BANK LEUMI LE-ISRAEL B.M. AND INVESTEE COMPANIES

Condensed Financial Statements as at 30 September 2013

(unaudited)

Bank Leumi le-Israel B.M.
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Bank Leumi le-Israel B.M. and Investee Companies
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A. General Developments in the Group's Business

The Directors' Report has been prepared in accordance with the Public Reporting Directives of the Supervisor of Banks. The principles applied in preparing the interim reports are consistent with those used in preparing the Annual Report as at 31 December 2012, except for that stated in Note 1.C below. These reports should be read in conjunction with the Annual Report for 2012.

Description of Leumi Group's Business Activities and their General Development

Total assets under the management of the Group (balance sheet items and off-balance sheet items*) amounted to some NIS 1,039 billion at the end of September 2013, compared with NIS 989 billion at the end of 2012, an increase of some 5.0%, which derived primarily from an increase in securities portfolios, and an increase in the value of provident funds and supplementary training funds, partially offset by a decrease in total balance sheet assets.

* Total balance sheet items plus securities portfolios of customers, the value of securities held in custody of mutual funds, provident funds, pension funds and supplementary training funds for which operational management, custody services and pension counseling are provided.

Below are principal data as at:

	30 September 2013	30 September 2012	31 December 2012
Balance sheet data (in NIS millions):			
Total assets (total balance sheet)	**365,422**	369,530	376,160
Credit to the public, net	**240,892**	241,464	241,264
Securities	**60,984**	56,183	56,408
Cash and deposits in banks	**40,202**	48,340	54,621
Investment in companies included on equity basis	**1,944**	2,303	2,129
Deposits of the public	**279,839**	285,229	289,538
Debentures, notes, and subordinated notes	**25,596**	28,189	27,525
Equity attributable to shareholders of the banking corporation	**26,081**	25,018	24,921

Below are principal data:

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2013	2012	**2013**	2012	2012
Income, expenses and profits (in NIS millions):					
Interest income, net	**1,946**	1,872	**5,547**	5,624	7,408
Expenses (income) in respect of credit losses	**(44)**	292	**113**	850	1,236
Total non-interest income	**1,382**	1,208	**4,097**	3,380	4,774
Of which: commissions	**1,050**	1,050	**3,104**	3,092	4,199
Total operating and other expenses	**2,443**	2,294	**6,679**	6,489	9,100
Of which: salary expenses	**1,338**	1,434	**3,835**	3,976	5,290
Profit before taxes	**929**	494	**2,852**	1,665	1,846
Provision for taxes	**345**	113	**1,092**	578	811
Net profit for the period attributed to shareholders of the banking corporation	**555**	479	**1,599**	1,190	931
Net profit per share attributed to shareholders of the banking corporation (in NIS)	**0.38**	0.33	**1.09**	0.81	0.63
Total profit for the period attributed to shareholders of the banking corporation	**497**	758	**1,132**	1,677	1,588

Below are principal financial ratios (in %) for the periods ended:

	30 September 2013	30 September 2012	31 December 2012
Credit to the public, net, to total balance sheet	**65.9**	65.3	64.1
Securities to total balance sheet	**16.7**	15.2	15.0
Deposits of the public to total balance sheet	**76.6**	77.2	77.0
Deposits of the public to total credit, net	**116.2**	118.1	120.0
Total capital to risk assets (a)	**14.85**	15.02	14.87
Tier I capital to risk assets	**9.28**	8.60	8.55
Capital (excluding non-controlling interests) to balance sheet	**7.1**	6.8	6.6
Net profit to average capital (excluding non-controlling interests) (c)	**8.5**	6.6	3.8
Rate of provision for tax on the profit before taxes	**38.3**	34.7	43.9
Expenses in respect of credit losses to credit to the public, net (c)	**0.06**	0.47	0.51
Of which: expenses in respect of collective allowance to net credit to the public (c)	**0.09**	0.18	0.13
Expenses in respect of credit losses to total risk of credit to the public (c)	**0.04**	0.32	0.34
Net interest income to total balance sheet (c)	**2.03**	2.03	1.97
Total income to total balance sheet (b) (c)	**3.53**	3.26	3.24
Total income to total assets managed by the Group (b) (c) (d)	**1.24**	1.27	1.23
Total operating and other expenses to total balance sheet (c)	**2.44**	2.35	2.42
Total operating and other expenses to total assets managed by the Group (c) (d)	**0.86**	0.91	0.92
Net profit to average total assets (c) (e)	**0.58**	0.44	0.26
Interest margin (f)	**2.08**	2.12	2.25
Operating and other expenses (excluding early retirement) to total income (b)	**69.2**	72.1	72.0
Non-interest income to operating and other expenses (excluding early retirement)	**61.4**	52.1	54.4
Non-interest income to total income (b)	**42.5**	37.5	39.2

(a) Capital - after adding non-controlling interests and after deducting investments in the equity of companies included on equity basis and various adjustments.
(b) Total income - net interest income and non-interest income.
(c) On an annual basis.
(d) Includes off-balance sheet activities.
(e) Average assets represent the total of income-bearing balance sheet assets and other assets.
(f) Data for December 2012 have been calculated using the old format. The interest gap excludes the effect of derivatives, but includes exchange rate differences.

Net profit attributable to shareholders in the banking corporation (hereinafter – the net profit) in the first nine months of 2013 amounted to NIS 1,599 million, compared with NIS 1,190 million in the corresponding period last year, an increase of 34.4%.

The increase in the net profit is explained mainly by an increase on noninterest income amounting to NIS 717 million and by a reduction in expenses in respect of credit losses of NIS 737 million. On the other hand, a reduction in interest income, net, of NIS 77 million, an increase in the operating and other expenses amounting to NIS 190 million, an increase in the provision for tax amounting to NIS 514 million and a decrease in the Bank's share in the profits of companies included on equity basis, after the effect of tax, amounting to NIS 260 million, partly offset the abovementioned effects.

Net profit in the third quarter of 2013 amounted to NIS 555 million compared with NIS 479 million in the corresponding period last year, an increase of 15.9%.

The increase in net profit in the third quarter is explained mainly by an increase in noninterest income amounting to NIS 174 million, a decrease in expenses in respect of credit losses amounting to NIS 336 million, and an increase in net interest income of NIS 74 million. On the other hand, an increase in operating and other expenses amounting to NIS 149 million, an increase in the provision for tax amounting to NIS 232 million and a decrease in the Bank's share in the profits of companies included on equity basis, after the effect of tax, amounting to NIS 125 million, partly offset the abovementioned effects.

For further details, see the Chapter "Development of income, expenses and tax provision".

Net profit per share attributable to shareholders of the banking corporation was NIS 1.09 during the first nine months of 2013, compared with NIS 0.81 in the corresponding period last year.

The return on capital in the first nine months of 2013 was 8.5% compared with 6.6% in the first nine months of 2012. The return on capital in the third quarter of 2013 was 8.9% compared with 8.0% in the third quarter of 2012.

Aggregate total income after the effect of tax (in addition to the net profit also including adjustments in respect of the presentation of available-for-sale securities at fair value and adjustments from translation of the financial statements) in the first nine months of 2013 amounted to NIS 1,132 million, compared to NIS 1,677 million in the corresponding period last year. In the third quarter of 2013, the total profit amounted to NIS 497 million, compared with NIS 758 million in the corresponding period last year. The decrease in total income is attributable to a reduction in adjustments in respect of available-for-sale securities amounting to NIS 687 million before tax.

Control of the Bank

Effective 24 March 2012, the Bank is defined, pursuant to the provisions of the law, as a banking corporation without a controlling core and with no shareholder specified as the controlling shareholder in the Bank.

For further information on control of the Bank, the Banking Law (Legislative Amendments), 2012 (which regulates, *inter alia*, the adjustment of the law to the supervisory framework required in the case of a banking corporation without a controlling core) and the State of Israel's holdings in the shares of the Bank, see pages 20-22 in the Bank's Periodic Report for 2012 published on 21 March 2013 (ref.: 2013-01-013462).

Interested party transactions by virtue of holdings

Holdings of Eliahu Group in the Bank:
On 21 March 2013, Shlomo Eliahu Holdings Ltd and its subsidiaries, including the holdings of Migdal, ("Eliahu") sent notification to the Bank on the sale of 37,000,000 ordinary shares of NIS 1 par value of the Bank held on trust, by means of an off-market transaction. Following this sale, Eliahu held, together with Migdal Insurance and Finance Holdings Ltd. ("Migdal Holdings"), which is controlled by Eliahu, and/or corporations controlled by it, directly or indirectly ("the Migdal Group"), 9.94% of the Bank's share capital. For further details, see Immediate Report of the Bank dated 21 March 2013 (ref.: 2013-01-014515).

For further details regarding the voting rights of Eliahu and the Migdal Group in the Bank's shares, the voting rights attached thereto and the Migdal transaction, see page 21 in the Bank's Periodic Report for 2012 published 21 March 2013 (ref.: 2013-01-013462).

On 11 September 2013, Migdal Holdings Insurance and Finance Ltd., a subsidiary of Eliahu notified the Bank regarding the purchase of 411,000 ordinary shares of NIS 1 nominal value of the Bank. On 10 October 2013, Eliahu notified the Bank of the sale of 46,637,469 ordinary shares of NIS 1 nominal value, which were held on trust, through an off-market transaction and the sale of 488,815 ordinary shares of NIS 1 nominal value of the Bank through an off-market transaction. On 23 October 2013, Migdal Holdings Insurance and Finance Ltd. notified the Bank regarding the purchase of 120,000 ordinary shares of NIS 1 nominal value of the Bank through a transaction on the stock exchange. Following this purchase, Eliahu, together with the Migdal Group, holds some 7.11% of the share capital of the Bank (Eliahu, 2.78% and Migdal Group, 4.33%). For further details, see Immediate Reports of the Bank from 11 September 2013 (ref: 2012-03-143457), 10 October 2013 (ref.:2013-01-162717) and 23 October 2013 (ref.: 2013-01-173115).

Holdings of Meitav Dash Investments Group in the Bank:
On 24 March 2013, the Meitav Dash Investments Group Bank was notified that, on 19 March 2013, a merger by way of share exchange was effected between Dash Apex Holdings Ltd. (hereinafter, "Dash Apex") and the shareholders of Meitav Investment House Ltd. As part of the transaction, Dash Apex purchased the entire share capital of Meitav Investment House. As a result, Dash Apex became an interested party in Leumi. On 2 May 2013, Dash Apex informed the Bank that there had been a reduction of more than 1% of the paid-up capital of the Bank held by the Dash Apex Group. On 29 May 2013, Dash Apex announced that it had ceased to be an interested party in Leumi. For further details, see Immediate Reports of the Bank dated 24 March 2013 (ref.: 2013-01-018730), 2 May 2013 (ref.: 2013-01-052822) and 29 May 2013 (ref.: 2013-01-077413).

On 30 September 2013, the Meitav Dash Investments Group Bank (hereinafter: "Meitav Dash Investments") notified the Bank of a purchase of 720,835 ordinary shares of NIS 1 nominal value of the Bank through a purchase on the stock exchange. As a result, Meitav Dash Investments became an interested party in Leumi. On 6 October 2013, Meitav Dash Investments notified the Bank of a sale of 1,359,071 ordinary shares of NIS 1 nominal value of the Bank through a sale on the stock exchange. As a result, Meitav Dash Investments announced that it ceased to be an interested party in Leumi. On 17 October 2013, Meitav Dash Investments notified the Bank of a purchase of 163,173 ordinary shares of NIS 1 nominal value of the Bank through a purchase on the stock exchange. As a result, Meitav Dash Investments returned to being an interested party in Leumi. Following this purchase, Meitav Dash Investments holds 5.11% of the Bank's share capital. For further details, see Immediate Reports of the Bank dated 30 September 2013 (ref.: 2013-01-152163), 7 October 2013 (ref.: 2013-01-158808) and 17 October 2013 (ref.: 2013-01-168939).

Holdings of Psagot Group in the Bank:
On 6 May 2013, the Bank was notified that on 30 April 2013, a transaction between Meitav Investment House Ltd. and Psagot Investment House Ltd. (hereinafter "Psagot Investment House") was completed, as a result of which the holdings of Psagot Investment House and its reporting group was 6.8% of the Bank's paid-up share capital. As part of the transaction, Psagot Investment House purchased the entire issued and paid-up share capital of Meitav ETF Holdings Ltd. (the parent company of Meitav Marketable Dollar Obligation Ltd., Meitav Currencies Ltd., Meitav Foreign Currency Ltd., Meitav Quarterly Ltd., Meitav ETF Ltd. (hereinafter: "the Meitav ETF Group") and Gaash Market Making Ltd., a company fully controlled by Meitav Investment House Ltd., through which Meitav Investment House Ltd. held all of the ETF activity in the Meitav ETF Group. With effect from the date of completing the transaction, the companies in the Meitav ETF Group were added to the Psagot reporting group. For further details, see Immediate Report of the Bank of 6 May 2013 (ref.: 2013-01-055216)

For updated information regarding the holdings of interested parties in the Bank, see Immediate Report on the state of the holdings of interested parties and senior officers, dated 7 November 2013 (ref.: 2013-01-186450).

Merger of Leumi Mortgage

Merger between the Bank and Leumi Mortgage Bank Ltd. ("Leumi Mortgage Bank")

On 9 September 2012, the Board of Directors of the Bank approved the merger of Leumi Mortgage Bank with the Bank. On 10 September 2012, the Board of Directors of Leumi Mortgage Bank approved the implementation of the said merger. The merger came into effect on 31 December 2012 ("the Merger Date"). See Immediate Reports dated 10 September 2012 (ref.: 2012-01-234537 and 2012-01-234585).

According to the merger agreement, Leumi Mortgage Bank, which is wholly owned and controlled by the Bank, was merged with the Bank.

The merger effected was a statutory merger in which Leumi Mortgage Bank transferred its assets and liabilities to the Bank, dissolving Leumi Mortgage Bank without liquidation, pursuant to the provisions of Chapter 1 of the Eighth Part of the Companies Law, 1999, and subject to the provisions of Part Two of the Income Tax Ordinance, such that on completion of the merger, Leumi Mortgage Bank ceased to exist.

With effect from 15 January 2013, the banking license of Leumi Mortgage Bank was canceled.

Aims of the merger:
The merger serves both the business and economic purpose of enabling the Leumi Group to increase the level of group synergy between retail and mortgage operations, and to expand the potential for increasing the profit of the Leumi Group. The purpose of the move is to allow the Bank to provide retail customers with a value proposition that meets all of their needs, *inter alia*, in view of the improvement in the level of the product offered to customers, with an emphasis on providing a variety of services to the customer, reducing Group expenses and more effectively utilizing the sales floor.

Capital Resources, Capital Adequacy and Transactions in the Shares of the Bank

Capital Attributable to the Shareholders of the Banking Corporation (hereinafter: capital) of the Group as at 30 September 2013 amounted to NIS 26,081 million, compared with NIS 24,921 million as at the end of 2012, an increase of 4.7%. The increase is attributable to the profit for the first nine months of the year amounting to NIS 1,599 million which was partly offset by a decline in other comprehensive income in respect of available-for-sale securities amounting to NIS 332 million and a decrease in other comprehensive income from the translation of the financial statements of subsidiaries amounting to NIS 149 million.

The **capital to total assets ratio** reached 7.1% on 30 September 2013, compared with 6.6% on 31 December 2012.

The **capital to risk components ratio** according to Basel II reached 14.85% as of 30 September 2013, compared with 14.87% on 31 December 2012. The Tier 1 capital ratio reached 9.28% at 30 September 2013, compared with 8.55% at the end of 2012.

For a detailed explanation, see pages 29-32 in the 2012 Annual Report.

