as a result of an increase in such events and/or the occurrence of events with higher damage potential and/or discovery of events after a long period of time (all including against the backdrop of increased cyber attacks on Israel following the war), material changes in the enforcement policy of the Privacy Protection Authority and/or strict enforcement against the Group, suboptimal assumptions and analyses of the cyber risks applicable to the Group, regulatory changes and/or indirect damages as a result of such events or their publication (such as damage to reputation).

F. Compliance Risk

Compliance risk is the risk of a legal or regulatory sanction, material financial loss, or reputational damage, which the Company may suffer as a result of not complying with compliance provisions.

In accordance with Proper Banking Management Regulation No. 308, and corresponding to the Group's activities, the core provisions in the field of compliance are: prevention of conflict of interest, fairness to the customer, prohibition of money laundering and terrorist financing, administrative enforcement in securities, and privacy protection (excluding information technology aspects).

The realization of compliance risk includes sanctions, legal or regulatory restrictions, significant financial loss, or damage to the reputation of the Group or any of its employees and managers as a result of a violation of any law/order/regulation/instruction/directive which the Group is obligated to follow. Failure to strictly adhere to compliance provisions may expose the Group to material losses and negative publicity, which could lead to damage to the Group's image and reputation.

The Group maintains a policy of full compliance with all provisions of the law and regulation. For further details, see Section 3.4.6 of the Board of Directors Report for 2025.

The security situation since the outbreak of the "Iron Swords" war has increased the risk of money laundering and terrorist financing. Accordingly, the Group is taking increased monitoring and control processes in aspects of compliance risk, prohibition of money laundering and terrorist financing, including taking steps to hedge the risk.

G. Model Risk

Model risk is the risk of loss or incorrect decision-making resulting from the use of a model that is not valid, or is based on incorrect assumptions or data, or is poorly implemented. The risk may arise from flaws in development, implementation, or use, or from environmental changes that are not reflected in the model and affect, among other things, the calculation of risks.

For further details, see Section 3.4.7 of the Board of Directors Report for 2025.

H. Climate Risks

Proper Banking Management Regulation No. 345 on "Principles for the Effective Management of Financial Risks Related to Climate" ("Regulation 345"), based on Basel principles for managing climate risks, requires banks and payment service providers, among other things, to examine how climate risks are expected to affect the traditional risks they manage, and according to the results of this analysis, make an informed decision if and how to integrate climate risk factors within the various risk management frameworks. According to Regulation 345, it is required to create corporate governance mechanisms in the field of climate that will allow the organization to set a strategy on the subject, manage risks, and set and manage metrics and targets effectively. In addition to climate risks, a banking corporation may also be exposed to other environmental risks and therefore, it is expected that the corporation will implement, as far as possible, the principles of Regulation 345, as well as manage the financial risks related to other environmental risks. The Group is working to implement this instruction which will enter into force in June 2026.

I. Legal Risk

Risk of loss arising from the lack of possibility to legally enforce the existence of an agreement, damage to the Group's activity resulting from an incorrect interpretation of a legal provision or regulation, or the existence of a legal proceeding (such as class actions) against any of the Group companies, or whose results may negatively affect the Group's activity or its financial condition.

By the very nature of the Group's activities and its high distribution in the population, the Group is exposed from time to time to class actions in significant amounts. The Group adheres to proper engagement processes from a legal standpoint and conducts its business activity with appropriate legal assistance and backing.

For further details, see Section 3.5.1 of the Board of Directors Report for 2025. For details regarding legal proceedings and contingencies and VAT assessments, see Notes 7.10 and 10.e to the Condensed Financial Statements as of March 31, 2026, respectively.

J. Reputation Risk

Reputation risk is the risk of material damage to the Group's income or the Company's capital as a result of a negative image perception created for the Group companies among stakeholders. A negative image perception can be created by a large number of factors together and separately (such as: consumer lawsuit, collapse of computing systems, behavior deviating from accepted social norms, etc.).

Reputation risk is a risk inherent in all areas of the Group's activity as well as in other services and products offered by the Group. Reputation risk is characterized by the fact that it may arise from direct risk factors or as a result of the realization of other risks. For further details, see Section 3.5.2 of the Board of Directors Report for 2025.

2.2. Risk Assets and Capital Requirements

Table 2: Overview of risk-weighted assets (OV1)

Below are the risk assets and capital requirements for credit risk, market risk, and operational risk:

		Risk-weighted assets		Minimum capital requirements
		As of March 31, 2026	As of December 31, 2025	As of March 31, 2026
1	Credit risk (standardized approach):	23,605	23,164	2,715
6	Counterparty credit risk (standardized approach)	11	7	1
10	Credit valuation adjustment (CVA)	11	7	1
25	Amounts below the deduction thresholds (subject to 250% risk weight)	806	792	93
	Total credit risk	24,433	23,970	2,810
20	Market risks - foreign exchange risk (standardized approach)	260	262	30
24	Operational risk	4,096	4,016	471
27	Total weighted balances of risk assets/capital requirement	28,789	28,248	3,311

3. Capital Composition

Capital Adequacy

Starting from January 1, 2014, the Company has been implementing Proper Conduct of Banking Business Directives Nos. 201-211 regarding capital measurement and adequacy as updated to comply with Basel III guidelines ("Basel III").

