

Banking Supervision Department

January 2, 2024

8.445.14704

To: **The banking corporations and acquirers**

Attn: Chief Accountant

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

Re: The Swords of Iron War—additional emphases for reporting to the public for 2023

Dear Sir or Madam:

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

Following are additional emphases for preparing the reports to the public for 2023 (hereinafter, “the reports”), that banking corporations are to implement, alongside the continued implementation of the emphases for the reports to the public for the third quarter of 2023 that were included in our letter dated November 9, 2023:

1. Disclosure on major activities carried out by the banking corporations to deal with the impacts of the war, and to support the needs of their customers and employees, is to include a description of the features of all main activity, quantitative disclosure regarding the volume of activity, an assessment of its quantitative impact, and an assessment of the additional quantitative impact resulting from the option to exploit in the future the benefits granted. The banking corporation is to provide disclosure of the manner of calculating the quantitative assessments, and to clarify the timing in which it expects the quantitative impact to be expressed in the financial results. When it is material, expression should also be given to data as of close to the date of the report’s publication.¹

Attached please find an **Appendix** as an example of the disclosure mechanism for the quantitative disclosure that is to be submitted with regard to such activity.

2. In this regard, it is clarified that:

¹ In such a case, the banking corporation may provide a more concise expression of the data as of the date of the report.

- 2.1. Within this framework, quantitative and qualitative disclosure should be given regarding loans whose terms were changed within the framework of dealing with the ramifications of the war. This includes disclosure of the main features of the changes that were carried out, their length of time, volume, and significance; the factors that are checked for identifying loans intended to have such changes made in their terms; the credit quality of these loans, and the process and manner in which the banking corporation carries out the assessments of quality, risk, and classification of these loans.
- 2.2. In addition, this framework should include quantitative and qualitative information on credit granted as part of dealing with the ramifications of the war, including credit granted with little or no interest charged, credit extended with state guarantees, and credit granted as part of the Bank of Israel's monetary program to ease credit terms. The disclosure of each of these types of credit shall include a description of the loan balance recorded for the credit, borrower types (such as small, medium, or large businesses), average interest rates and the main additional terms of credit and state guarantees, and the manner in which the state guarantees impact on the credit quality.

Sincerely,

Or Sofer

Deputy Supervisor of Banks

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

Appendix: Sample mechanism for disclosing benefits within the framework of dealing with the war*

| | <u>Private</u> <u>individuals</u> | <u>Small and</u> <u>micro</u> <u>businesses</u> | <u>Medium</u> <u>sized</u> <u>businesses</u> | <u>Large</u> <u>business</u> | <u>Total</u> |
|--|--------------------------------------|---|--|---------------------------------|--------------|
|--|--------------------------------------|---|--|---------------------------------|--------------|

The impact of the benefits granted by the bank within the framework of dealing with the war

| | | | | | | |
|--|---|---|---|---|---|---|
| Changes in loan terms** | 0 | 0 | 0 | 0 | 0 | 0 |
| No interest or reduced interest loans | 0 | 0 | 0 | 0 | 0 | 0 |
| Fees waived | 0 | 0 | 0 | 0 | 0 | 0 |
| Other benefits (specify if material) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total benefits granted by the bank | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits not yet utilized | 0 | 0 | 0 | 0 | 0 | 0 |
| Total assessment of benefits assuming full utilization | 0 | 0 | 0 | 0 | 0 | 0 |

Additional information on activity to benefit borrowers within the framework of dealing with the war

| | | | | | | |
|---|---|---|---|---|---|---|
| <u>Balance of credit with changes in loan terms**</u> | 0 | 0 | 0 | 0 | 0 | 0 |
| Sum of payments deferred*** | 0 | 0 | 0 | 0 | 0 | 0 |
| Average payments deferred per month*** | 0 | 0 | 0 | 0 | 0 | 0 |
| Of which: Troubled credit | 0 | 0 | 0 | 0 | 0 | 0 |
| Of which: Credit that underwent troubled debt restructuring **** | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>No interest or reduced interest loans</u> | 0 | 0 | 0 | 0 | 0 | 0 |
| Average interest rate | 0 | 0 | 0 | 0 | 0 | 0 |
| Average prime interest rate during the period noted—X percent | | | | | | |
| <u>Loans granted within the framework of state guarantee funds*****</u> | | | | | | |
| Credit balance | 0 | 0 | 0 | 0 | 0 | 0 |
| Average interest rate | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>Of which:</u> | | | | | | |
| Balance of credit granted with Bank of Israel financing | 0 | 0 | 0 | 0 | 0 | 0 |
| Average interest rate | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>Balance of loans granted with Bank of Israel financing (including through state guarantee funds)</u> | | | | | | |
| Credit balance | 0 | 0 | 0 | 0 | 0 | 0 |
| Average interest rate | 0 | 0 | 0 | 0 | 0 | 0 |

*When material, expression should be given to data as of close to the report publication date.

** Including waiver of fee, waiver of principal, deferral of payments and/or extension of time to final payment.

*** Deferral of payments, including extension of time to final payment. Deferral of payments does not include deferral in which an entitlement was utilized, to which the borrower is eligible according to any law.

**** In the financial statement for the first quarter of 2024 and onward—of which: Credit to borrowers in financial difficulty, for which changes in terms were made. For additional information on such credit see Note 31 in the financial statement.

***** When a banking corporation granted loans secured by the government at a material amount, that is not within the framework of dealing with the war, the banking corporation shall add a referral to the location in the report in which there is disclosure regarding such credit.