Capital Adequacy Target

The Group's policy, as approved by the Board of Directors, which expresses its risk appetite, is to maintain a level of capital adequacy higher than the threshold defined from time to time by the Bank of Israel and higher than the rate required according to the results of the ICAAP. In addition, targets that the Group wishes to meet in the event of an extreme scenario event were defined.

According to a circular from the Supervisor of Banks dated 30 June 2010, banks are subject to a core capital ratio target of not less than 7.5%.

On 30 May 2012, the Supervisor of Banks issued final directives for the adoption of Basel III recommendations in Israel, including an amendment of Proper Conduct of Banking Business Regulation 201 regarding "Measurement and Capital Adequacy, Introduction, Scope of Application and Calculation of Requirements".

According to this regulation, all banking corporations will be required to maintain a minimum core capital ratio of 9% by 1 January 2015. Furthermore, a large banking corporation, with total balance sheet assets on a consolidated basis constituting at least 20% of the total balance sheet assets in the banking system in Israel, will be required to maintain a minimum core capital ratio of 10% by 1 January 2017. This additional directive applies to Leumi.

In addition, all banking corporations in Israel will be required to maintain an overall capital ratio of 12.5% by 1 January 2015. A large banking corporation will be required to maintain an overall capital ratio of 13.5% by 1 January 2017.

Following an analysis of the ICAAP risk map, the Board of Directors of the Bank decided to determine the Leumi Group's overall capital adequacy target to be not less than 13.5% over the long term.

The Bank is prepared to meet the expected requirements of the Supervisor of Banks as set forth in these regulations.

For further information regarding the Basel III directive, see the section "Basel Directives and Preparation in Leumi" in the chapter "Risk Exposure and Risk Management" below.

The abovementioned capital adequacy ratio policy relates to future transactions of the Bank, and comes within the definition of "forward-looking information". For the meaning of this term, see the section, "Description of the Banking Corporation's Business and Forward-Looking Information" below.

Structure of capital components for the purpose of computing the capital ratio (Table 2 - Basel II):

	30 September 2013	30 September 2012	31 December 2012
	NIS millions		
Tier 1 capital:			
Share capital	**7,059**	7,059	7,059
Premium	**1,129**	1,129	1,129
Reserves	**17,922**	16,563	16,296
Capital reserves due to share-based transactions and other capital reserves	**49**	49	58
Adjustments from translation of financial statements of companies included on equity basis	**(211)**	19	(85)
Loans to employees for the purchase of Bank's shares	**(30)**	(31)	(31)
Non-controlling interests	**331**	301	307
Amounts deducted from Tier 1 capital, including goodwill, investments and other intangible assets	**(321)**	(400)	(421)
Total Tier 1 capital	**25,928**	24,689	24,312
Tier 2 capital:			
45% of the amount of net profits, before the related tax effect in respect of adjustments to fair value of available-for-sale securities	**91**	152	333
General provision for doubtful debts	**428**	428	428
Innovative and non-innovative hybrid capital instruments	**6,154**	6,098	6,071
Subordinated notes	**8,955**	11,839	11,227
Amounts deducted from Tier 2 capital	**(64)**	(80)	(81)
Total Tier 2 capital	**15,564**	18,437	17,978
Total capital base for capital adequacy purposes	**41,492**	43,126	42,290

Capital adequacy - (Table 3 - Basel II):

Risk assets and capital requirements in respect of credit risk deriving from exposures to:	**30 September 2013** Risk assets	Capital require-ments (2)	30 September 2012 Risk assets	Capital require-ments (2)	31 December 2012 Risk assets	Capital require-ments (2)
	NIS millions					
Sovereign debts	**805**	**72**	886	80	937	84
Debts of public sector entities	**2,145**	**193**	1,853	167	1,981	178
Debts of banking corporations	**3,732**	**336**	5,039	454	4,690	422
Debts of securities companies	**58**	**5**	-	-	-	-
Debts of corporations	**135,141**	**12,163**	152,384	13,715	146,452	13,181
Debts collateralized by commercial real estate	**16,838**	**1,515**	18,712	1,684	18,541	1,669
Retail exposures to individuals	**25,935**	**2,334**	22,653	2,039	23,728	2,136
Loans to small businesses	**10,337**	**930**	9,512	856	9,611	865
Housing loans	**37,311**	**3,358**	32,844	2,956	33,474	3,013
Securitization	**848**	**76**	425	38	864	78
Other assets	**14,262**	**1,284**	12,355	1,112	13,560	1,220
Total in respect of credit risk (1)	**247,412**	**22,266**	256,663	23,101	253,838	22,846
Risk assets and capital requirements in respect of market risk (1)	**11,279**	**1,015**	9,310	838	9,710	874
Risk assets and capital requirements in respect of operational risk (1)	**20,711**	**1,864**	21,095	1,899	20,841	1,876
Total risk assets and capital requirements (3)	**279,402**	**25,145**	287,068	25,838	284,389	25,596
Total capital base for capital adequacy	**41,492**		43,126		42,290	
Total capital ratio	**14.85%**		15.02%		14.87%	
Tier 1 capital ratio	**9.28%**		8.60%		8.55%	

(1) Weighted risk assets according to the standardized approach, First Pillar only.
(2) According to the 9% minimum requirement.
(3) Additional capital buffers were calculated in respect of the Second Pillar.

Below is the capital adequacy ratio on a consolidated basis and for principal subsidiaries according to Basel II:

	30 September 2013	31 December 2012
	%	
Leumi – on consolidated basis	**14.85**	14.87
Leumi Mortgage Bank (1)	**-**	11.85
Arab-Israel Bank	**15.13**	14.76
Leumi Card	**16.40**	16.00
Bank Leumi USA (2)	**14.09**	14.47
Bank Leumi UK	**15.42**	15.53
Bank Leumi Switzerland	**37.69**	24.24

(1) The activity of the company was merged with the Bank on 31 December 2012.

(2) The subsidiary in the USA is not obliged to compute the capital adequacy ratio in accordance with Basel II. Accordingly, the ratios presented are according to Basel I.

B. Other Information

Principal Developments in the Economy(*)

General

In the first nine months of 2013, the Israeli economy grew in real terms at 3.5%, compared with the corresponding period last year. In the third quarter, the rate of growth was 2.2% in annual terms, compared with the second quarter, mainly against a background of a decline in exports of goods and services.

In the first nine months of the year, the Israeli consumer price index rose by some 1.8%, and in the twelve months ended September 2013, the increase was 1.3%. This rate is below the midway point between the price stability target of 1% - 3%. Since the beginning of the year and up to September 2013, the Bank of Israel lowered interest rates by 0.75 percentage points to 1.25%. This was against a background of a low inflationary environment and the desire to continue the support of growth in Israel, while the appreciation of the shekel was a major factor in the interest rate decisions. In this context, on 13 May 2013, the Bank of Israel, at a special meeting, announced a lowering of interest rates and a program to purchase foreign currency, mainly purchases of US$ 3.5 billion in 2014, to offset the effect of natural gas production on the exchange rate. In the interest rate decisions for October, the interest level was reduced to 1.00%

The share and convertible securities index rose during the months from January to September 2013 by some 9.6%, with the price of index-linked corporate debentures rising by some 7.5%, despite the economic slowdown in the market.

The Global Economy

In October 2013, the International Monetary Fund revised its estimate of expected development of global economic activity for 2013-2014. In most advanced countries, there was no change in the forecasts, compared to the revisions made in July 2013, while in the emerging and developing countries, there was a downward revision in the growth forecasts in comparison to 2013, and in comparison to 2014. According to the Fund's revised estimates, growth in the United States and in the euro area in 2013 is expected to total 1.6% and (0.4%), respectively.

Business product and sectors of the economy

The business sector product expanded in real terms in the first nine months of 2013 by some 3.8%, compared with the corresponding period last year. In the third quarter, there was a further slowdown in economic activity and the rate of growth amounted to 2.1%, in annual terms, compared to the second quarter. The continuation of the slowdown in economic activity on world and domestic markets was mainly reflected in the sector for the export of goods and services from Israel, whose activity has reduced in volume.

(*) Data sources: publications of the Central Bureau of Statistics, the Bank of Israel, the Ministry of Finance and the Tel Aviv Stock Exchange.

The State Budget and its Financing

The months from January-September 2013 saw a deficit (excluding the grant of credit) of NIS 14.1 billion in the State budget, compared with a deficit of NIS 20.2 billion in the corresponding period in 2012. Government expenditure during this period expanded by some 5.1%, compared to the January-September period in 2012, a rate lower than the planned annual increase, according to the approved 2013 budget. In this context, it should be borne in mind that, from the beginning of the year and until the end of July 2013, the government operated without an approved budget framework. Explanations for the slight fall in the deficit were an increase in tax revenues, against a background of State revenues of a non-recurring nature and a slight increase in expenditure.

On 14 May 2013, the government approved the economic program (the State Budget and the Arrangements Law) for 2013-2014. The Arrangements Law was approved by the Knesset on 29 July 2013 and, on 30 July 2013, the State budget was approved.

Foreign Trade and Capital Movements

Israel's aggregate trade deficit in the first nine months of 2013 amounted to some US$ 11.2 billion, a decrease of some 21% compared with the deficit for the corresponding period last year. The reduction in the trade deficit is mostly due to a significant reduction in imports, compared with a slight increase in exports. It is worth noting that in the third quarter of the year, there was a change in trend, compared with the previous quarter, with an increase in imports and a decline in exports, in most sub-sectors. These data indicate a weakness in global demand for Israeli exports.

Foreign currency capital transactions in the first nine months of 2013 were characterized by a higher amount of capital outflows, compared with capital inflows. In particular, direct investments in Israel, via the banking system, amounted to US$ 7.0 billion during the said period, while financial investments amounted to US$ 1.4 billion On the other hand, investments by Israeli residents abroad (direct investments through Israeli banks and the financial investments) amounted to US$ 9.0 billion, most of which consisted of financial investments.

Exchange Rates and Foreign Currency Reserves

From January – September 2013, the exchange rate of the shekel appreciated by some 5.3% against the dollar, although less sharply against the euro, by some 3.0%. This appreciation was affected by an improvement in Israel's foreign accounts (in particular, the current account of the balance of payments) despite an increase in capital outflows (net) to Israel.

On 13 May 2013, the Bank of Israel announced a program of foreign currency purchases which will offset the effect of gas production on the exchange rate. The amounts to be purchased as part of this program will be added to the Bank of Israel's foreign currency balances, but will be managed separately with a longer term horizon. According to the Bank of Israel's announcement, it intends to purchase some US$ 2.1 billion by the end of the year. This program will be re-examined when the "Wealth Fund" is put into operation, which is expected to be during 2018. On 2 October 2013, the central bank announced that, in 2014, it intends to purchase US$ 3.5 billion for this purpose.

Foreign currency balances in the Bank of Israel at the end of September 2013 amounted to some US$ 79.9 billion. This compared with US$ 75.9 billion at the end of December 2012.

Against the background of the appreciation of the shekel and the plan to purchase foreign currency, which was decided on 13 May, in the third quarter of the year, the Bank of Israel purchased US$ 1.38 billion, of which some US$ 0.78 billion was part of the program to offset the effect of gas production on the exchange rate.

Inflation and Monetary Policy

The Israeli consumer price index increased by some 1.8% in the first nine months of 2013, while in the twelve months ended September 2013, the index increased by some 1.3%. These and other data demonstrate that the "inflationary environment" was below the mid-point of the Government's price stability target of 1% - 3%. The largest contribution to the increase in the index in the past year was in the housing sector, which increased by some 2.7% and in the food sector, which increased by some 6%, An item which significantly decreased was communication and internet services, which fell by some 10.5% in the last 12 months, the effect of reductions in the price of cellular services.

The Bank of Israel interest rate, which was 2.0% in December 2012, was lowered in January 2013, to 1.75%, against the background of the need to provide additional support for economic activity and in the absence of inflationary pressures. On 13 May 2013, the Bank of Israel announced that the monetary committee had made a decision outside the ordinary framework of the program to lower monetary interest rates by 0.25 percentage points to a level of 1.5%, with effect from 17 May 2013. The background of this decision was the continuing appreciation of the shekel and a downward revision of the global growth forecast, particularly with regard to Europe and China. In the June interest decision, interest rates were further reduced by 0.25 percentage points to 1.25%, while in the interest decision for October, interest fell to 1.0%. This level of interest was also retained in November.

Capital market

The shares and convertible securities index rose by some 9.6% in the first nine months of the year, following an increase of some 4.5% in 2012. The index rose in the third quarter of the year by 4.7%, with most of the increase being in September due to the effects of stock exchanges around the world.

Average daily trading volumes of shares and convertible securities increased by some 5.0% during the first nine months of 2013, compared with the average for 2012, and amounted to some NIS 1,131 million. During the third quarter of the year, volumes increased compared to the first two quarters of the year.

The Government bond market was characterized by a trend of moderately increasing prices during the period from January to September 2013. The price of index-linked Government bonds rose by 1.4%, while unlinked bonds rose by some 2.7% (the fixed interest (*Shahar*) bond indices rose by some 2.9% and the variable interest (*Gilon*) bond index increased by some 2.0%).

In the index-linked non-government debenture market (corporate bonds), there were price increases of some 7.5% over the period, January – September 2013. There were increases in all three quarters of 2013, despite the economic slowdown in the state of the market.

Financial Assets held by the Public

The value of the portfolio of financial assets held by the public increased in the first eight months of 2013 by some 2.7% to NIS 2,796 billion at the end of August 2013. This increase in the value of the portfolio derived from an increase in all of its components. The weight of shares (in Israel and abroad) in the financial assets portfolio of the Israeli public reached some 22.3% at the end of August 2013, compared with some 21.7% in December 2012. This increase was wholly attributable to an increase in foreign shares.

Bank credit

Bank credit in the economy granted to the private sector (before allowances for credit losses) increased slightly by 1.1% during the months of January – August. This was the result of an increase in credit granted to households. Housing credit, in particular, increased by 6.5%, while non-housing credit (consumer credit) increased by 4.7%. On the other hand, credit granted to the business sector, which is the largest component of the credit elements granted to the private sector, fell by some 3.1%.

The table below shows Israel's and the Bank's credit ratings as at 17 November 2013:

	Rating agency	Short-term rating	Long-term rating	Long-term rating outlook
State of Israel’s rating in foreign currency	Moody’s	P-1	A1	stable
	S&P	A-1	A+	stable
	Fitch	F1	A	stable
Leumi’s rating in foreign currency	Moody’s	P-1	A2	stable
	S&P	A-2	BBB+	stable
	Fitch	F2	A-	stable
Leumi’s rating in local currency for debentures and standard deposits	Ma'alot	-	AA+	stable
	Midroog	P-1	Aaa	negative
Leumi’s rating in local currency for subordinated capital notes	Ma’alot	-	AA	stable
	Midroog	-	Aa1	negative
Leumi’s rating in local currency for subordinated capital notes (Upper Tier II)	Ma’alot	-	(A, AA-)*	stable
	Midroog	-	Aa2	negative

* A: Upper Tier II capital with compulsory conversion into shares of the principal.
AA-: "New" Upper Tier II capital, not convertible into shares.

Development in Leumi share price

From the beginning of the year until 30 September 2013, the price of Leumi shares increased from 1,267 points to 1,310 points, a increase of 3.4%. During this period, the Bank’s market value increased from a level of some NIS 18.7 billion to a level of NIS 19.3 billion.