In accordance with the directives, in addition to calculating the minimum capital requirement for credit risk, market risk, and operational risk, the Company is required to perform an Internal Capital Adequacy Assessment Process (ICAAP) submitted annually. In March 2026, the Board of Directors received the review regarding the ICAAP and approved the report on the Internal Capital Adequacy Assessment Process (ICAAP) of the Company for the year 2025.

3.1. Minimum Capital Ratios

Proper Conduct of Banking Business Directive No. 472 regarding acquirers and clearing of charge card transactions includes a relief for an acquirer, regarding the requirement for equity from an acquirer with a balance of receivables exceeding NIS 2 billion in the last annual financial report, which will be calculated according to the provisions of Directives 201-211 (Capital Measurement and Adequacy). Accordingly, notwithstanding the provisions of Section 40 of Proper Conduct of Banking Business Directive No. 201, for such an acquirer as mentioned above, the minimum Tier 1 equity ratio shall not be less than 8% and the minimum total capital ratio shall not be less than 11.5%.

3.2. Minimum Capital Adequacy Target

The Company's minimum capital adequacy target is the appropriate level of capital required for the various risks to which the Company is exposed as identified, estimated, and assessed by the Company. This target takes into account actions by the Company's management intended to reduce the risk level and/or increase the capital base.

Below are the Company's minimum capital adequacy targets as approved by the Company's Board of Directors in November 2025:

- The target for the Company's Tier 1 equity ratio to risk components is 9.75%.
- The target for the Company's total capital ratio to risk components is 11.75%.

Management is responsible for formulating recommendations regarding required changes to the capital ratios set by the Board of Directors, based on the conclusions of the capital adequacy assessment process.

Close to the date of signing the report and as of March 31, 2026, and December 31, 2025, the Company meets all minimum capital, capital adequacy, and leverage requirements required by the Banking Supervision, as detailed above. Subject to Section 2.3.6 of the Board of Directors' Report for the first quarter of 2026, the Company assesses that it has a robust capital structure, and the Company will meet the minimum capital and leverage ratios set by the Banking Supervision and the capital targets set by the Company's Board of Directors.⁸

⁸ The Company's assessments as stated constitute forward-looking information, as defined in the Securities Law, and are to the best understanding and judgment of the Company's management as of the date of signing the report, based on the Company's capital and leverage ratios as of the date of signing the report and on management's assessments and understanding of the factors affecting the payment and credit market in which the Group operates (including based on publications by official bodies such as the Bank of Israel, the Central Bureau of Statistics, and the Ministry of Finance, and relying on its experience and familiarity with the industry while integrating monitoring and control tools) and their probable impact on the Company's capital and leverage ratios, all while taking into account the uncertainty prevailing in the market as a result of various factors, including rising inflation and interest rates (in Israel and abroad), local and global political and security conflicts, and the like, their intensity and their effects on the economy and consumer behavior in Israel and worldwide. Accordingly, such assessments may be updated on a regular basis from time to time by the Company's management, including taking into account the Company's actual activity data, which may differ, including materially, from those expected, inter alia, as a result of sub-optimal assumptions and analyses, developments that cannot be fully assessed in connection with the implications of the factors mentioned above, their duration, intensity, and impact on the Group's fields of activity and the financial condition of its customers, decisions of international organizations regarding the terms of engagement with companies they are associated with, a downgrade of Israel and/or banks in Israel by international rating agencies, regulatory changes and/or as a result of the realization of all or part of the risk factors applicable to the Company as detailed in this report and in the Board of Directors' Report for 2025.

Table 3: Calculation of capital ratio⁽¹⁾

	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
Tier 1 equity and Tier 1 capital after deductions ^{(1), (2)}	3,071	2,963	3,011
Tier 2 capital ⁽³⁾	499	279	494
Total capital	3,570	3,242	3,505
Credit risk	24,433	22,145	23,970
Market risks - foreign exchange risk	260	244	262
Operational risk ⁽⁵⁾	4,096	3,736	4,016
Total weighted balances of risk assets	28,789	26,125	28,248
Tier 1 equity ratio and Tier 1 capital ratio to risk components	10.7%	11.3%	10.7%
Total capital ratio to risk components ⁽³⁾	12.4%	12.4%	12.4%
Minimum Tier 1 equity ratio required by the Banking Supervision ⁽⁴⁾	8.0%	8.0%	8.0%
Minimum total capital ratio required by the Banking Supervision ⁽⁴⁾	11.5%	11.5%	11.5%

⁽¹⁾ For details regarding dividend distribution, see Section 2.3.9 below.

(2) Includes adjustments for the impact of the initial implementation of accounting rules regarding expected credit losses, which gradually decreased until December 31, 2025. For more information, see Note 23.C.4 to the financial statements for 2025.

(3) For details regarding the issuance of deferred commitment notes (CoCo) in September 2025, see Note 19 to the financial statements for 2025.