The following table sets out the principal representative exchange rates:

	30 September		31 December	
	2013	2012	2012	2011
	In NIS			
U.S. dollar	**3.537**	3.912	3.733	3.821
Euro	**4.773**	5.065	4.921	4.938
Pound sterling	**5.707**	6.345	6.036	5.892
Swiss franc	**3.906**	4.186	4.077	4.062

The following table sets out the changes in the consumer price index and exchange rates:

	2013				2012					
	Nine months	3rd quarter	2nd quarter	1st quarter	Year	4th quarter	Nine months	3rd quarter	2nd quarter	1st quarter
	In percentages									
Rate of increase (decrease) in Israeli Consumer Price Index ("known" index)	**2.0**	**1.3**	0.7	-	1.4	(0.7)	2.1	0.9	1.3	-
Rate of increase (decrease) of the U.S. dollar exchange rate	**(5.3)**	**(2.2)**	(0.8)	(2.3)	(2.3)	(4.6)	2.4	(0.3)	5.6	(2.8)
Rate of increase (decrease) of the euro exchange rate	**(3.0)**	**1.1**	1.3	(5.3)	(0.3)	(2.8)	2.6	2.7	(0.4)	0.3
Rate of increase (decrease) of the pound sterling exchange rate	**(5.5)**	**3.4**	(0.2)	(8.3)	2.4	(4.9)	7.7	3.4	3.3	0.8
Rate of increase (decrease) of the Swiss franc exchange rate	**(4.2)**	**2.2**	-	(6.2)	0.4	(2.6)	3.1	2.0	(0.1)	1.2

General Environment and Effect of External Factors on Activities

Description of the Banking Corporation's Business and Forward-Looking Information in the Directors' Report

The Directors' Report includes, in addition to data relating to the past, information that relates to the future, which is defined in the Securities Law, 1968 as "forward-looking information". Forward-looking information relates to a future event or matter, the realization of which is not certain and is not within the exclusive control of the Bank.

Forward-looking information is generally drafted using words or phrases such as "the Bank believes", "the Bank foresees", "the Bank expects", "the Bank intends", "the Bank plans", "the Bank estimates", "the Bank's policy", "the Bank's plans", "the Bank's forecast", "expected", "strategy", "aims", "likely to affect" and additional phrases testifying to the fact that the matter in question is a forecast of the future and not past facts.

Forward-looking information included in the Directors' Report is based, *inter alia*, on forecasts of the future regarding various matters related to economic developments in Israel and abroad, and especially to the foreign exchange and capital markets, legislation, directives of regulatory bodies, the behavior of competitors, technological developments and personnel issues.

As a result of the inability to foresee with certainty that these forecasts will be realized, and the fact that, in reality, events may turn out differently from those forecasts, readers of the Report should relate to information defined as "forward-looking" with caution, since reliance on such information involves risks and uncertainty and the future financial and business results of Leumi Group are likely to be materially different.

The Bank does not undertake to publish updates of the forward-looking information included in this Report.

This does not detract from the Bank's reporting obligations pursuant to any relevant law.

Banking legislation

See detailed outline in the 2012 Financial Report, pages 41-54.

Banking Rules (Service to the Customer) (Commissions), 2008

On 1 August 2013, Amendment no. 2 of the Banking Rules (Service to the Customer) (Commissions), 2008 ("the Commission Rules"), came into force. Pursuant to the amendment, the annual business turnover ceiling of a "small business" in the retail list of charges was changed from NIS 1 to NIS 5 million. The Bank is obliged to notify the corporations of the fact that if they furnish the Bank with an "annual report" as defined in the Commission Rules, according to which their annual business turnover does not exceed NIS 5 million per annum, the Bank will act to classify their account as a "small business". The classification is in effect for a year and its renewal is contingent on current documents.

On 8 October 2013, the Banking Supervision Department published a further amendment to the Commission Rules, which will come into force on 1 April 2014. Pursuant to the amendment, banks are obliged to offer individual customers and small businesses various paths for the payment of current account commissions. Every channel will include the transactions that a customer may make in the month in consideration of a fixed price in advance, as set forth below:
"Basic path" – a path which includes up to one transaction by bank clerk and up to 10 transactions by direct channel, all in the course of a month.
"Extended path" – a path which includes up to 10 transactions by bank clerk and up to 50 transactions by direct channel, all in the course of a one-month period.

"Extended Plus path" – a path which includes the transactions and their number according to the extended channel, and also other services according to the decision of the banking corporation, and all in the course of a one-month period.

A banking corporation should include, as part of the services offered to its customers, the basic path and the extended path and should enable every customer to join them. As regards the Extended Plus path – there is no obligation to offer it.

A customer is entitled to join one of the paths by giving notice to the banking corporation in writing or in a recorded conversation, or in a computerized telephone reply. If a customer joins one of the paths, and exceeds the maximum quota of transactions included therein, the banking corporation is entitled to charge a commission for the additional transactions according to the full list of tariffs as defined in the Commission Rules.

In addition, it was provided that an individual who is a business will be classified as a "small business", providing the banking corporation has not found that the business turnover of that individual in the past year exceeds NIS 5 million. If the banking corporation has reasonable grounds for assuming that the business turnover of the said individual in the past year exceeds NIS 5 million, it is entitled to request that individual to furnish it with an annual report. If this request is not addressed, the banking corporation is entitled to classify the individual as a business which is not a small business, with effect from the first of the month following the month after sending the request.

Memorandum Law for Reliefs and Development of the Capital Market (Legislative Amendments), 2013

On 9 May 2013, the Israel Securities Authority published a draft for the comments of the public regarding a new product, the deposits and loans fund ("Kapam"), which represents a sub-class of shekel monetary mutual fund. The Authority has announced that this new product is intended to be an effective alternative to the bank deposit - (a) a solid product – the assets to be held in the fund will be only bank deposits and short-term loans whose term to redemption does not exceed one year, (b) characteristics of the data related to the product – the data of the "Kapam" will also include an indication regarding "an estimate of the annual yield" inherent in the assets of the fund, and thus will enable anyone wishing to invest in it to assess the advisability of an investment therein compared with the banking alternative, (c) design and positioning of the product – a uniform, simple and very conservative product in the way it is conducted, (d) the exclusion of the "Kapam" from the definition of a "financial asset" in the Consulting Law – the product will also be able to be sold to the public through a mediator who does not hold a consultant's license, i.e., by an investment clerk in the bank who is intended to become the main distribution channel for the product.

On 10 October 2013, the Memorandum Law for Reliefs and Development of the Capital Market (Legislative Amendments), 2013 was published. Pursuant to the amendment, it is proposed to amend the Law for Regulating the Practice of Investment Consulting, Investment Marketing and Investment Portfolio Management, 1995 and the Joint Trust Investment Law, 1994, in order to create a legal framework for the encouragement of the Kapam, according to features outlined above.

Proposed Intensification of the Collection and the Tightening of Enforcement Law (Improvement of Means of Collection and Reporting), 2013; Proposed Intensification of the Collection and the Tightening of Enforcement Law (Means for Enforcing the Payment of Taxes and for Deterring Money Laundering) (Legislative Amendments and Temporary Provisions), 2013

These proposed laws, which have passed in First Reading by the Knesset plenum, are intended to make legislative amendments in most of the tax laws, as regards the enforcement of the tax laws, a reduction in the scope of tax evasion in Israel, and an improvement in the efficiency of the collection of taxes, and in the collection of the information and reporting to the tax authorities.

In the proposed law pertaining to the means for enforcing the payment of taxes and deterring money laundering, an amendment to the Prohibition of Money Laundering Law is proposed, which, at its core, is the addition of the offences according to Section 220 of the Income Tax Ordinance as a predicate offence, through giving the Prohibition of Money Laundering Authority the power to pass information to the data bases under its management to the Tax Authority.

Company tax

On 30 July 2013, the Economic Plan for 2013-2014 (The Budget Law) was approved in the Knesset plenum, including *inter alia*, an increase in the company tax rate from 25% to 26.5% with effect from 1 January 2014.

The change in the company tax rate in the Budget Law, mentioned above, and the change in the rate of profit tax, mentioned below, will raise the statutory tax rate which applies to financial institutions from 36.21% in 2013 to 37.71% in 2014 and thereafter.

The change in the company tax rate led to an increase in the net deferred taxes balances receivable at the beginning of the quarter amounting to NIS 103 million in the third quarter. The effect of the change was recorded in the third quarter of 2013.

Value added tax and national insurance

On 28 May 2013, the Minister of Finance signed an order raising the rate of value added tax in respect of a transaction and the import of goods from 17% to 18%, with effect from 2 June 2013.

On 2 June 2013, the Value Added Tax Order (Rate of Tax on Non-Profit Associations and Financial Institutions) (Amendment), 2013 was published, updating the rate of profit tax and salary tax imposed on financial institutions from 17% to 18%. As a result of the said change, the statutory rate of tax applicable to financial institutions increased in 2013 from 35.59% to 36.21%. Furthermore, the rate of salary tax applicable to financial institutions increased from 17% to 18% with respect to the salary payable for work in June 2013 and onwards.

The change in the rate of profit tax has led to an increase in net balances of deferred tax receivables amounting to NIS 30 million in the third quarter of 2013.

The effect of the increase in salary tax on the balance of liabilities to employees as at 30 June 2013 is NIS 53 million before tax and NIS 34 million after tax.

The change in salary tax resulted in an increase of NIS 38 million in current salary expenses and operating expenses in the first nine months of 2013, compared to the first nine months of 2012.

On 13 August 2012, the Deficit Reduction and Change in Tax Burden Law (Legislative Amendments), 2012 (hereinafter "the Law"), was published. Pursuant to the Law, with effect from January 2013, the rate of national insurance contributions collected from employers in respect of the portion of the salary exceeding 60% of the average salary in the economy increased from 5.9% to 6.5%. This rate will increase in January 2014 and January 2015 to 7% and 7.5%, respectively.

Foreign Account Tax Compliance Act (FATCA)

Further to that stated on the subject of FATCA in the Annual Report, in July 2013, the U.S. authorities announced a postponement in implementing the Act until 1 July 2014.

Legislation and regulation in pension consulting

On 22 July 2013 the Supervisor of the Capital Market, Insurance and Saving Division in the Ministry of Finance ("the Supervisor") published an updated version of a circular regarding "the power of attorney to a license-holder" which came into force on 1 September 2013, in light of update proposals that arose during preparations to implement the circular. On 7 October 2013, the Supervisor published a notice according to which the revised "power of attorney to a license-holder" circular would be deferred to 30 November 2013.

As a part of the preparations for working with the central pension clearing system (hereinafter "the system"), on 22 July 2013, the Supervisor published an updated version of a circular regarding "the obligation of using a central pension clearing system", and a circular regarding "the identification of users and management of authorizations for using a central pension clearing system", which regulates the granting of authorities to view data in the system. On 7 October 2013, the Supervisor published a notice, according to which it was decided to defer using the system in order to obtain one-time information to 30 November 2013.

On 6 August 2013, a draft circular was published on the supply of back-office operating services and front-office operating services, which was intended to regulate the supply of services to an institutional body by a banking corporation, with effect from 1 January 2014.

Draft directive of the Bank of Israel regarding remuneration policy

On 19 November 2013, a new Bank of Israel directive was published on the subject of remuneration policy (Regulation 301A) ("the directive"). The object of the directive is to establish principles, intended to ensure that the remuneration arrangements in banking corporations in Israel are consistent with the risk management structure and long-term objects of the banking corporation. According to the directive, adequate remuneration arrangements include appropriate corporate governance principles which banking corporations are obliged to adopt, principles which assist in achieving and maintaining public confidence in the banking system.

According to the directive, every banking corporation must adopt a remuneration policy that will apply to all employees of the banking corporation and will relate to all types of remuneration. The remuneration policy will promote established and effective risk management and will not encourage the taking of risks beyond the banking corporation's risk appetite.

A banking corporation will also have to specify the "principal employees" in the banking corporation, who are the officers in the corporation, and also the employees whose activity is likely to have a significant influence on the banking corporation's risk profile.

The directive contains requirements that will apply to all employees of the banking corporation, requirements that will apply to the "principal employees" in the banking corporation, and requirements that will apply only to officers in the banking corporation.

The remuneration to the principal employees (including the officers) will be adjusted for all the risks and will be taken into account in the cost and amount of capital which is required to support the risks to which the banking corporation is exposed and in the cost and risk of the liquidity. The variable remuneration to the principal employees must be dependent on fulfilling the predetermined criteria, and based on a combination of the employee, the business unit and the entire banking corporation. The payment of the remuneration must be subject to deferral arrangements (more than half of the variable remuneration will be deferred over a number of years) and contingent on financial and other achievement over a period. The draft directive further provides that the fixed remuneration to the principal employees must by a significant part of the total remuneration, with the maximum variable remuneration (including remuneration in respect of the termination of employment which is classified as variable remuneration) not to exceed 100% of the fixed remuneration for each employee, except in exceptional cases, and subject to the requirements of the directive, in which the banking corporation will be entitled to determined that the maximum variable remuneration will reach 200% of the fixed remuneration. The draft of the directive further clarifies that the classification of the remuneration as fixed or variable will not be affected by the means of paying the remuneration (cash shares, etc.), but in order for the remuneration to be classified as "fixed remuneration", it is necessary for its monetary amount to be fixed and not restricted for exercise on its date of grant.

The draft directive provides control, documentation and audit regulations in connection with the remuneration policy, arrangements and mechanisms in the banking corporation, as well as regulations for remuneration of the risk management audit and control functions.

The directive also provides that at least 50% of the total variable remuneration granted in respect of a calendar year to an officer, as defined in the Companies Law, be granted in the form of shares and share-based instruments, the entitlement to which vests over a number of years, in accordance with performance in this period.

In addition, the directive provides that a grant that is contingent only on the completion of a predetermined period of employment, which is intended to guarantee the continuation of employment, is variable remuneration which is not contingent on performance, and therefore, does not form part of the remuneration program of a banking corporation.

The directive further provides that remuneration granted to a principal employee in respect of the termination of employment, beyond that provided in the employment terms of all of the employees of the banking corporation, should be classified as variable remuneration, and therefore, will take into account actual performance over time and the reason for terminating employment and will be subject to arrangements for the deferral of payments according to period.

The transitional provisions of the directive are as follows: (a) by no later than 30 June 2014, a banking corporation must determine a remuneration policy which corresponds to that provided in the directive; (b) the requirements provided in the directive will apply to any individual remuneration agreement of the banking corporation with a principal employee, which must be approved by the banking corporation from the publication date of the directive (19 November 2013) and thereafter; (c) the requirements provided in the directive will apply to individual remuneration agreements as stated above that are approved from 3 June 2013 and thereafter, no later than 30 June 2014; and (d) The requirements provided in the directive will apply to individual remuneration agreements as stated above before 3 June 2013, no later than 31 December 2016.

For information relating to remuneration policy and bonus plan in the Bank, see below on page 130.

Amendment of Proper Conduct of Banking Management No. 451 regarding procedures for granting housing loans

On 1 May 2013, the Banking Supervision Department published an amendment to Proper Conduct of Banking Management No. 451, pursuant to which the information that banks are obliged to furnish to those taking housing loans has been expanded, with regard to their rights should they encounter a situation of arrears in the repayment of the loan. In accordance with the amendment, the banks are obliged to furnish a borrower, who is in arrears in payments, with detailed information regarding his right to apply to a "special committee" which was established by virtue of the Housing Loans Law, 1992, which was intended to alleviate the repayment of loan installments due to the economic situation of the borrower. It was also established that a bank is obliged to furnish the borrower who is in arrears with detailed information regarding the ways of communicating with the relevant factors in the bank. In addition, it is provided that the bank is obliged to take appropriate steps in order to be made aware of any request by the borrower to regulate the debt in arrears, even if this is done via a representative, in order that he will be able to examine the borrower's request in of its own right. It is further provided that the banks should make the borrower aware regarding their obligation to update the license holders operating pursuant to the Credit Data Service Law. The amendment came into force on 1 August 2013.

Restrictions on the grant of housing loans

On 29 August 2013, the Banking Supervision Department published directives on restrictions on the grant of housing loans. The restrictions limit the rate of repayment from income, the portion of the loan that is granted with variable interest and the final period for repaying the loan. The object of the directives is to mitigate the risk, particularly, the interest risk, of the public who take mortgages on terms that are liable to endanger its future ability to repay the mortgage, and, as a consequence, the risk inherent in these loans for the banking system.

The main points of the directives are as follows:

a. A banking corporation may not approve and may not make a housing loan at a monthly rate of repayment exceeding 50% of the income of the borrower. In housing loans, where the rate of repayment out of income exceeds 40%, a risk weight of 100% should be allocated to the loan for calculating the capital adequacy ratio.

b. A banking corporation may approve and make a housing loan only when the following two conditions are fulfilled:

   1. The ratio of the portion of the housing loan at variable interest to the total amount of the loan does not exceed 66.66%

   2. The ratio of the portion of the loan at variable interest loans bearing interest that is liable to change during a period of less than five years to one-third from the date of approving a loan and the total loan does not exceed.33.33%.

c. A banking corporation may not or make approve or grant a housing loan for a final repayment period exceeding 30 years.

A banking corporation may not approve or refinance a housing loan, if, as a result of the refinancing one of the restrictions mentioned above is exceeded, or an exception which existed prior to the refinancing was increased.

These directives will apply to housing loans for which agreement in principle was granted since 1 September 2013.

Proper Conduct of Banking Management No. 421 regarding a decrease or increase in interest rates

On 9 September 2013, the Banking Supervision Department published Proper Conduct of Banking Management No. 421, which deals with the reduction or increase in interest rates. Pursuant to the directive, in loans for an "individual" and a "small business" in which the rate of interest not fixed and is not known throughout the period of the loan, and in loans made in parts, on the dates of changing the interest on the loan, the reduction or increase in the basic interest rate which applied at the date of making the loan will apply. A special mechanism was determined for loans in which the basic interest rate is LIBOR. The directive refers to all types of loans, including housing loans, credit facilities in an account and credit facilities in debit cards.

In addition, it was provided that in deposits of an "individual" or of a "small company" in which the interest rate is not fixed and is not known throughout the whole period, and in renewable deposits, at the date of a change in interest or renewal of the deposit, the reduction or increase in the basic interest rate which applied at the date of making the deposit will apply. The obligation does not apply in the case where the customer withdraws part of the deposit amount during the deposit period or at the date of renewal. This directive will come into force from 1 January 2014.

Bringing forward the date of publication of statements to the public

On 29 September 2013, the Banking Supervision Department published a directive according to which any banking corporation must publish the annual financial statements within two months of the year-end (by the end of February) and not three months, as the regulations currently require. At the same time, the date for reporting the quarterly financial statements is shortened from two months to 45 days from the end of the quarter.

The bringing forward of the publication dates is intended to correspond with generally accepted practice in the United States, *mutatis mutandis*, and in order to improve the availability of the information to financial statements readers.

The change will be implemented gradually, over a number of years, until its full application in 2016.

Accounting Policy on Critical Matters

The financial statements have been prepared in accordance with generally accepted accounting principles and the directives of the Supervisor of Banks and his guidelines relating to the preparation of the annual and quarterly financial statements of a banking corporation, as detailed in Note 1 to the annual financial statements as at 31 December 2012.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and the directives of the Supervisor of Banks require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts of income and expenses.

The actual results relating to these estimates may differ from the estimates and/or the assumptions.

The estimates and assumptions are generally based on economic forecasts, assumptions regarding the various markets and past experience, following due consideration, which management believes to be reasonable at the time of signature of the financial statements.

The principal critical accounting subjects referred to in the Annual Report as at 31 December 2012 were as follows: allowance for credit losses and the classification of problem debts, derivative financial instruments, securities, obligations regarding employee rights, obligations in respect of legal claims, buildings and equipment, taxes on income and deferred taxes.

For further details, see pages 55-62 in the 2012 Financial Report.

Procedure for the Approval of the Financial Statements

The Bank's Board of Directors is the entity ultimately responsible for supervision within the Bank and for the approval of the Bank's financial statements. A majority of the members of the Board of Directors currently in office (12 of the 13 directors) have accounting and financial expertise.

The Financial Statements Review Committee of the Board of Directors ceased its function at the end of 2012. With effect from 2013, discussion on the financial statements and the recommendation to the Board of Directors regarding their approval take place in the Audit Committee of the Board of Directors, pursuant to the provisions of Regulation 301 of the Supervisor of Banks.

Before the financial statements are submitted to the Audit Committee for discussion, the Bank's financial statements are discussed by the Disclosure Committee. The Disclosure Committee is a management committee comprised of all the members of the Bank's Management, the Chief Internal Auditor and additional senior managers of the Bank. The Disclosure Committee checks, *inter alia*, that the information in the financial statements is accurate, complete and presented fairly. (The Disclosure Committee was set up as part of the implementation of the Bank Supervision Department directive, which is based on Section 302 of the Sarbanes-Oxley (SOX) Law. See the chapter, "Controls and Procedures with regard to Disclosure in the Financial Statements" below.

Prior to the discussion of the financial statements by the full Board of Directors, discussions are held by the Audit Committee, with the participation of the President and Chief Executive Officer, the Head of the Economics and Finance Division, the Chief Accounting Officer, the Chief Internal Auditor and others.

The background material sent to the members of the Financial Statements Review Committee for discussion includes the minutes of discussions in the Disclosure Committee and its decisions, the draft Board of Directors' Report, the draft of the financial statements, information regarding the Bank's exposure to legal claims and a description of the new legal claims and background material for discussion on the appropriateness of the classification of problem customers and provisions. In addition, a draft of the corporate governance questionnaire is included in the background material for the discussions on the periodic statements. The members of the Committee also receive details of new disclosure requirements (if any) applicable to the Bank.

As part of the deliberations on the financial statements, the Audit Committee discusses the appropriateness of the provisions and the classifications of the Bank's problem debts, after the Chief Executive Officer has presented to the Committee the extent of the provisions and the classification for problem debts and the changes and the trends in this area, and after other senior managers have presented the extent of the provisions and classifications for which they are responsible and have detailed the main factors of change in these areas. The subject of the legal claims and of the Bank's exposure in this regard is presented by the Bank's Chief Legal Advisor. The Chief Accounting Officer presents to the Committee the main and material matters in the Directors' Report and financial statements, the changes in critical accounting policies, if any, and the main matters discussed by the Disclosure Committee. The Committee also discusses these matters. If necessary, the subject of the impairment of securities is presented by a senior manager from the Capital Markets Division.

The Audit Committee submits its recommendations regarding the financial statements to the Board of Directors. The committee's recommendations relate, *inter alia*, (in accordance with the provisions of the Companies Regulations (Directives and Conditions Regarding the Process for Approving the Financial Statements), 2010) ("**the Companies Regulations**") to assessments and estimates made in connection with the statements; internal controls related to financial reporting, completeness and fairness of disclosure in the statements; the accounting policy adopted and the accounting treatment applied on the Bank's material interests; valuations, including assumptions and estimates on which they are based, which support the data in the financial statements.

Following the discussions of the Audit Committee, there is discussion on the final draft of the financial statements in the full Board of Directors, attended by the President and Chief Executive Officer, the Head of the Economics and Finance Division, the Chief Accounting Officer, the Chief Internal Auditor, and, when the discussion concerns the approval of the annual financial statements, all the other members of the forum of the Bank's Management as well. As background material for the discussion, the Directors receive the draft financial statements together with extensive accompanying background material, including in-depth comprehensive analyses of the Bank's activities in its various areas of business.

In the context of the discussion in the plenum of the Board of Directors, the Bank's President and Chief Executive Officer reviews the results of Leumi Group's operations and the Chief Accounting Officer presents and analyzes the results of the Group's operations in Israel and abroad, including a description of risk exposure and compliance with the limits established with regard to such risks. Thereafter, the full Board of Directors discusses and accordingly approves the financial statements.

All the discussions of the Board of Directors, the Audit Committee and the Disclosure Committee regarding the financial statements are attended by representatives of the Bank's joint auditors, who are available to answer questions and provide clarifications to the participants. The financial statements are approved by the Board of Directors after the joint auditors have presented any material weaknesses that may have arisen during the audit processes they have carried out to the Audit Committee of the Board of Directors in its discussions on the financial statements, and after the Board has been presented with the Certifications of the President and Chief Executive Officer, the Certification of the Head of the Finance and Economics Division and the Certification of the Chief Accounting Officer regarding evaluation of the Bank's disclosure controls and procedures for the financial statements.

The composition of the Audit Committee is as stipulated by the Companies Law Regulations. The committee includes seven directors, including, pursuant to the Companies Law, three external directors, including a chairman of the committee. A further two committee members are external directors as stipulated by the Banking Supervision Department, and all the aforesaid external directors (pursuant to both Companies Law and the Banking Supervision Department Regulations) are independent directors. In addition, all committee members have financial and accounting expertise. The Chairman of the Board of Directors participates as an observer in meetings of the Audit Committee whenever it is discussing topics related to the financial statements.

Disclosure Policy

Pursuant to Bank of Israel directives, the disclosure requirements set forth in the Third Pillar of the Basel II directives oblige the Bank to determine a formal disclosure policy. The policy is to refer to the banking corporation's approach to determining what disclosure is made, including the internal controls on the process.

Leumi has determined its disclosure policy, which has been approved by the Board of Directors.

The disclosure policy is based on the Directives for Reporting to the Public of the Supervisor of Banks and the directives of the Israel Securities Authority, which have been adopted by the Supervisor of Banks.

In accordance with the said disclosure policy, Leumi aims to provide all material information necessary for an understanding of its statements, which will be reported clearly and in detail.

Information given in the Directors' Report is prepared in accordance with directives for Reporting to the Public, particularly with regard to "Temporary Order concerning the Description of the Banking Corporation's Business and Forward-Looking Information in the Directors' Report". In accordance with the directive, the Directors' Report is to include information on the Bank's business, the operating segments in which it operates, the general environment in which it operates and its effect on the Bank, the control structure of the Bank and its organizational structure, legal proceedings, material agreements, and detailed information on other matters.

With regard to information which can be quantified monetarily, quantitative data is given, and with regard to other information, qualitative data is given.

The general principle according to which information is given in the report is the principle of materiality. The Bank's business and its activities are examined according to their scope and nature, and, at the end of the examination, disclosure is made regarding matters of material monetary size in relation to the annual profit of the Bank with regard to profit and loss items, its assets or its capital with regard to balance sheet items. In addition, disclosure is made of matters of public interest or of special sensitivity, such as matters connected with the structure of the Bank, its management, legislation affecting the bank, etc.

For the purposes of complying with this policy, every material subject is brought for discussion to the Disclosure Committee (see above chapter on the Procedure for Approval of the Financial Statements), which decides, in the event of any doubt, whether to make the necessary disclosure. The minutes of the Disclosure Committee are sent for perusal by the members of the Financial Statements Review Committee of the Board of Directors.

See also the chapter, "Controls and Procedures regarding Disclosure in the Financial Statements", below.

C. Description of the Group's Business by Segments and Areas of Activity

Development of income, expenses and tax provision

The net profit attributable to the shareholders of the banking corporation (hereinafter: "the net profit") of Leumi Group for the first nine months of 2013 was NIS 1,599 million, compared with NIS 1,190 million in the corresponding period in 2012, an increase of 34.4%.

The change in the net profit in the first nine months of 2013, as compared with the corresponding period in 2012, is explained as follows:

	For the first nine months ended			
	30 September 2013	30 September 2012	Change *	
	NIS millions		NIS millions	%
Net income interest	**5,547**	5,624	(77)	(1.4)
Expenses in respect of credit losses	**(113)**	(850)	737	86.7
Non-interest income	**4,097**	3,380	717	21.2
Other operating expenses	**(6,679)**	(6,489)	(190)	(2.9)
Profit before taxes	**2,852**	1,665	1,187	71.3
Provision for tax	**(1,092)**	(578)	(514)	(88.9)
Profit after taxes	**1,760**	1,087	673	61.9
The Bank's share in profit (losses) of companies included on equity basis	**(128)**	132	(260)	-
Net profit attributed to non-controlling interests	**(33)**	(29)	(4)	(13.8)
Net profit attributed to shareholders in the banking corporation	**1,599**	1,190	409	34.4

* The asterisks are in accordance with their effect on the net profit.

The net profit of Leumi Group in the third quarter of 2013 amounted to NIS 555 million, compared to NIS 479 million in the corresponding period of 2012, an increase of 15.9%.

The following table is a condensed statement of operating profit and loss after taxes by quarter:

	2013			2012			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Net interest income	**1,946**	1,839	1,762	1,784	1,872	1,924	1,828
Income (expenses) in respect of credit losses	**44**	(84)	(73)	(386)	(292)	(333)	(225)
Non-interest income	**1,382**	1,246	1,469	1,394	1,208	995	1,177
Operating and other expenses	**(2,443)**	(2,179)	(2,057)	(2,611)	(2,294)	(2,200)	(1,995)
Profit before taxes	**929**	822	1,101	181	494	386	785
Provision for taxes	**(345)**	(284)	(463)	(233)	(113)	(159)	(306)
Profit (loss) after taxes	**584**	538	638	(52)	381	227	479
Group's share in profits (losses) of companies included on equity basis	**(17)**	(54)	(57)	(199)	108	63	(39)
Net profit attributable to non-controlling interests	**(12)**	(10)	(11)	(8)	(10)	(10)	(9)
Net profit (loss) attributable to shareholders in the banking corporation	**555**	474	570	(259)	479	280	431

Net interest income of Leumi Group amounted in the first nine months of 2013 to NIS 5,547 million, compared with NIS 5,624 million in the corresponding period in 2012, a decrease of NIS 77 million or 1.4%. The decrease is primarily attributable to the low interest rates in the various markets, which was partly offset by the increase in the balances of income-yielding monetary assets.

In the third quarter, net interest income amounted to NIS 1,946 million compared with NIS 1,872 million in the corresponding period in 2012, an increase of 4.0%.

The ratio of net interest income to the average balance of income-bearing assets is 2.26% (in annual terms) compared to 2.32% in the corresponding period in 2012.

The following table sets out the development of net interest income according to the principal operating segments:

Segment	For the first nine months ended		
	2013	2012	Change
	NIS millions		%
Households	**1,993**	2,121	(6.0)
Small businesses	**702**	687	2.2
Corporate banking	**1,045**	1,141	(8.4)
Commercial banking	**1,029**	1,037	(0.8)
Private banking	**224**	271	(17.3)
Financial management	**544**	356	52.8
Other	**10**	11	(9.1)
Total	**5,547**	5,624	(1.4)

Total interest margin in the first nine months of 2013 was 2.08%, compared with 2.12% in the corresponding period in 2012.

The interest margins in activity in Israel by segment were, as follows:
In the unlinked shekel sector, 2.52%, compared with 2.62% in the corresponding period in 2012. The interest margin in the foreign currency segment was 1.73%, similar to the corresponding period in 2012. In the index sector, the interest margin was 0.31%, compared to 0.19% in the corresponding period in 2012.

Expenses in respect of credit losses in the Leumi Group for the first nine months of 2013 amounted to some NIS 113 million, compared with NIS 850 million in the corresponding period in 2012, a decrease of NIS 737 million, or 86.7%.

Expenses in respect of credit losses in the Leumi Group for the third quarter of 2013 amounted to some NIS 44 million, compared with NIS 292 million in the corresponding period in 2012.

In the first nine months of the year, expenses in respect of credit losses in the Bank decreased, which was partly offset by an increase in respect of credit loss expenses in the Bank's offices in London and the United States.