(4) The decrease in the Tier 1 equity ratio as of March 31, 2026 compared to March 31, 2025 is mainly due to an increase in risk assets and was also affected by a loss resulting from a ruling on VAT assessments, as stated in Note 24.E to the financial statements for 2025, as well as a deduction from regulatory capital, resulting from an increase in the balance of deferred taxes deducted from capital (in accordance with Banking Management Directive No. 202).

(5) On June 19, 2024, the Banking Supervision published an update to Proper Conduct of Banking Business Directive No. 206 regarding Capital Measurement and Adequacy – Operational Risk, under which the calculation of capital allocation for operational risk was redefined, such that it will be based, inter alia, on the business indicator component and the internal loss multiplier based on the corporation's historical loss average. The Company applies said update to the directive starting January 1, 2026, except for the application of the internal loss multiplier, regarding which the Supervisor of Banks will publish specific instructions no later than 2028. The update in the directive starting January 1, 2026 had no material impact on the capital adequacy ratio.

Table 4: Composition of Regulatory Capital

Below are the risk assets and capital requirement for credit risk, market risk, and operational risk:

	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
Tier 1 Capital			
Surpluses	1,761	3,009	1,716
Capital reserve from benefits received from a controlling shareholder	79	79	79
Capital reserve from transactions with the minority	(3)	(3)	(3)
Premium on shares	1,371	8	1,371
Capital reserve from share-based payment transactions	55	48	53
Accumulated other comprehensive loss balance from adjustments for employee benefits	(9)	(13)	(14)
Total Tier 1 equity before deductions	3,254	3,128	3,202
Deferred taxes receivable	(159)	(143)	(169)
Goodwill and intangible assets	(24)	(24)	(24)
Regulatory adjustment due to initial implementation of expected credit losses (CECL) instructions ⁽¹⁾	-	2	2
Total Tier 1 equity and Tier 1 capital after deductions	3,071	2,963	3,011
Tier 2 Capital			
Collective provision for credit losses	307	279	302
COCO BONDS	192	-	192
Total Tier 2 capital after deductions	499	279	494
Total Capital	3,570	3,242	3,505

(1) Includes adjustments for the impact of the initial implementation of accounting rules regarding expected credit losses, which gradually decreased until December 31, 2025. For more information, see Note 23.C.4 to the financial statements for 2025.

Restrictions on Capital Structure

Proper Conduct of Banking Business Directive No. 202 sets restrictions on the capital structure, including a restriction that Tier 2 capital shall not exceed 100% of Tier 1 capital, after the required deductions from this capital.

Isracard

Table 5: Composition of the regulatory balance sheet including references to regulatory capital components (CC1)

Step 1: Disclosure of the balance sheet on a regulatory consolidation basis

The Company's regulatory balance sheet is identical to the balance sheet as presented in the published financial statements.

Step 2: Presentation of components comprising the regulatory capital from the regulatory balance sheet

	Regulatory balance sheet as of			References to regulatory capital components
	March 31, 2026	March 31, 2025	December 31, 2025	
Assets				
Cash and deposits in banks	429	1,400	485	
Amounts receivable from banks regarding credit card activity	6,826	7,012	7,313	
Of which: provision for credit losses included in Tier 2 capital	(1)	(1)	(1)	6
Debtors regarding credit card activity	18,888	17,058	18,828	
Provision for credit losses	(490)	(497)	(491)	
Of which: collective provision for credit losses included in Tier 2 capital	(288)	(260)	(283)	6
Of which: provision for credit losses not included in regulatory capital	(202)	(237)	(208)	
Debtors regarding credit card activity, net	18,398	16,561	18,337	
Securities	88	62	88	
Of which: investments in the capital of financial corporations not exceeding 10% of the share capital of the financial corporation	31	26	31	7
Of which: investments in the capital of financial corporations exceeding 10% of the share capital of the financial corporation that do not exceed the deduction threshold	-	10	-	8
Of which: other securities	57	26	57	
Investments in associates	62	48	61	
Of which: investments in the capital of financial corporations exceeding 10% of the share capital of the financial corporation that do not exceed the deduction threshold	-	21	-	8
Of which: investments in other associates	62	27	61	
Buildings and equipment	526	479	501	
Goodwill	21	21	21	11
Other assets	1,270	1,074	1,077	
Of which: deferred tax	481	447	486	
Of which: deferred taxes whose realization is based on the Company's future profitability	6	64	13	9
Of which: other deferred taxes	475	383	473	10
Of which: collective provision for credit losses included in Tier 2 capital	*_	*_	*_	6
Of which: intangible assets	4	4	4	12
Of which: other additional assets	785	623	587	
Total assets	27,620	26,657	27,883	
Liabilities and Equity				
Credit from banking and other corporations	3,382	1,568	2,407	
Payables regarding credit card activity	18,539	19,581	19,459	
Marketable BONDS	1,029	1,070	1,559	

	Regulatory balance sheet as of			References to regulatory capital components
	March 31, 2026	March 31, 2025	December 31, 2025	
Of which: COCO BONDS	192	-	192	
Other liabilities	1,416	1,310	1,256	
Of which: collective provision for off-balance sheet exposures included in Tier 2 capital	18	18	18	6
Of which: deferred taxes payable for intangible assets	1	1	1	12
Total liabilities	24,366	23,529	24,681	
Equity attributable to Company's shareholders	3,254	3,128	3,202	
Of which: ordinary share capital and premium	1,371	8	1,371	1
Of which: surpluses	1,761	3,009	1,716	2
Of which: capital funds	76	76	76	3
Of which: share-based payment	55	48	53	4
Of which: accumulated other comprehensive income (loss)	(9)	(13)	(14)	5
Total liabilities and equity	27,620	26,657	27,883	

(*) Amount lower than NIS 0.5 million.