The following table shows the quarterly data on expenses (income) in respect of credit losses:

	2013				2012					
	Nine months	3rd quarter	2nd quarter	1st quarter	Total 2012	4th quarter	Nine months	3rd quarter	2nd quarter	1st quarter
	NIS millions									
Individual expense (income) in respect of credit losses	**(48)**	**(80)**	39	(7)	923	391	532	211	160	161
Collective expense (income) in respect of credit losses	**161**	**36**	45	80	313	(5)	318	81	173	64
Total expense (income) in respect of credit losses	**113**	**(44)**	84	73	1,236	386	850	292	333	225
Percentage ratios (in annual terms):										
Individual expenses in respect of credit losses to total credit to the public, net	**(0.03)**	**(0.13)**	0.07	(0.01)	0.38	0.65	0.29	0.35	0.27	0.26
Collective expenses in respect of credit losses to total credit to the public, net	**0.09**	**0.06**	0.08	0.13	0.13	(0.01)	0.18	0.13	0.29	0.11
Total expenses in respect of credit losses to total credit to the public, net	**0.06**	**(0.07)**	0.15	0.12	0.51	0.64	0.47	0.48	0.56	0.37
Individual expenses in respect of credit losses to total credit risk to the public	**(0.02)**	**(0.09)**	0.04	(0.01)	0.25	0.43	0.20	0.23	0.17	0.18
Collective expenses in respect of credit losses to total credit risk to the public	**0.06**	**0.04**	0.05	0.09	0.09	(0.01)	0.12	0.09	0.19	0.07
Total expenses in respect of credit losses to total credit risk to the public	**0.04**	**(0.05)**	0.09	0.08	0.34	0.42	0.32	0.32	0.36	0.25

The table below presents data on the balance of credit loss allowance on a collective basis:

	30 September 2013	30 September 2012	31 December 2012
Credit loss allowance on a collective basis (NIS millions)	**2,638**	2,702	2,631
Balance of credit loss allowance on a collective basis to total credit to the public, net (%)	**1.10**	1.12	1.09
Balance of credit loss allowance on a collective basis to total credit risk to the public (%)	**0.71**	0.74	0.72

The following table sets out the breakdown of expenses (income) in respect of credit losses according to principal operating segments:

	First nine months of 2013		First nine months of 2012	
	NIS millions	% *	NIS millions	%*
Households	**140**	**0.2**	39	0.1
Private banking	**3**	**0.1**	-	-
Small businesses	**77**	**0.4**	49	0.3
Corporate banking	**(212)**	**(0.4)**	675	1.3
Commercial banking	**152**	**0.4**	86	0.2
Financial management and other	**(47)**	**(10.4)**	1	0.2
Total	**113**	**0.06**	850	0.47

* Percentage of total credit at the end of the period on an annual basis.

The following table sets out the breakdown of expenses (income) in respect of credit losses* by main sector of the economy:

	First nine months of 2013	First nine months of 2012
	NIS millions	
Industry	**5**	142
Construction and real estate	**43**	(62)
Trade	**1**	165
Hotel, food and entertainment services	**(9)**	(76)
Transportation and storage	**(14)**	39
Communications and computer services	**5**	(30)
Financial services	**(113)**	575
Other business services	**62**	23
Private individuals - housing loans	**47**	(9)
Private individuals – other	**89**	50
Others	**(7)**	28
Total public	**109**	845
Total banks	**4**	1
Total	**113**	846

* Including credit losses in respect of credit and guarantees (not including credit losses in respect of derivatives and debentures).

The following is the breakdown of expenses (income) in respect of credit losses in the Group (the Bank and consolidated companies) carried to the statement of profit and loss:

	First nine months of		
	2013	2012	Change
	NIS millions		%
The Bank	**(94)**	**780**	-
Arab Israeli Bank	**6**	**7**	(14.3)
Leumi Mortgage Bank *	**-**	**(8)**	-
Leumi Card	**6**	**16**	(62.5)
Bank Leumi – U.S.A.	**37**	**25**	48.0
Bank Leumi – U.K.	**164**	**26**	+
Leumi Private Bank - Switzerland	**-**	**4**	-
Bank Leumi – Romania	**(6)**	**(3)**	-
Leumi Leasing and Investments	**-**	**3**	-
Total expenses in respect of credit losses	**113**	**850**	(86.7)

* Activity merged with that of the Bank on 31 December 2012.

Problematic credit risk

On a consolidated basis	**30 September 2013**		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (1)			
Impaired credit risk	**5,907**	**322**	**6,229**
Subordinate credit risk	**1,844**	**54**	**1,898**
Credit risk under special supervision (2)	**2,743**	**872**	**3,615**
Total problem credit	**10,494**	**1,248**	**11,742**
Of which: Unimpaired debts in arrears 90 days or more (2)	**1,299**	**-**	**-**
2. Non-performing assets:			
Impaired debts	**5,636**	**-**	**-**
Assets received in respect of credit cleared	**101**	**-**	**-**
Total non-performing assets	**5,737**	**-**	**-**

(1) Credit risk impaired, subordinate or under special supervision.
(2) Including in respect of housing loans for which an allowance has been made according to the extent of arrears and in respect of housing loans for which no allowance has been made according to the extent of arrears which are in arrears of 90 days or more.

On a consolidated basis	30 September 2012		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (1)			
Impaired credit risk	7,193	416	7,609
Subordinate credit risk	2,555	180	2,735
Credit risk under special supervision (2)	3,127	675	3,802
Total problem credit	12,875	1,271	14,1486
Of which: Unimpaired debts in arrears 90 days or more (2)	1,457	-	-
2. Non-performing assets:			
Impaired debts	7,142	-	-
Assets received in respect of credit cleared	64	-	-
Total non-performing assets	7,206	-	-

On a consolidated basis	31 December 2012		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (1)			
Impaired credit risk	7,458	515	7,973
Subordinate credit risk	2,050	109	2,159
Credit risk under special supervision (2)	2,779	664	3,443
Total problem credit	12,287	1,288	13,575
Of which: Unimpaired debts, in arrears of 90 days or more (2)	1,293	-	-
2. Noninterest-performing assets:			
Impaired debts	7,171	-	-
Assets received in respect of credit cleared	65	-	-
Total noninterest-performing assets	7,236	-	-

Note: Balance sheet and off-balance sheet credit risk is presented before the effect of the allowances for credit losses and before the effect of deductible collateral for the purpose of a borrower and a group of borrowers.

(1) Credit risk impaired, subordinate or under special supervision.
(2) Including in respect of housing loans for which an allowance has been made according to the extent of arrears and in respect of housing loans for which no allowance has been made according to the extent of arrears which are in arrears of 90 days or more.

Below are details of the credit risk metrics:

	30 September 2013	30 September 2012	31 December 2012
	%		
Balance of impaired credit to the public not accruing interest income as a percentage of the balance of credit to the public	**2.3**	2.8	2.9
Balance of credit to the public which is not impaired in arrears of 90 days or more as a percentage of the balance of credit to the public	**0.5**	0.6	0.5
Balance of the allowance for credit losses in respect of credit to the public as a percentage of the balance of credit to the public	**1.6**	1.6	1.6
Balance of the allowance for credit losses in respect of credit to the public as a percentage of the balance of impaired credit to the public not accruing interest income	**68.2**	56.6	57.4
Problem commercial credit risk in respect of the public as a percentage of total credit risk in respect of the public	**2.8**	3.5	3.4
Expenses in respect of credit losses as a percentage of the average balance of credit to the public (in annual terms)	**0.1**	0.5	0.5
Net write-offs in respect of credit to the public as a percentage of the average balance of credit to the public (in annual terms)	**0.2**	0.5	0.5
Net write-offs in respect of credit to the public as a percentage of the balance of the allowance for credit losses in respect of credit to the public (in annual terms)	**14.3**	33.1	27.8

Noninterest income of Leumi Group amounted to NIS 4,097 million in the first nine months of 2013, compared with NIS 3,380 million in the corresponding period in 2012, an increase of NIS 717 million or 21.2%.

In the third quarter of 2013, noninterest income amounted to NIS 1,382 million compared with NIS 1,208 million in the corresponding period in 2012, an increase of 14.4%. The increase in noninterest income is primarily attributable to the sale of the shares of Migdal as explained below.

Noninterest income includes:

	For the nine months ended			
	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Non-interest financial income	**889**	239	650	+
Commissions	**3,104**	3,092	12	0.4
Other income	**104**	49	55	+
Total	**4,097**	3,380	717	21.2

Development in noninterest income by quarter are as follows:

	2013			2012			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Non-interest financial income	**266**	212	411	205	119	(25)	145
Commissions	**1,050**	1,029	1,025	1,107	1,050	1,022	1,020
Other income	**66**	5	33	82	39	(2)	12
Total	**1,382**	1,246	1,469	1,394	1,208	995	1,177

Details of non-interest financial income are as follows:

	For the nine months ended			
	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Net income (expenses) in respect of derivative instruments and net exchange rate differences	**131**	(152)	283	+
Profits from sale of available-for-sale debentures, net	**157**	263	(106)	(40.3)
Profits (losses) from investments in shares including dividends *	**560**	(23)	583	+
Net profits in respect of loans sold	**93**	-	93	+
Realized and unrealized profits (losses) from adjustments of tradable debentures and shares to fair value, net	**(52)**	151	(203)	-
Total	**889**	239	650	+

* Including profit on the sale of shares of Migdal and Caesarstone amounting to NIS 343 million and NIS 86 million (respectively), before the effect of tax, in the first nine months of 2013, and the recording of an impairment of a nature other than temporary in respect of the investment in the shares of Partner Communication Ltd. amounting to NIS 160 million, net, in the first nine months of 2012.

The following table shows the development of the main items in noninterest financial income by quarter:

	2013			2012			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Income (expenses), net, in respect of derivative instruments and net exchange rate differences	**14**	55	62	76	(98)	(157)	103
Profits from the sale of available-for-sale of debentures, net	**34**	24	99	28	137	68	58
Profits (losses) from investments in shares, including dividends *	**206**	115	239	13	25	(34)	(14)
Profits in respect of loans sold	**16**	34	43	-	-	-	-
Realized and unrealized gains (losses) from adjustments of tradable debentures and shares to fair value, net	**(4)**	(16)	(32)	88	55	98	(2)
Total	**266**	212	411	205	119	(25)	145

* Including profit from the sale of shares of Migdal amounting to NIS 163 million before the effect of tax in the third quarter of 2013, profit on the sale of shares of Caesarstone amounting to NIS 86 million, before the effect of tax, in the second quarter of 2013, profit from the sale of shares of Migdal in amounting to NIS 180 million, in the first quarter of 2013, the recording of an impairment of a nature other than temporary in respect of the investment in the shares of Partner Communication Ltd. amounting to NIS 101 million net in the second quarter of 2012 and NIS 59 million in the first quarter of 2012.

Details of commissions are as follows:

	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Account management	**614**	644	(30)	(4.7)
Activity in securities and derivative instruments	**601**	610	(9)	(1.5)
Credit cards	**677**	651	26	4.0
Dealing with credit	**239**	247	(8)	(3.2)
Commissions for distribution of financial products	**185**	168	17	10.1
Conversion differences	**214**	224	(10)	(4.5)
Commissions from financing transactions	**340**	309	31	10.0
Other commissions	**234**	239	(5)	(2.1)
Total commissions	**3,104**	3,092	12	0.4

Income from commissions covers 46.5% of the operating and other expenses compared to coverage of 47.6% in the corresponding period last year and 46.1% for the whole of 2012.

The development of non-interest income by main activity segment is as follows:

Segment	For the first nine months ended		
	30 September 2013	30 September 2012	Change
	NIS millions		%
Households	**1,340**	1,384	(3.2)
Small businesses	**399**	375	6.4
Corporate banking	**482**	451	6.9
Commercial banking	**423**	421	0.5
Private banking	**435**	442	(1.6)
Financial management	**989**	337	+
Other	**29**	(30)	+
Total commissions	**4,097**	3,380	21.2

The proportion of non-interest income from all income (i.e., net interest income and noninterest income) was 42.5%, compared with 37.5% in the corresponding period last year and compared with 39.2% for the whole of 2012.

Total operating and other expenses of Leumi Group in the first nine months of 2013 amounted to NIS 6,679 million, compared with NIS 6,489 million in the corresponding period last year, an increase of NIS 190 million (2.9%).

Total operating and other expenses of Leumi Group in the third quarter of 2013 amounted to NIS 2,443 million, compared with NIS 2,294 million in the corresponding period last year, an increase of NIS 149 million (6.5%).

The increase in operating and other expenses is due to the recording of expenses incurred or that may be incurred by the Group resulting from the investigations being carried out by the U.S. authorities regarding U.S. customers, and the amortization of non-attributable goodwill in Leumi Private Bank. In light of regulatory changes in the area of international private banking worldwide, and in Switzerland in particular, which increase the cost of service, and in view of the possible implications of these changes also for Leumi Private Bank (formerly Bank Leumi Switzerland), the Bank carried out a reduction in the amount of NIS 79 million in the goodwill attributed to the acquisition of Bank Safdié.

Operating and other expenses include:

	For the nine months ended			
	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Salaries and related expenses	**3,835**	3,976	(141)	(3.5)
Maintenance and depreciation of buildings and equipment	**1,381**	1,325	56	4.2
Other expenses (including amortization of intangible assets)	**1,463**	1,188	275	23.1
Total operating and other expenses	**6,679**	6,489	190	2.9

The table below sets forth the quarterly development in salary expenses:

	2013			2012				
	3rd quarter	2nd quarter	1st quarter	Total for year	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions							
Salary expenses, excluding special salary expenses	**1,425**	1,179	1,301	4,703	1,163	1,198	1,169	1,173
Actuarial changes and changes in salary tax	**-**	53	-	200	17	144	25	14
Supplement to provisions for severance pay and pension after offsetting fund profits	**(87)**	(17)	(19)	64	11	(58)	112	(1)
Early retirement	**-**	-	-	323	123	150	50	-
Total salary expenses	**1,338**	1,215	1,282	5,290	1,314	1,434	1,356	1,186

Operating and other expenses (building and equipment maintenance, depreciation and amortization) amounted to NIS 2,844 million in the first nine months of 2013, increase of 13.2% over the corresponding period in 2012.

The following table shows the quarterly development of operating and other expenses and maintenance of buildings and equipment *:

	2013			2012			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Depreciation	**179**	225	185	226	184	188	177
Maintenance of buildings and equipment	**264**	264	264	268	268	258	250
Other expenses and amortization of intangible assets	**662**	475	326	803	408	398	382
Total operating and other expenses	**1,105**	964	775	1,297	860	844	809

* Excluding salary

Operating expenses constitute 69.3% of total income, compared with 72.1% in the corresponding period in 2012 and compared with 74.7% for the whole of 2012. The decrease is primarily attributable to an increase in income compared with a more moderate increase in operating expenses.

Total operating and other expenses (in annual terms) constitute 2.44% of the total balance sheet, compared with 2.35% in the corresponding period in 2012, and compared with 2.42% for the whole of 2012.

Profit before taxes of Leumi Group for the first nine months of 2013 amounted to NIS 2,852 million, compared with NIS 1,665 million in the corresponding period in 2012, an increase of 71.3%.
Profit before tax in the third quarter of 2013 amounted to NIS 929 million, compared with NIS 494 million in the corresponding period in 2012, an increase of 88.1%.

The provision for tax on income of Leumi Group in the first nine months of 2013 amounted to NIS 1,092 million, compared with NIS 578 million in the corresponding period in 2012. The rate of the provision in the first nine months of 2013 was some 38.3% of the pre-tax profit, compared with 34.7% in the corresponding period in 2012, an increase of some 3.6 percentage points. The increase in the tax rate in the Group compared corresponding period in 2012 is primarily attributable to negative exchange rate differences compared with positive exchange rate differences in the corresponding period in 2012.

Profit after taxes for the first nine months of 2013 amounted to NIS 1,760 million, compared with NIS 1,087 million in the corresponding period in 2012, an increase of 61.9%. In the third quarter of 2013, profit after tax amounted NIS 584 million, compared with NIS 381 million in the corresponding period in 2012, an increase of 53.3%.

The Group's share in profit after taxes of associate companies amounted to a loss of NIS 128 million in the first nine months of 2013, compared with a profit of NIS 132 million in the corresponding period in 2012, primarily attributable to the effect of the results of the Israel Corporation. For details, see the section, "Financial Management – Capital Markets" in the chapter, " Operating Segments in the Group" below.

Net profit before attribution to holders of non-controlling interests in the third quarter of 2013 amounted to a profit of NIS 1,632 million, compared with a profit of NIS 1,219 million in the corresponding period in 2012, an increase of 33.9%. In the third quarter of 2013, profit before attribution to non-controlling interests amounted to NIS 567 million, compared to NIS 489 million in the corresponding period in 2012, an increase of 16.0%.

Net profit attributable to holders of non-controlling interests in the first nine months of 2013 amounted to NIS 33 million, compared to a profit of NIS 29 million in the corresponding period in 2012.

Net profit attributable to shareholders in the banking corporation in the first nine months of 2013 amounted to NIS 1,599 million, compared to a profit of NIS 1,190 million in the corresponding period in 2012, an increase of 34.4%.

Net profit attributable to the shareholders in the banking corporation for the third quarter of 2013 amounted to NIS 555 million, compared with NIS 479 million in the corresponding period in 2012, an increase of 15.9%.

Return on capital – Average for the period to shareholders of the banking corporation in annual terms:

	2013				2012				
	First nine months	3rd quarter	2nd quarter	1st quarter	4th quarter	First nine months	3rd quarter	2nd quarter	1st quarter
	%								
Return on capital	**8.5**	**8.9**	7.6	9.4	(4.0)	6.6	8.0	4.7	7.5

Basic net profit per share attributable to the shareholders of the banking corporation was NIS 1.09 for the first nine months of 2013, compared with NIS 0.81 for the corresponding period in 2012.

The following table is the condensed statement of comprehensive income:

	For the three months ended			
	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Net profit attributable to shareholders in the banking corporation	**555**	479	76	15.9
Other comprehensive income (loss) before tax	**(88)**	361	(449)	-
Effect of tax attributable to other comprehensive income	**31**	(81)	112	+
Other comprehensive (income) loss attributable to noncontrolling interests	**(1)**	(1)	-	-
Total profit attributable shareholders in the banking corporation	**497**	758	(261)	(34.4)

	For the nine months ended			
	30 September 2013	30 September 2012	Change	
	NIS millions		NIS millions	%
Net profit attributable to shareholders in the banking corporation *	**1,599**	1,190	409	34.4
Other comprehensive income (loss) before tax *	**(616)**	657	(1,273)	-
Effect of tax attributable to other comprehensive income	**146**	(168)	314	+
Other comprehensive income (loss)attributable to noncontrolling interests	**3**	(2)	5	+
Total profit attributable shareholders in the banking corporation	**1,132**	1,677	(545)	(32.5)

* The loss in the item, other comprehensive income, in the first nine months of 2013 is primarily attributable to the sale of shares from the available-for-sale portfolio whose related profits are classified to net profit. For further details, see note 12.

Structure and Development of Assets and Liabilities [(1)]

Total assets of Leumi Group as at 30 September 2013 amounted to NIS 365.4 billion, compared with NIS 376.2 billion at the end of 2012, a decrease of 2.9%, and compared with 30 September 2012, a decrease of 1.1%.

The value of the assets in the balance sheet denominated in and linked to foreign currency was some NIS 80.1 billion, some 21.9% of total assets. During the first nine months of 2013, the shekel appreciated against the U.S. dollar by 5.3%, and against the euro, by 3.0%. The changes in exchange rates in the first nine months of the year led to a decrease of 1.1% in total assets.

Total assets under Group management – the total of the balance sheet as well as customers' securities portfolios, and provident funds and supplementary training funds in respect of which operating management, custody services and pension counseling are provided - amount to some NIS 1,039 billion, compared with NIS 989 billion at the end of 2012 (some US$ 294 billion and US$ 265 billion, respectively), as detailed below.

The following table sets out the development of the main balance sheet items:

	30 September 2013	31 December 2012	Since December 2012	Since September 2012
	NIS millions		Change %	
Total assets	**365,422**	376,160	(2.9)	(1.1)
Cash and deposits with banks	**40,202**	54,621	(26.4)	(16.8)
Securities	**60,984**	56,408	8.1	8.5
Credit to the public, net	**240,892**	241,264	(0.2)	(0.2)
Buildings and equipment	**3,647**	3,705	(1.6)	(2.8)
Deposits of the public	**279,839**	289,538	(3.3)	(1.9)
Deposits from banks	**3,805**	4,073	(6.6)	32.9
Debentures, notes and subordinated notes	**25,596**	27,525	(7.0)	(9.2)

Deposits of the public amounted to NIS 279.8 billion as at 30 September 2013, compared with NIS 289.5 billion as at 31 December 2012, a decrease of 3.3%, and compared with 30 September 2012, a decrease of 1.9%.

The appreciation of the shekel in relation to most foreign currencies in the first nine months of the year contributed to a decrease of 1.8% in total deposits of the public.

The following table sets out the development of deposits of the public by principal operating segment:

Segment	**30 September 2013**	31 December 2012	Change
	NIS millions		%
Households	**120,059**	128,194	(6.3)
Small businesses	**21,928**	19,666	11.5
Corporate banking	**22,088**	26,281	(16.0)
Commercial banking	**49,036**	50,108	(2.1)
Private banking	**35,698**	38,338	(6.9)
Financial management and other	**31,030**	26,951	15.1
Total	**279,839**	289,538	(3.3)

(1) The changes in percentages were calculated according to the balances in NIS millions.

Debentures, capital notes and subordinated capital notes totaled NIS 25.6 billion on 30 September 2013, compared with NIS 27.5 billion as at 31 December 2012, a decrease of 7.0%, and compared with 30 September 2012, a decrease of 9.2%. In the first nine months of 2013, NIS 2,530 million of debentures were repaid.

Off-balance sheet activity

The following table sets out the development of balances of the customers' (off-balance sheet) financial assets[(1)] managed by Leumi Group:

	30 September 2013	31 December 2012	Change	
	NIS millions		NIS millions	%
Securities portfolios	**572,915**	527,582	45,333	8.6
Of which: managed by mutual funds[(2) (3)]	**75,337**	60,482	14,855	24.6
Provident and pension funds[(2) (3)]	**61,815**	53,372	8,443	15.8
Supplementary training funds[(2) (3)]	**38,441**	32,247	6,194	19.2
Total	**673,171**	613,201	59,970	9.8

(1) Including a change in the market value of securities and in the value of securities of mutual and provident funds held in custody, for which operating management and custody services are provided.
(2) The Group in Israel does not manage any mutual funds, provident funds or supplementary training funds.
(3) Assets of customers in respect of which the Group provides operating management services, including the fund balances of customers who are counseled by Leumi.

Net credit to the public totaled NIS 240.9 billion as at 30 September 2013, compared with NIS 241.3 billion at 31 December 2012, a decrease of 0.2%, similar to the decrease from 30 September 2012.

The appreciation of the shekel in relation to most foreign currencies in the first nine months of 2013 contributed in total to a decrease of 0.9% in total credit to the public.

In addition to credit to the public, the Group invests in corporate debentures which, as at 30 September 2013, amounted to NIS 13,440 million, compared with NIS 11,171 million as at 31 December 2012, an increase of 20.3%.

The following table sets out the development of the overall credit risk[(1)] to the public by principal sectors of the economy:

Economy Sectors	**30 September 2013** Overall credit risk to the public	Percentage of total	31 December 2012 Overall credit risk to the public	Percentage of total	Rate of change
	NIS millions	%	NIS millions	%	%
Agriculture	**2,135**	**0.6**	2,095	0.6	1.9
Industry	**39,016**	**10.5**	43,923	12.0	(11.2)
Construction and real estate (2)	**78,449**	**21.2**	79,815	21.8	(1.7)
Electricity and water	**5,078**	**1.4**	3,680	1.0	38.0
Trade	**31,113**	**8.4**	32,125	8.8	(3.2)
Hotels, accommodation and food	**4,688**	**1.2**	5,284	1.4	(11.3)
Transportation and storage	**6,117**	**1.7**	6,375	1.7	(4.0)
Communications and computer services	**6,247**	**1.7**	6,400	1.7	(2.4)
Financial services	**44,023**	**11.9**	42,246	11.5	4.2
Other business services	**11,454**	**3.1**	11,127	3.0	2.9
Public and community services	**9,288**	**2.5**	9,038	2.5	2.8
Private individuals - housing loans	**70,401**	**19.0**	65,439	17.9	7.6
Private persons – other	**61,998**	**16.8**	59,100	16.1	4.9
Total	**370,007**	**100.0**	366,647	100.0	0.9

(1) Before an allowance for credit losses and including off-balance sheet credit risk, investments in debentures of the public and other assets in respect of derivative instruments.

(2) Including housing loans extended to purchasing groups that are in the process of construction amounting to NIS 1,081 million and off-balance sheet credit risk amounting to NIS 2,226 million, compared to NIS 1,067 million and NIS 2,164 million, respectively, as at 31 December 2012.

The following table shows the quarterly development of credit to the public by main activity sector:

	2013 3rd quarter	2nd quarter	1st quarter	2012 4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Households	**98,272**	95,289	92,469	90,492	89,084	86,128	84,039
Of which: housing loans	**67,221**	65,239	63,214	61,998	60,888	58,699	56,811
Small businesses	**23,131**	22,593	22,116	21,733	21,014	20,819	20,207
Corporate banking	**62,940**	63,704	66,961	70,252	70,895	74,815	77,660
Commercial banking	**49,112**	49,627	48,636	49,908	51,088	49,834	49,257
Private banking	**6,840**	6,720	7,361	8,170	8,508	8,658	8,451
Financial management and others	**597**	550	1,071	709	875	1,173	886
Total	**240,892**	238,483	238,614	241,264	241,464	241,427	240,500

Additional data on total credit is set forth below.

The following table sets out the breakdown of total credit to the public* and off-balance sheet credit risk according to the size of the credit to a single borrower:

Credit ceiling in NIS thousands		**30 September 2013** Percentage of total number of borrowers	Percentage of total balance sheet credit	Percentage of total off-balance sheet credit
From	To	%		
0	80	**83.2**	**6.6**	**20.0**
80	600	**14.0**	**19.8**	**11.0**
600	1,200	**1.8**	**12.2**	**2.3**
1,200	2,000	**0.5**	**5.6**	**2.0**
2,000	8,000	**0.4**	**9.2**	**5.1**
8,000	20,000	**0.1**	**7.2**	**5.1**
20,000	40,000	**0.036**	**6.5**	**6.1**
40,000	200,000	**0.03**	**14.5**	**16.9**
200,000	800,000	**0.01**	**10.6**	**21.6**
Above 800,000		**0.001**	**7.8**	**9.9**
Total		**100.0**	**100.0**	**100.0**

Credit ceiling in NIS thousands		31 December 2012 Percentage of total number of borrowers	Percentage of total balance sheet credit	Percentage of total off-balance sheet credit
From	To	%		
0	80	83.5	6.3	19.4
80	600	13.8	18.5	10.9
600	1,200	1.7	10.7	2.8
1,200	2,000	0.5	5.1	1.9
2,000	8,000	0.4	8.9	5.3
8,000	20,000	0.1	7.2	4.9
20,000	40,000	0.041	7.1	6.4
40,000	200,000	0.034	15.8	18.1
200,000	800,000	0.01 **	12.5	22.3
Above 800,000		0.001***	7.9	8.0
Total		100.0	100.0	100.0

* Before deduction of allowances for credit losses.

** On 30 September 2013 - 146 borrowers and on 31 December 2012 - 156 borrowers.

*** On 30 September 2013 - 19 borrowers and on 31 December 2012 - 19 borrowers.

The following are details of the balances of credit to the public and the off-balance sheet credit risk which exceed NIS 800 million per single borrower, based on a more detailed breakdown of credit areas and economic sectors:

1. Credit risk according to size of credit to the borrower:

		30 September 2013					
		Number of borrowers		Balance sheet credit		Off-balance sheet credit risk	
Credit ceiling in NIS millions		Total	Of which: Related parties	Total	Of which: Related parties	Total	Of which: Related parties
From	To			In NIS millions			
800	1,200	**9**	**-**	**5,178**	**-**	**3,627**	**-**
1,200	1,600	**2**	**-**	**2,144**	**-**	**679**	**-**
1,600	2,000	**3**	**1**	**2,936**	**1,794**	**2,314**	**-**
2,000	2,400	**3**	**-**	**3,360**	**-**	**3,313**	**-**
2,800	3,200	**1**	**-**	**2,824**	**-**	**51**	**-**
3,200	3,253	**1**	**-**	**2,874**	**-**	**696**	**-**
Total		**19**	**1**	**19,316**	**1,794**	**10,680**	**-**

All the related parties are corporations in which the Bank holds up to 20% and/or are holders of the means of control in the Bank. The credit specified in the above table does not include any debts for which allowances were made for credit losses.

		31 December 2012					
		Number of borrowers		Balance sheet credit		Off-balance sheet credit risk	
Credit ceiling in NIS millions		Total	Of which: Related parties	Total	Of which: Related parties	Total	Of which: Related parties
From	To			In NIS millions			
800	1,200	9	-	4,464	-	4,222	-
1,200	1,600	5	-	5,723	-	1,052	-
2,000	2,400	3	1	4,312	2,016	2,122	-
2,800	3,200	1	-	2,878	-	62	-
3,200	3,301	1	-	2,175	-	1,126	-
Total		19	1	19,552	2,016	8,584	-

2. Credit risk according to industry sectors:

	30 September 2013		
	Number of borrowers	Balance sheet credit	Off-balance sheet credit risk
		In NIS millions	
Industry	**4**	**2,294**	**4,087**
Construction and real estate	**6**	**4,773**	**2,470**
Public and community services	**1**	**754**	**200**
Communications and computer services	**1**	**2,824**	**51**
Financial services	**5**	**4,681**	**2,492**
Electricity and water	**1**	**2,874**	**696**
Trade	**1**	**1,116**	**684**
Total	**19**	**19,316**	**10,680**

	31 December 2012		
	Number of borrowers	Balance sheet credit	Off-balance sheet credit risk
		In NIS millions	
Industry	4	2,298	4,195
Construction and real estate	5	3,699	1,470
Public and community services	1	778	235
Communications and computer services	1	2,878	62
Financial services	6	6,515	1,279
Electricity and water	1	2,175	1,126
Trade	1	1,209	217
Total	19	19,552	8,584

3. Restrictions on indebtedness of borrower and group of borrowers:

a. Credit to groups of borrowers whose indebtedness exceeds 15% of the Bank's capital (for capital adequacy purposes):

As at 30 September 2013, the Bank has no credit to a group of borrowers whose indebtedness exceeds 15% of the Bank's capital.

b. Total debt of groups of borrowers whose debts exceed 10% of the Bank's capital

Total debts of large borrowers, groups of borrowers and banking groups of borrowers whose debts exceed 10% of the Bank's capital constituted only 14.5% of the Bank's capital at 30 September 2013, compared with the Bank of Israel limit of 120% of capital for capital adequacy purposes.