Isracard

Step 3: Mapping of the components presented in Step 2 for the purpose of presenting the composition of regulatory capital

References from Step 2	Regulatory capital as of				
	March 31, 2026	March 31, 2025	December 31, 2025		
Common Equity Tier 1 Capital: instruments and reserves					
1	1,371	8	1,371	Common stock issued by the company and share premium included in Common Equity Tier 1 capital	1
2	1,761	3,009	1,716	Retained earnings, including dividend proposed or declared after the balance sheet date	2
3+4+5	122	111	115	Accumulated other comprehensive income and other disclosed reserves	3
	3,254	3,128	3,202	Common Equity Tier 1 capital before regulatory adjustments and deductions	6
11	(21)	(21)	(21)	Goodwill, net of related deferred tax liabilities	8
12	(3)	(3)	(3)	Other intangible assets other than mortgage servicing rights, net of related deferred tax liabilities	9
9	(6)	(64)	(13)	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	10
10	(153)	(79)	(156)	Deferred tax assets arising from temporary differences, the amount of which exceeds 10% of Common Equity Tier 1 capital	21
	-	2	2	Additional regulatory adjustments and deductions determined by the Supervisor of Banks	26
	-	2	2	Of which: additional regulatory adjustments to Common Equity Tier 1 capital not included in sections 26a and 25b	26c
	(183)	(165)	(191)	Total regulatory adjustments and deductions in Common Equity Tier 1 capital	28
	3,071	2,963	3,011	Common Equity Tier 1 capital	29
	3,071	2,963	3,011	Tier 1 Capital	45
Tier 2 Capital: instruments and provisions					
	192	-	192	Instruments issued by the company (not included in Tier 1 capital) and premium on these instruments	46
6	307	279	302	Collective provisions for credit losses before the related tax effect	50
	499	279	494	Tier 2 capital before deductions	51
	499	279	494	Tier 2 capital	58
	3,570	3,242	3,505	Total Capital	59
	28,789	26,125	28,248	Total risk-weighted assets according to the treatment required before the adoption of Proper Conduct of Banking Business Directive 202 in accordance with Basel 3	
	28,789	26,125	28,248	Total risk-weighted assets	60
Capital ratios and capital buffers ⁽¹⁾					
	10.7%	11.3%	10.7%	Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	61
	10.7%	11.3%	10.7%	Tier 1 Capital (as a percentage of risk-weighted assets)	62
	12.4%	12.4%	12.4%	Total capital (as a percentage of risk-weighted assets)	63
Minimum requirements set by the Supervisor of Banks					
	8.0%	8.0%	8.0%	Minimum Common Equity Tier 1 capital ratio set by the Supervisor of Banks	69
	8.0%	8.0%	8.0%	Minimum Tier 1 capital ratio set by the Supervisor of Banks	70
	11.5%	11.5%	11.5%	Minimum total capital ratio set by the Supervisor of Banks	71
Amounts below the threshold for deduction (before risk weighting)					
7	31	26	31	Investments in the capital of financial corporations (excluding banking corporations and their subsidiaries), which do not exceed 10% of the common stock issued by the financial corporation and are below the deduction threshold (not reported in rows 18, 39, 54)	72

References from Step 2	Regulatory capital as of				
	March 31, 2026	March 31, 2025	December 31, 2025		
8	-	31	-	Investments in Common Equity Tier 1 capital of financial corporations (excluding banking corporations and their subsidiaries) exceeding 10% of the common stock issued by the financial corporation, and are below the deduction threshold (not reported in rows 21, 25)	73
10	322	304	317	Deferred tax assets arising from temporary differences that are below the deduction threshold (not reported in rows 21, 25)	75
Cap on inclusion of Tier 2 provisions					
	485	479	476	Provisions eligible for inclusion in Tier 2 with respect to exposures under the standardized approach, before the application of the cap	76
	307	279	302	The cap on inclusion of provisions in Tier 2 under the standardized approach	77

4. Leverage Ratio

The company implements Proper Conduct of Banking Business Directive 218 regarding Leverage Ratio (in this section: "the Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio that will act as a complementary and reliable measure to risk-based capital requirements and which is intended to limit the accumulation of leverage in the banking corporation and credit card company. The leverage ratio is expressed as a percentage and is defined as the ratio between the capital measure and the exposure measure. For further details see Note 9.E to the condensed financial statements as of March 31, 2026, and Note 23.C.5 to the financial statements for 2025.

In this context, it should be noted that on September 14, 2025, the Supervisor of Banks published a circular updating Proper Conduct of Banking Business Directive 218. According to the circular, the temporary instruction regarding the relief in leverage ratio requirements, whereby the company's leverage ratio shall not be less than 4.5% (instead of 5% prior to the temporary instruction), was extended until June 30, 2027, and it was clarified that the leverage ratio shall not be less than the rate on December 31, 2026, or the leverage ratio required from the company, whichever is lower.