Problem debts

The risk of problem credit after individual and collective allowances is as follows:

	30 September 2013			31 December 2012		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
	In NIS millions					
Impaired debts	**4,377**	**209**	**4,586**	5,620	393	6,013
Substandard debts	**1,463**	**51**	**1,514**	1,647	102	1,749
Special mention debts	**2,514**	**833**	**3,347**	2,543	626	3,169
Total	**8,354**	**1,093**	**9,447**	9,810	1,121	10,931

Problem credit risk:

	30 September 2013	31 December 2012
	Problem credit risk	Problem credit risk
	In NIS millions	
Commercial problem credit risk	**10,470**	12,264
Retail problem credit risk	**1,272**	1,311
Total	**11,742**	13,575
Allowance for credit losses	**2,295**	2,644
Problem credit after allowance for credit losses	**9,447**	10,931

Credit to Governments amounted to NIS 533 million as at 30 September 2013, compared with NIS 442 million on 31 December 2012, an increase of 20.6%, and an increase of 27.5% compared with 30 September 2012.

Securities

The Group's investments in securities amounted to NIS 61.0 billion on 30 September 2013, compared with NIS 56.4 billion, an increase of 8.1%, compared with 31 December 2012, and an increase of 8.5% compared with 30 September 2012.

The Group's securities are classified into two categories: tradable securities and available-for-sale securities.

Tradable securities are presented in the balance sheet at fair value and the difference between fair value and adjusted cost is charged to the statement of profit and loss. Available-for-sale securities are presented at fair value, where the difference between fair value and adjusted cost is presented as a separate item in equity in other comprehensive income, called "adjustments for presentation of available-for-sale securities at fair value", less the related tax, but whenever the decrease in value is of a non-temporary nature, the difference is charged to the statement of profit and loss.

The following table sets out the classification of the securities item in the consolidated balance sheet in accordance with the rules set forth above:

	30 September 2013				
	Adjusted cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value	Balance sheet value
	NIS millions				
Debentures					
Available-for-sale	**46,601**	**417**	**(212)**	**46,806**	**46,806**
For trading	**10,897**	*** 106**	*** (34)**	**10,969**	**10,969**
	57,498	**523**	**(246)**	**57,775**	**57,775**
Shares and funds					
Available-for-sale	**2,705**	**152**	**(86)**	**2,771**	**2,771**
For trading	**407**	*** 32**	*** (1)**	**438**	**438**
	3,112	**184**	**(87)**	**3,209**	**3,209**
Total securities	**60,610**	**707**	**(333)**	**60,984**	**60,984**

* Carried to profit and loss

	31 December 2012				
	Adjusted cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value	Balance sheet value
	NIS millions				
Debentures					
Available-for-sale	42,260	576	(109)	42,727	42,727
For trading	11,092	* 236	* (13)	11,315	11,315
	53,352	812	(122)	54,042	54,042
Shares and funds					
Available-for-sale	1,726	453	(12)	2,167	2,167
For trading	189	* 11	* (1)	199	199
	1,915	464	(13)	2,366	2,366
Total securities	55,267	1,276	(135)	56,408	56,408

* Carried to profit and loss

As at 30 September 2013, some 81.3% of the Group's *nostro* portfolio was classified as available-for-sale securities and some 18.7% was classified as the trading portfolio. This classification allows for flexibility in the management of the securities portfolio. Some 5.3% of the value of the securities represents investments in shares and funds of companies that are not presented on equity basis, but according to cost, or to the market value of the shares traded on the stock exchange.

The following table sets out details of the Group's activity in debentures:

	For the period ended	
	30 September 2013	30 September 2012
	NIS millions	
Debentures redeemed and/or sold (available-for-sale)	**40,840**	32,451
Purchases of available-for-sale debentures	**45,135**	37,760
Net profit from investments in debentures:		
Interest income	**785**	1,024
Net profit from sale and from impairment of available-for-sale debentures	**157**	263
Realized and/or unrealized gain from adjustments to fair value of debentures for trading	**(94)**	148

The following table sets out details of the composition of investments in debentures according to type of linkage:

	30 September 2013			31 December 2012		
	Government of Israel	Foreign governments	Other companies	Government of Israel	Foreign governments	Other companies
	NIS millions					
Israeli currency:						
Unlinked	**30,577**	**-**	**371**	26,319	-	860
Linked to CPI	**3,093**	**-**	**1,410**	3,441	-	1,320
Foreign currency including foreign currency-linked	**1,790**	**4,232**	**16,302**	2,218	6,765	13,119
Total debentures	**35,460**	**4,232**	*** 18,083**	31,978	6,765	* 15,299

* Of which, subordinated notes of NIS 1,077 million as at 30 September 2013 and NIS 1,272 million as at 31 December 2012.

The debenture portfolio is mostly invested in debentures of the Government of Israel and the United States government.

The following table sets out the value of securities by method of calculation in NIS millions:

	30 September 2013	31 December 2012
Securities traded on an active market	**41,406**	40,458
Securities based on prices determined by external models	**16,245**	13,102
Securities based on quotation from counterparty or at cost	**3,333**	2,848
Total	**60,984**	56,408

Below is a table of details of investments in corporate debentures only (excluding banks) issued in Israel and abroad, by sector of the economy (available-for-sale and trading portfolio):

	30 September 2013		31 December 2012	
	Issued in Israel	Issued abroad	Issued in Israel	Issued abroad
Sector of economy	NIS million			
Agriculture	**-**	**14**	-	15
Industry	**96**	**844**	179	801
Construction and real estate	**53**	**172**	53	244
Electricity and water	**670**	**235**	867	206
Trade	**249**	**-**	312	50
Transportation and storage	**10**	**145**	24	11
Communications and computer services	**54**	**251**	53	205
Financial services	**470**	**9,779**	474	7,343
Business and other services	**82**	**185**	95	101
Public and community services	**30**	**101**	24	114
Total	**1,714**	**11,726**	2,081	9,090

Available-for-sale portfolio

The following table shows the composition of the available-for-sale portfolio:

	30 September 2013		31 December 2012		Change	
	Abroad	In Israel	Abroad	In Israel	Abroad	In Israel
	NIS millions					
Debentures	**20,462**	**26,344**	20,400	22,327	62	4,017
Shares and funds	**1,686**	**1,085**	594	1,573	1,092	(488)
Total	**22,148**	**27,429**	20,994	23,900	1,154	3,529

a. In the first nine months of 2013, there was negative movement in other comprehensive income in respect of available-for-sale securities amounting to NIS 535 million (before the effect of tax). The negative movement was attributable to securities which were realized and classified to profit and loss, consisting of a reduction of NIS 676 million, which was partly offset by an increase in value amounting to NIS 141 million (before tax). This compared with an increase in value of NIS 828 million (before tax) in the corresponding period last year and negative movement arising from securities sold and classified to profit and loss amounting to NIS 164 million (before tax).

b. Net profits from the sale of debentures amounting to NIS 157 million were recorded to profit and loss, compared with profits of NIS 263 million in the corresponding period last year.

c. The following table shows a summary of the above results in respect of the available-for-sale portfolio (including interest income):

	For the period ended		
	30 September 2013	30 September 2012	31 December 2012
	NIS millions		
Profits in respect of available-for-sale securities which were recorded to profit and loss	**1,285**	950	1,167
Adjustments in respect of available-for sale securities carried to equity	**(535)**	664	1,066
Total change in respect of available-for-sale securities	**750**	1,614	2,233

d. The following table shows net balances in equity (net adjustments in respect of available-for-sale securities before tax):

				Quarterly movement in 2013		
	30 September 2013	30 September 2012	31 December 2012	In the first quarter	In the second quarter	In the third quarter
	NIS millions					
Shares	**66**	292	441	(183)	(76)	(116)
Israel government debentures	**125**	43	150	(32)	(1)	8
Foreign government debentures	**2**	5	7	(7)	(5)	7
Other debentures	**(1)**	(21)	128	(8)	(146)	25
Loans and capital reserve in respect of company included on equity basis	**15**	19	16	3	3	(7)
Total	**207**	338	742	(227)	(225)	(83)
Related tax	**(44)**	(107)	(247)	73	86	44
Net total	**163**	231	495	(154)	(139)	(39)

The accumulated net balance of adjustments to fair value of securities held in the available-for-sale portfolio, as at 30 September 2013, amounted to a positive amount of NIS 163 million (after the effect of tax). This amount represents a profit which had not been realized at the date of the financial statements.

The Bank management estimates that in the securities in the available-for-sale portfolio in which there is impairment, most of the impairment is of a temporary nature. The Bank intends and is able to continue to hold the investments until the predicted recovery of the full cost of the securities or until redemption. Accordingly, this impairment is recorded to equity, on the basis of the criteria set forth in the Significant Accounting Policies in note 1 to the 2012 Annual Report.

e. The following is the impairment in value of available-for-sale securities charged to equity as at 30 September 2013:

		Duration of decline in value since commencement of the decline*				
		Up to 6 months	6-9 months	9-12 months	More than 12 months	Total amount
		NIS millions				
Rate of decline						
Up to 10%	Shares	**-**	**22**	**-**	**-**	**22**
	Asset-backed debentures	**58**	**45**	**21**	**8**	**132**
	Other debentures	**50**	**3**	**-**	**19**	**72**
	Total	**108**	**70**	**21**	**27**	**226**
Above 10%	Shares	**-**	**64**	**-**	**-**	**64**
	Asset-backed debentures	**-**	**-**	**-**	**-**	**-**
	Other debentures	**-**	**-**	**-**	**8**	**8**
	Total	**-**	**64**	**-**	**8**	**72**
Total	Shares	**-**	**86**	**-**		**86**
	Asset-backed debentures	**58**	**45**	**21**	**8**	**132**
	Other debentures	**50**	**3**	**-**	**27**	**80**
Total		**108**	**134**	**21**	**35**	**298**

* The duration of the impairment since the beginning of the decline means the duration since the beginning of any impairment of the security.

Trading Portfolio

The following table shows the composition of the trading portfolio:

	30 September 2013		31 December 2012		Change	
	Abroad	In Israel	Abroad	In Israel	Abroad	In Israel
	NIS millions					
Debentures	**1,685**	**9,284**	1,635	9,680	50	(396)
Shares and funds	**437**	**1**	27	172	410	(171)
Total	**2,122**	**9,285**	1,662	9,852	460	(567)

In respect of debentures for trading, realized and unrealized profits amounting to NIS 94 million were recorded in the profit and loss statement in the first nine months of 2013, compared with profits of NIS 148 million in the corresponding period in 2012. In respect of shares and funds for trading, realized and unrealized profits were recorded amounting to NIS 42 million, compared with profits amounting to NIS 3 million in the corresponding period in 2012.

Investments in securities issued abroad

The Group's securities portfolio includes some NIS 24 billion (some US$ 6.8 billion) of securities issued abroad. Some 92% of the portfolio is invested in debt instruments, all of which (but for some 1%) are investment grade securities, of which some 81% are rated 'A-' and above. Some 8% of the portfolio is invested in shares and funds.

The following table shows the composition of investments in securities issued abroad:

	30 September 2013		31 December 2012	
	Available-for-sale portfolio	Trading portfolio	Available-for-sale portfolio	Trading portfolio
Balance sheet value	NIS millions			
Government debentures	**5,362**	**502**	8,487	447
Debentures of banks and financial institutions	**5,512**	**126**	5,281	88
Asset-backed debentures	**7,490**	**398**	5,049	358
Other debentures	**2,098**	**659**	1,583	742
Shares and funds	**1,686**	**437**	594	27
Total	**22,148**	**2,122**	20,994	1,662

The net decrease in value (the offset between increases and decreases in value), charged to equity in respect of securities issued abroad, as of 30 September 2013, amounted to NIS 15 million (some NIS 10 million after taxes).

1. Investments in foreign asset-backed securities

All of the Group's portfolio of asset-backed securities (mortgages and non-mortgages) are investment grade. The Group's investments in foreign asset-backed securities as at 30 September 2013 amounted to some NIS 7.9 billion (some US$ 2.2 billion) of asset-backed securities, compared with some NIS 5.4 billion at the end of 2012. Of the said portfolio, some NIS 7.5 billion (some US$ 2.1 billion) is classified in the available-for-sale portfolio, and the balance in the trading portfolio.

The portfolio of available-for-sale investments in foreign asset-backed securities as at 30 September 2013 includes investments in mortgage-backed securities in the total amount of some NIS 5.6 billion. 94% of the mortgage-backed securities in the available-for-sale portfolio are issued directly by United States federal agencies (FNMA, FHLMC, GNMA).

The following table shows a summary of investments in asset-backed securities in the available-for-sale portfolio:

	30 September 2013			
	Amortized cost	Unrealized profits	Unrealized losses	Balance sheet value (fair value)
	NIS millions			
MBS - mortgage-backed securities	**5,735**	**10**	**(117)**	**5,628**
ABS-asset-backed securities (other than mortgage-backed):	**1,849**	**28**	**(15)**	**1,862**
Of which: CLO	**1,756**	**28**	**(15)**	**1,769**
Other	**93**	**-**	**-**	**93**
Total	**7,584**	**38**	**(132)**	**7,490**

	31 December 2012			
	Amortized cost	Unrealized profits	Unrealized losses	Balance sheet value (fair value)
	NIS millions			
MBS - mortgage-backed securities	3,611	22	(2)	3,631
ABS-asset-backed securities (other than mortgage-backed):	1,382	54	(18)	1,418
Of which: CLO	1,334	54	(17)	1,371
Other	48	-	(1)	47
Total	4,993	76	(20)	5,049

For the definition of asset-backed securities, see note 3 to the 2012 Financial Statements.

Securitization Exposures

Investment in asset-backed securities by type of exposure (Table 9(f) – Basel II)

	30 September 2013	31 December 2012
	Accrued amount of exposure	
	NIS millions	
Mortgage-backed Securities (MBS):		
Pass-through securities:		
Securities guaranteed by US Government GNMA	**331**	257
Securities issued by FNMA and FHLMC	**1,662**	511
Other securities	**4**	5
Other mortgage-backed securities:		
Securities issued by FHLMC, FNMA, or GNMA, or guaranteed by these entities	**3,324**	2,581
Other mortgage-backed securities	**376**	322
Total mortgage-backed securities (MBS)	**5,697**	3,676
Asset-backed securities (ABS):		
Debtors in respect of credit cards	**122**	75
Lines of credit for any purpose secured by dwelling	**2**	5
Credit for purchase of vehicle	**172**	166
Other credit to private persons	**25**	20
Credit not to private persons	**1**	1
CLO debentures	**1,769**	1,371
Others	**100**	93
Total asset-backed (ABS)	**2,191**	1,731
Total asset-backed securities	**7,888**	5,407

Investment in asset-backed securities by risk weighting * (Table 9(g) – Basel II)

	30 September 2013	31 December 2012	**30 September 2013**	31 December 2012
	Accrued amount of exposure		Capital requirement for securitization exposure	
	NIS millions			
20%	**1,260**	727	**23**	13
40%	**346**	390	**12**	14
50%	**308**	169	**14**	8
100%	**236**	370	**21**	33
225%	**30**	42	**6**	8
350%	**-**	-	**-**	-
650%	**-**	2	**-**	1
Deducted from equity	**6**	21	**-**	-
Total	**2,186**	1,721	**76**	77

* Available portfolio only.
Not including FNMA and FHLMC securities, which are presented as liability of the U.S. government and the weight of their risk is 20%; not including GNMA securities, guaranteed by U.S. governments, and the weight of their risk is 0%.

As of 30 September 2013, the cumulative net decrease in value which was carried to equity deriving from the mortgage-backed debenture portfolio amounted to some NIS 107 million.

The total of the mortgage-backed securities that are not (U.S.) government guaranteed and are not backed by American federal entities in both the available-for-sale and trading portfolios, amounts to some NIS 380 million.