Close to the date of signing the report and as of March 31, 2026, and December 31, 2025, the company meets all the capital requirements, capital adequacy, and leverage specified above. Subject to the provisions of Section 2.3.6 above, in the company's estimation, the company has a solid capital structure, and the company will meet the minimum capital and leverage ratios set by the Supervisor of Banks and the capital targets set by the company's board of directors.⁹

Table 6: Summary comparison of accounting assets vs leverage ratio exposure measure (LR1)⁽¹⁾

	Item	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
1	Total assets as per consolidated financial statements	27,620	26,657	27,883
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-
3	Adjustments for fiduciary assets recognized on the balance sheet pursuant to the Public Reporting Directives but excluded from the leverage ratio exposure measure	-	-	-

	Item	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
4	Adjustments for derivative financial instruments	21	5	15
5	Adjustments for securities financing transactions	-	-	-
6	Adjustments for off-balance sheet items (conversion of off-balance sheet exposures to credit equivalent amounts)	7,776	6,813	7,426
7	Other adjustments	273	293	260
8	Leverage ratio exposure	35,690	33,768	35,584

(1) Calculated in accordance with Proper Conduct of Banking Business Directive No. 218 regarding "Leverage Ratio".

9 The company's assessments as stated constitute forward-looking information, as defined in the Securities Law, and are to the best of the company's management's understanding and judgment as of the date of signing the report, based on the company's capital and leverage ratios as of the date of signing the report and on management's assessments and understanding of the factors affecting the payments and credit market in which the group operates (including based on publications of official bodies such as the Bank of Israel, the Central Bureau of Statistics and the Ministry of Finance, and relying on its experience and familiarity with the industry while integrating monitoring and control tools) and the cumulative effect of these on the company's capital and leverage ratios, all while taking into account the uncertainty prevailing in the market as a result of various factors, including inflation and interest rates, political, economic and/or security conflicts, local and global, etc., their intensity and their effects on the economy and consumer behavior in Israel and worldwide. Accordingly, such assessments may be updated on a regular basis from time to time by the company's management, including taking into account the company's actual activity data, which may be different, including materially, from what is expected, inter alia, as a result of suboptimal assumptions and analyses, from developments that cannot be fully assessed in connection with the implications of the factors mentioned above, their duration, intensity, severity and their impact on the group's areas of activity and the financial condition of its customers, decisions of international organizations in connection with the terms of engagement with companies with which they are associated, rating downgrades of Israel and/or banks in Israel by international rating companies, regulatory changes and/or as a result of the realization of all or part of the risk factors applicable to the company as detailed in Section 3 of the Board of Directors' Report and in Section 3 of the Board of Directors' Report for 2025.

Table 7: Leverage ratio common disclosure template (LR2)

	Item	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
	On-balance sheet exposures			
1	On-balance sheet assets (excluding derivatives and securities financing transactions, but including collateral)	28,077	27,118	28,337
2	(Asset amounts deducted in determining Tier 1 capital)	(184)	(168)	(194)
3	Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	27,893	26,950	28,143
	Derivative exposures			
4	Replacement cost associated with all derivatives transactions	21	5	15
5	Add-on amounts for PFE associated with all derivatives transactions	-	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Public Reporting Directives	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
11	Total derivative exposures	21	5	15
	Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-

	Item	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14	CCR exposure for SFT assets	-	-	-
15	Agent transaction exposures	-	-	-
16	Total securities financing transaction exposures	-	-	-
	Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	63,046	54,974	60,081
18	(Adjustments for conversion to credit equivalent amounts)	(55,270)	(48,161)	(52,655)
19	Off-balance sheet items	7,776	6,813	7,426
	Capital and total exposures			
20	Tier 1 capital	3,071	2,963	3,011
21	Total exposures	35,690	33,768	35,584
	Leverage ratio			
22	Leverage ratio in accordance with Proper Conduct of Banking Business Directive No. 218	8.6%	8.8%	8.5%
23	Minimum leverage ratio required by the Supervisor of Banks ⁽¹⁾	4.5%	4.5%	4.5%

⁽¹⁾ On September 14, 2025, the Supervisor of Banks published a circular updating Proper Conduct of Banking Business Directive 218 regarding "Leverage Ratio". According to the circular, the temporary instruction regarding the relief in leverage ratio requirements, whereby the leverage ratio shall not be less than 4.5% (instead of 5% prior to the temporary instruction), was extended until June 30, 2027 and it was clarified that the leverage ratio shall not be less than the rate on December 31, 2026 or the leverage ratio required from the company, whichever is lower.

5. Credit Risk

For an expansion on credit risk and how it is managed, see Section 3.2 of the Board of Directors' Report as of March 31, 2026.

For further information regarding reporting rules and main accounting policies, see Note 2 to the financial statements for the year ended December 31, 2025.

For further information regarding credit risk, receivables in respect of credit card activity and provision for credit losses, see Note 5 to the condensed financial statements as of March 31, 2026.

Table 8: Credit quality of assets (CR1)

As of March 31, 2026				
	Gross carrying values ⁽¹⁾		Allowances/impairments	Net values ⁽²⁾
	Defaulted / Non-accruing or 90 days or more past due	Non-defaulted / Others		
In NIS millions				
Debts, excluding BONDS	148	26,037	491	25,694
Off-balance sheet exposures	-	63,046	18	63,028
Total	148	89,083	509	88,722

As of March 31, 2025				
	Gross carrying values ⁽¹⁾		Allowances/impairments	Net values ⁽²⁾
	Defaulted / Non-accruing or 90 days or more past due	Non-defaulted / Others		
In NIS millions				
Debts, excluding BONDS	121	25,387	498	25,010
Off-balance sheet exposures	-	54,974	18	54,956
Total	121	80,361	516	76,966

As of December 31, 2025				
	Gross carrying values ⁽¹⁾		Allowances/impairments	Net values ⁽²⁾
	Defaulted / Non-accruing or 90 days or more past due	Non-defaulted / Others		
In NIS millions				
Debts, excluding BONDS	143	26,503	492	26,154
Off-balance sheet exposures	-	60,081	18	60,063
Total	143	86,584	510	86,217

(1) Gross carrying values are on-balance sheet and off-balance sheet items before provision for credit losses.

(2) Net values: total gross value less provisions for credit losses.

To determine the estimate of collective provision rates for credit losses, the company uses macro-economic assumptions based, among other things, on publications of the Bank of Israel, forecasts of financial entities and data from the Central Bureau of Statistics. In addition, the company's assessments based on its experience and familiarity with its areas of activity are also integrated into this determination, while integrating monitoring and control tools, however, there is a high level of uncertainty requiring the exercise of significant judgment in assessing expected credit losses, which is expressed more intensely in the context of the security situation and its derivatives, including the possible impact on its duration and scope on the expected economic activity.

Accordingly, over time, as significant additional information is available to the company regarding the status of borrowers and the chances of collection regarding problematic borrowers, the estimates used to determine the provision rates as stated are updated and may be updated. In view of this, there is a possibility that credit losses will develop differently and even materially from the company's estimates and, among other things, will increase during the coming quarters in 2026 and 2027, even beyond the company's estimates, and possibly even beyond a pessimistic scenario, but as of the date of signing the report, the company is unable to estimate when and to what extent (if at all).

For details regarding critical estimates and the provision for credit losses, see Section 4.1 in the Board of Directors' Report as of March 31, 2026 and Note 4.7.2 to the financial statements for 2025.

For further detail see Section 3.2 of the Board of Directors' Report as of March 31, 2026, under the title "Credit Quality Analysis".

Credit Risk Mitigation - Disclosures in the Standardized Approach

Table 9: Credit Risk Mitigation Methods (CR3)

As of March 31, 2026									
	Unsecured	Secured							
	Total carrying amount ⁽¹⁾	Total carrying amount ⁽¹⁾	Of which: secured amount	Of which:					
				Of which: by collateral		Of which: by financial guarantees		Of which: by credit derivatives	
				Carrying amount	Of which: secured amount	Carrying amount ⁽¹⁾	Of which: secured amount	Carrying amount	Of which: secured amount
In NIS millions									
Loans, except BONDS	18,869	6,825	6,825	-	-	6,825	6,825	-	-
BONDS	-	-	-	-	-	-	-	-	-
Total	18,869	6,825	6,825	-	-	6,825	6,825	-	-
Of which: non-accruing or in arrears of 90 days or more	82	-	-	-	-	-	-	-	-

As of March 31, 2025									
	Unsecured	Secured							
	Total carrying amount ⁽¹⁾	Total carrying amount ⁽¹⁾	Of which: secured amount	Of which:					
				Of which: by collateral		Of which: by financial guarantees		Of which: by credit derivatives	
				Carrying amount	Of which: secured amount	Carrying amount ⁽¹⁾	Of which: secured amount	Carrying amount	Of which: secured amount
In NIS millions									
Loans, except BONDS	18,007	7,003	7,003	-	-	7,003	7,003	-	-
BONDS	-	-	-	-	-	-	-	-	-
Total	18,007	7,003	7,003	-	-	7,003	7,003	-	-
Of which: non-accruing or in arrears of 90 days or more	53	-	-	-	-	-	-	-	-

As of December 31, 2025									
	Unsecured	Secured							
	Total carrying amount ⁽¹⁾	Total carrying amount ⁽¹⁾	Of which: secured amount	Of which:					
				Of which: by collateral		Of which: by financial guarantees		Of which: by credit derivatives	
				Carrying amount	Of which: secured amount	Carrying amount ⁽¹⁾	Of which: secured amount	Carrying amount	Of which: secured amount
In NIS millions									
Loans, except BONDS	18,846	7,308	7,308	-	-	7,308	7,308	-	-
BONDS	-	-	-	-	-	-	-	-	-
Total	18,846	7,308	7,308	-	-	7,308	7,308	-	-
Of which: non-accruing or in arrears of 90 days or more	72	-	-	-	-	-	-	-	-

⁽¹⁾ Carrying amount of loans (after allowances for credit losses or impairments of a nature other than temporary) to which credit risk mitigation techniques were not applied.

For more information see also Note 12.b.2 in the financial statements for 2025.

Table 10: The Standardized Approach - Exposures by Asset Classes and Risk Weights (CR5)

Risk Weight	As of March 31, 2026						Total Credit Exposure Amount (after CCF and after CRM)
	0%	20%	50%	75%	100%	150%	
In NIS millions							
Asset Classes							
Sovereigns, their central banks and national monetary authority	*_	-	-	-	-	-	*_
Public sector entities (PSE) that are not central government	-	-	60	-	-	-	60
Banks	-	2,937	9,817	-	-	-	12,754
Corporates	-	63	183	-	4,334	-	4,580
Retail exposures to individuals	-	-	-	15,403	-	-	15,403
Loans to small businesses	-	-	-	904	-	-	904
Loans in arrears	-	-	-	-	121	1	122
Other assets	77	-	-	-	1,248	31	1,356
<i>Of which: for shares</i>	-	-	-	-	119	31	150
Total	77	3,000	10,060	16,307	5,703	32	35,179

(*) Amount lower than NIS 0.5 million.

6. Market Risk

Table 11: Market Risk in the Standardized Approach (MR1)

	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
	In NIS millions		
Market risks - foreign exchange risk(*)	260	244	262

(*) Specific risk arising from excess or deficit of assets over liabilities in the FX-linked segment.

7. Interest Rate Risk

Table 12: Net Carrying Amount and Adjusted Net Fair Value of Financial Instruments of the Company and its Consolidated Companies(1)

	March 31, 2026				Total
	Shekel		Foreign currency(**)		
	Unlinked	CPI-linked	Dollar	Other	
	In NIS millions				
Financial assets(*)	23,761	1,525	213	220	25,719
Other amounts receivable for derivative, complex and off-balance sheet financial instruments	200	-	42	-	242
Financial liabilities(*)	21,967	1,332	154	20	23,473
Other amounts payable for derivative, complex and off-balance sheet financial instruments	45	-	24	166	235

	March 31, 2026				Total
	Shekel		Foreign currency(**)		
	Unlinked	CPI-linked	Dollar	Other	
	In NIS millions				
Net fair value of financial instruments	1,949	193	77	34	2,253
Impact of liabilities for employee rights	(77)	-	-	-	(77)
Adjusted net fair value(1)	1,872	193	77	34	2,176
Of which: impact of other behavioral assumptions	-	-	-	-	-

(*) Excluding carrying balances of derivative financial instruments, fair value of off-balance sheet financial instruments and fair value of complex financial instruments.

(**) Including Israeli currency linked to foreign currency.

(1) Net fair value of financial instruments, excluding non-monetary items, and after the impact of liability for employee rights.

For more details regarding the assumptions used to calculate the adjusted net fair value of financial instruments, see Note 12a to the condensed financial statements as of March 31, 2026, and Appendix 1a to Proper Banking Management Directive No. 333, "Interest Rate Risk Management".

Report on Risks as of March 31, 2026

The Company and its consolidated companies

Table 13: Impact of interest rate change scenarios on the adjusted net fair value of the Company and its consolidated companies⁽¹⁾

	March 31, 2026				
	Shekel		Foreign currency ^(**)		Total ⁽⁶⁾
	Unlinked	CPI-linked	Dollar	Other	
In NIS millions					
Parallel changes of 1%					
Parallel increase of 1%	20	(14)	_*	_*	6
Of which: impact of behavioral assumptions ⁽²⁾	-	-	-	-	-
Parallel decrease of 1%	(31)	14	_*	_*	(17)
Of which: impact of behavioral assumptions ⁽²⁾	-	-	-	-	-
Additional interest rate scenarios per Proper Banking Management Directives ⁽³⁾					
Parallel up	39	(20)	_*	(1)	18
Parallel down	(102)	21	_*	1	(80)
Steepening ⁽⁴⁾	5	(1)	_*	_*	4
Flattening ⁽⁵⁾	(1)	(2)	_*	_*	(3)
Short-term interest rate increase	9	(6)	_*	(1)	2
Short-term interest rate decrease	(10)	7	_*	_*	(3)
Maximum	(102)	(20)	_*	(1)	(123)

Notes on the next page

	December 31, 2025				Total ⁽⁶⁾
	NIS		Foreign currency ^(**)		
	Non-linked	CPI-linked	Dollar	Other	
In NIS millions					
Parallel changes of 1%					
Parallel increase of 1%	21	(8)	_*	_*	13
Of which: effect of behavioral assumptions ⁽²⁾	-	-	-	-	-
Parallel decrease of 1%	(32)	8	_*	_*	(24)
Of which: effect of behavioral assumptions ⁽²⁾	-	-	-	-	-
Additional interest rate scenarios according to Proper Banking Management regulations ⁽³⁾					
Parallel increase	40	(13)	(1)	_*	26
Parallel decrease	(105)	13	1	_*	(91)
Steepening ⁽⁴⁾	8	_*	_*	_*	8
Flattening ⁽⁵⁾	(3)	(1)	_*	_*	(4)
Short-term interest rate increase	9	(5)	_*	_*	4
Short-term interest rate decrease	(10)	5	1	_*	(4)
Maximum	(105)	(13)	(1)	_*	(119)

(*) Amount lower than NIS 0.5 million.

(**) Including Israeli currency linked to foreign currency.

(1) Net fair value of financial instruments, excluding non-monetary items, and after the effect of liabilities for employee rights.

(2) The effect of interest rate exposure from material assumptions regarding early repayments and other behavioral assumptions.

(3) Interest rate scenarios established in sections 90-93 of Proper Banking Management Directive No. 333, "Interest Rate Risk Management".

(4) Steepening – decrease in interest rate in the short term and increase in interest rate in the long term.

(5) Flattening – increase in interest rate in the short term and decrease in interest rate in the long term.

(6) This table presents the adjusted net fair value of all financial instruments, assuming the specified change occurred in all interest rates in all linkage segments.

Table 14: Effect of interest rate change scenarios on net interest income and on non-interest financing income⁽¹⁾

	For March 31, 2026			For March 31, 2025			For December 31, 2025		
	Interest income	Non-interest financing income	Total ⁽²⁾	Interest income	Non-interest financing income	Total ⁽²⁾	Interest income	Non-interest financing income	Total ⁽²⁾
In NIS millions									
Parallel changes									
Parallel increase of 1%	85	_*	85	86	_*	86	83	_*	83 ⁽³⁾
Parallel decrease of 1%	(85)	_*	(85)	(86)	_*	(86)	(83)	_*	(83) ⁽³⁾
Additional interest rate scenarios according to Proper Banking Management regulations ⁽¹⁾									
Parallel increase	212	_*	212	215	_*	215	208	_*	208 ⁽³⁾
Parallel decrease	(212)	_*	(212)	(215)	_*	(215)	(208)	_*	(208) ⁽³⁾
Maximum	(212)	_*	(212)	(215)	_*	(215)	(208)	_*	(208) ⁽³⁾

(*) Amount lower than NIS 0.5 million.

(1) Interest rate scenarios established in sections 90-93 of Proper Banking Management Directive No. 333, "Interest Rate Risk Management".

(2) After offsetting effects.

(3) Reclassified.

Additional information on interest rate risk not included in Pillar 3 disclosure requirements [Additional information]
Table 15: Total exposure of the Company and its consolidated companies to changes in interest rates

	March 31, 2026												December 31, 2025		
	On demand up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years to 20 years	Over 20 years	No maturity period	Total fair value	Internal rate of return (%)	Effective average duration (years)	Total fair value	Internal rate of return (%)	Effective average duration (years)
Financial assets ⁽¹⁾	17,253	3,359	3,295	1,162	406	122	2	-	208	25,807	6.30%	0.24	26,212	6.82%	0.22
Other amounts receivable ⁽²⁾	1	176	42	23	-	-	2	-	-	242	-	0.27	269	-	0.43
Financial liabilities ⁽¹⁾	16,336	2,845	2,841	1,155	63	171	-	-	62	23,473	4.02%	0.22	23,766	4.21%	0.22
Liabilities for employee rights	1	-	2	8	9	16	28	13	-	77	5.00%	13.53	82	4.82%	13.79
Other amounts payable ⁽²⁾	1	167	43	24	-	-	-	-	-	235	-	0.34	269	-	0.44
Exposure to interest rate changes	916	523	451	(2)	334	(65)	(26)	(13)	146	2,264			2,364		
Additional detail on interest rate exposure															
A. By linkage bases															
Non-linked Israeli currency	848	745	399	(67)	(49)	(29)	(26)	(13)	152	1,960			2,040		
CPI-linked Israeli currency	(24)	(42)	(140)	49	383	(33)	-	-	-	193			131		
Foreign currency (including FX-linked)	92	(180)	192	16	-	(3)	-	(6)	-	111			193		
B. Effects on exposure to interest rate changes															
Financial assets ⁽¹⁾ , before assumptions	17,253	3,359	3,295	1,162	406	122	2	-	208	25,807			26,212		
Effect of behavioral assumptions ⁽³⁾	-	-	-	-	-	-	-	-	-	-			-		
Financial assets ⁽¹⁾	17,253	3,359	3,295	1,162	406	122	2	-	208	25,807			26,212		
Financial liabilities ⁽¹⁾ , before assumptions	16,336	2,845	2,841	1,155	63	171	-	-	62	23,473			23,766		
Effect of behavioral assumptions ⁽³⁾	-	-	-	-	-	-	-	-	-	-			-		
Financial liabilities ⁽¹⁾	16,336	2,845	2,841	1,155	63	171	-	-	62	23,473			23,766		

(*) Amount lower than NIS 0.5 million.

(1) Excluding balance sheet balances of derivative financial instruments and fair value of off-balance sheet financial instruments.

(2) Amounts receivable and payable regarding derivative and off-balance sheet financial instruments.

(3) The effect of interest rate exposure from material assumptions regarding early repayments and other behavioral assumptions.

Tamar Yasur

Chairman of the Board

Itamar Furman

General Manager

**Menashe (Moni)
Avraham**

Chief Risk Officer

Bnei Brak, May 18, 2026

Risk Report as of March 31, 2026

The Company and its consolidated companies