The forecast term to maturity for each mortgage-backed securities portfolio is, on average, some 5 years.
In addition to the mortgage-backed securities, the Group's available-for-sale portfolio also includes other securities that are backed by assets other than mortgages (car purchase credit and other types of credit), amounting to some NIS 1.9 billion, of which CLO-type debentures account for some NIS 1.8 billion. The projected term to maturity of the portfolio of securities backed by assets other than mortgages is some 3 years on average.

2. Investments in other (non asset-backed) securities issued abroad

The Group's securities portfolio as at 30 September 2013 includes some NIS 16.4 billion (some US$ 4.6 billion) of non-asset-backed securities, which include mainly securities of the U.S. government, banks and financial institutions, debentures of investment-grade companies the balance being mainly securities issued by the Government of Israel.
Of these securities, NIS 14.7 billion (US$ 4.2 billion) are classified in the available-for-sale portfolio, and some NIS 1.7 billion in the securities for trading portfolio. Of these securities, 98% are investment grade.

For further details regarding exposure to overseas banks and financial institutions, see the section "Credit Risks" in the chapter "Risk Exposure and Risk Management".

As of 30 September 2013, the balance of the accumulated increase in value included in equity in respect of non-asset-backed securities issued abroad in the available-for-sale portfolio amounted to NIS 109 million (NIS 70 million after tax). In the first nine months of 2013, there was a fall in value amounting to NIS 166 million before tax. The debentures that are not asset-backed securities and were issued abroad are mainly debentures issued by banks. The Bank intends, and is able, to continue to hold these securities until maturity or at least until their value is recovered.

In addition, as aforesaid, the available-for-sale portfolio includes securities that are non-asset backed securities also in the trading portfolio. The trading portfolio includes mainly government securities and securities of banks and financial institutions and portfolios of securities under the management of external investment managers and security funds. 95% of the securities in the trading portfolio are investment grade securities. The value of the trading portfolio which is non-asset backed as at 30 September 2013 amounted to some NIS 1.7 billion (US$ 0.5 billion). The difference between the fair value and the adjusted cost, if any, is carried to the profit and loss statement.

3. Investments in debentures issued in Israel

Investments in debentures issued in Israel at 30 September 2013 amounted to NIS 35.6 billion, of which NIS 33.8 billion was in debentures issued by the Government of Israel, with the balance, NIS 1.8 billion, in corporate debentures. Some 53.4% of the investments in corporate debentures amounting, as of 30 September 2013, to NIS 1.1 billion are attributed to the available-for-sale portfolio, with the balance being in the trading portfolio.

Out of the total amount of NIS 1.1 billion in the corporate debenture portfolio in the available-for-sale portfolio, the positive capital reserve amounts to NIS 49 million, while the negative reserve amounts to NIS 3 million.

4. Investments in shares and funds

Total investments in shares and funds amounted to some NIS 3,209 million as at 30 September 2013, of which some NIS 1,794 million was in quoted shares and some NIS 1,415 million in unquoted shares. Out of the total investment, NIS 2,771 million is classified as available-for-sale and NIS 438 million is classified in the trading portfolio.

The following table sets out the principal investments in shares and funds recorded in the securities item(1) (Table 13(b) - Basel II):

	Bank's share on a consolidated basis in the paid-up capital giving the right to receive profits		Value of the investment in the consolidated balance sheet (2)		Capital adequacy requirements		Listed/ Not listed
	30 September 2013	31 December 2012	**30 September 2013**	31 December 2012	**30 September 2013**	31 December 2012	
	%		NIS millions				
Migdal Insurance and Financial Holdings Ltd.	**0.35**	9.79	**22**	594	**2**	53	listed
Africa Israel Properties Ltd.	**-**	2.22	**-**	22	**-**	2	listed
Otzar Hityashvuth Hayehudim B.M.	**8.62**	8.62	**61**	50	**5**	5	listed
Partner Communications Co. Ltd.	**2.90**	4.99	**128**	174	**12**	16	listed
Electra Consumer Products (1970) Ltd.	**8.98**	8.98	**89**	57	**8**	5	listed
TSI Roads Limited Partnership	**18.91**	17.82	**248**	108	**22**	10	not listed
Tower Semiconductor capital notes	**-**	-	**30**	49	**3**	4	not listed
Tower Semiconductor	**-**	-	**27**	-	**2**	-	listed
CLS Bank	**-**	-	**21**	21	**2**	2	not listed
Funds	**-**	-	**1,775**	825	**160**	74	of which 751 not listed
Apax	**-**	-	**71**	72	**6**	6	not listed
Other	**-**	-	**737**	394	**66**	36	of which 294 not listed
Total	**-**	-	**3,209**	2,366	**288**	213	

(1) For details of non-banking investments presented on equity basis, see the section, "Financial Management – Capital Markets" in the chapter, "Operating Segments in the Group" below.

(2) The value of the investment in the consolidated balance sheet is equal to the fair value of the investment or the value at cost for unquoted investments.

The following table shows investments (positions) in shares and funds in the securities item (available-for-sale portfolio and trading portfolio) (NIS millions):

	Balance sheet amount	
	30 September 2013	31 December 2012
Shares and funds on the basis of quoted prices on an active market	**1,794**	1,172
Funds according to quote by counterparty on cost basis	**820**	696
Unquoted shares on cost basis	**595**	498
Total	**3,209**	2,366

TSI Roads Limited Partnership

Further to that included in the Annual Report in connection with a transaction in which Leumi Partners Ltd ("Leumi Partners") entered into an agreement to make a further investment in TSI Roads Limited Partnership ("the Partnership"), which invests in the toll road project known as the Cross-Israel Road ("the Project") via Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), on July 4, 2013, the transaction was completed after the preconditions for its completion, including the receipt of the approval of the State of Israel and the approval of the financing entities of the project, had been fulfilled, and the Partnership purchased from Shikun & Binui Ltd. ("Shikun & Binui") its entire holding in Derech Eretz (25.5% in full dilution). For the purpose of acquiring Shikun & Binui's holdings in Derech Eretz, Leumi Partners, who holds as a limited partner, 18.91% of the rights in the Partnership, invested some NIS 143 million in the Partnership, and undertook to make a further investment in the Partnership, as long as the bank guarantees, issued in connection with Project are not realized, up to a maximum amount of NIS 61 million, linked to the consumer price index. For further details, see Immediate Report dated 7 July 2013 (ref.: 2013-01-085116).

Migdal

On 30 September 2013, Leumi distributed some 4.35% of the shares of the company to a number of institutional entities at a price of NIS 5.9 per share and for aggregate consideration of NIS 270 million. As a result of the sale, in the statements for the third quarter of 2013, the Bank recorded a profit before tax of NIS 163 million, resulting in profit after tax of NIS 105 million.

Other assets and debit balances in respect of derivative instruments

As of 30 September 2013, other assets and debit balances in respect of derivative instruments amounted to NIS 16.0 billion, similar to December 2012.

Other liabilities and credit balances in respect of derivative instruments

As of 30 September 2013, other liabilities and credit balances in respect of derivative instruments amounted to NIS 28.9 billion, compared with NIS 28.3 billion at the end of 2012, an increase of 2.1%.

Operating Segments in the Group

The Group operates in various operating segments through the Bank and its subsidiaries, in all fields of banking and financial services. Furthermore, the Group invests in non-banking corporations that operate in various fields, including insurance, real estate, shipping, energy, industry and others.

The operating segments are defined in accordance with the characteristics determined by the Bank of Israel. A detailed description of the operating segments and how they are measured is presented in the Annual Report for 2012.

Following are principal data according to operating segments of the principal balance sheet items:

Segment	Credit to the public			Deposits of the public			Total assets		
	30 September 2013	31 December 2012	Change	**30 September 2013**	31 December 2012	Change	**30 September 2013**	31 December 2012	Change
	NIS millions		%	NIS millions		%	NIS millions		%
Households	**98,272**	90,492	8.6	**120,059**	128,194	(6.3)	**95,895**	91,216	5.1
Small businesses	**23,131**	21,733	6.4	**21,928**	19,666	11.5	**23,153**	21,757	6.4
Corporate banking	**62,940**	70,252	(10.4)	**22,088**	26,281	(16.0)	**64,768**	71,905	(9.9)
Commercial banking	**49,112**	49,908	(1.6)	**49,036**	50,108	(2.1)	**51,509**	50,758	1.5
Private banking	**6,840**	8,170	(16.3)	**35,698**	38,338	(6.9)	**11,315**	13,167	(14.1)
Financial management and other	**597**	709	(15.8)	**31,030**	26,951	15.1	**118,782**	127,357	(6.7)
Total	**240,892**	241,264	(0.2)	**279,839**	289,538	(3.3)	**365,422**	376,160	(2.9)

Following are principal data according to operating segments of off-balance sheet items and data on customer balances in the capital market:

	Guarantees and documentary credit			Securities portfolios, including mutual funds		
	30 September 2013	31 December 2012	Change	**30 September 2013**	31 December 2012	Change
	NIS millions		%	NIS millions		%
Households	**434**	443	(2.0)	**103,935**	94,329	10.2
Small businesses	**1,497**	1,564	(4.3)	**10,234**	6,764	51.3
Corporate banking	**28,319**	27,652	2.4	**62,607**	59,996	4.4
Commercial banking	**6,662**	6,470	3.0	**54,151**	48,660	11.3
Private banking	**394**	387	1.8	**84,392**	85,065	(0.8)
Financial management and other	**523**	821	(36.3)	**257,596**	232,768	10.7
Total	**37,829**	37,337	1.3	**572,915**	527,582	8.6

The following table sets out the net profit according to operating segments:

	For the three months ended			For the nine months ended		
	30 September 2013	30 September 2012	Change	**30 September 2013**	30 September 2012	Change
	NIS millions		%	NIS millions		%
Households	**16**	107	(85.0)	**86**	369	(76.7)
Small businesses	**79**	99	(20.2)	**205**	249	(17.7)
Corporate banking	**255**	75	+	**788**	288	+
Commercial banking	**139**	142	(2.1)	*** 304**	382	(20.4)
Private banking	**(93)**	(13)	-	**(34)**	13	-
Financial management:						
Capital markets	**20**	(77)	+	**30**	(109)	+
Non- bank investments	**122**	105	16.3	**261**	(3)	+
Other	**17**	41	(58.5)	**(41)**	1	-
Total	**555**	479	15.9	**1,599**	1,190	34.4

* Of which: A profit in respect of activity in Israel of NIS 321 million and a loss in respect of activity abroad of NIS 17 million for the first nine months of 2013.

Explanations for the changes in profitability are provided below.

The following table shows the quarterly development of the net profit by operating segment:

	2013			2012			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions						
Households	**16**	31	39	78	107	141	121
Small businesses	**79**	64	62	70	99	58	92
Corporate banking	**255**	276	257	104	75	107	106
Commercial banking	**139**	50	115	62	142	96	144
Private banking	**(93)**	29	30	68	(13)	2	24
Financial management:							
Capital markets	**20**	(2)	12	(306)	(77)	(97)	65
Non- bank investments	**122**	33	106	(209)	105	(17)	(91)
Other	**17**	(7)	(51)	(126)	41	(10)	(30)
Total	**555**	474	570	(259)	479	280	431

Return on equity according to operating segments

In accordance with directives of the Bank of Israel, it was decided to calculate the return on equity to be allocated to each of the operating segments.

The equity for the purpose of calculating the capital to risk assets ratio (Tier 1 and Tier 2 capital) was allocated to the segments according to the relative share of each segment in the total of all the weighted risk assets of the Group, and according to the allocation of Pillar 2 equity for each segment according to its characteristics and components.

The profit of operating segments was adjusted for the risk capital in each segment. The return on risk-adjusted capital was calculated as the ratio of the adjusted profit to capital allocated to the segment, which represents a part of the allocated risk capital (Tier 1 and Tier 2).

Below is the return on risk-adjusted capital (RORAC). The figures for RORAC have been calculated according to the allocation of all of the capital of the Bank among the segments (as per the actual capital adequacy ratio pursuant to Basel II).

	As at 30 September 2013	As at 30 September 2012	As at 31 December 2012
	Allocating all the capital	Allocating all the capital	Allocating all the capital
	RORAC	RORAC	RORAC
	%	%	%
Households	**2.0**	11.0	9.6
Small businesses	**16.8**	23.2	21.1
Corporate banking	**12.9**	4.2	4.3
Commercial banking	**9.1**	12.3	10.3
Private banking	**(4.5)**	1.8	8.3
Financial management	**10.2**	(4.3)	(18.3)
Other	**(11.0)**	0.3	(29.9)
Total for net profit	**8.5**	6.6	3.8

1. Households

The following tables set out a summary of the profit and loss of the Households segment:

	Banking and finance	Credit cards	Capital market	Mortgages	Overseas activity: Banking and finance	Overseas activity: Mortgages	Total
	For the three months ended 30 September 2013						
	NIS millions						
Net interest income:							
From external sources	**(105)**	**60**	**2**	**950**	**(3)**	**3**	**907**
Intersegmental	**544**	**(9)**	**(1)**	**(783)**	**6**	**(1)**	**(244)**
Non-interest income:							
From external sources	**145**	**134**	**102**	**31**	**2**	**-**	**414**
Intersegmental	**(2)**	**46**	**-**	**-**	**-**	**-**	**44**
Total income	**582**	**231**	**103**	**198**	**5**	**2**	**1,121**
Expenses in respect of credit losses	**21**	**1**	**-**	**(9)**	**-**	**-**	**13**
Operating and other expenses:							
To external sources	**767**	**162**	**88**	**59**	**4**	**1**	**1,081**
Intersegmental	**1**	**(1)**	**-**	**-**	**-**	**-**	**-**
Profit (loss) before taxes	**(207)**	**69**	**15**	**148**	**1**	**1**	**27**
Provision for taxes (benefit) on profit	**(76)**	**21**	**6**	**53**	**1**	**-**	**5**
Profit (loss) after taxes	**(131)**	**48**	**9**	**95**	**-**	**1**	**22**
Group's share, net, of activities of companies included on equity basis	**-**	**2**	**-**	**-**	**-**	**-**	**2**
Net profit attributable to non-controlling interests	**-**	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Net profit (loss)	**(131)**	**42**	**9**	**95**	**-**	**1**	**16**

	Banking and finance	Credit cards	Capital market	Mortgages	Overseas activity: Banking and finance	Overseas activity: Mortgages	Total
	For the three months ended 30 September 2012						
	NIS millions						
Net interest income:							
From external sources	(237)	62	2	711	(2)	2	538
Intersegmental	730	(12)	(1)	(540)	4	-	181
Non-interest income:							
From external sources	146	130	111	36	2	-	425
Intersegmental	3	45	-	1	-	-	49
Total income	642	225	112	208	4	2	1,193
Expenses in respect of credit losses	28	7	-	3	1	1	40
Operating and other expenses:							
To external sources	671	162	75	62	4	2	976
Intersegmental	2	(2)	-	6	-	-	6
Profit (loss) before taxes	(59)	58	37	137	(1)	(1)	171
Provision for taxes (benefit) on profit	(21)	16	13	48	1	-	57
Profit (loss) after taxes	(38)	42	24	89	(2)	(1)	114
Net profit attributable to non-controlling interests	-	(7)	-	-	-	-	(7)
Net profit (loss)	(38)	35	24	89	(2)	(1)	107

Households (cont.)

	Banking and finance	Credit cards	Capital market	Mortgages	Overseas activity: Banking and finance	Overseas activity: Mortgages	Total
	For the nine months ended 30 September 2013						
	NIS millions						
Net interest income:							
From external sources	**(145)**	**181**	**5**	**2,213**	**(9)**	**8**	**2,253**
Intersegmental	**1,484**	**(28)**	**(2)**	**(1,727)**	**14**	**(1)**	**(260)**
Non-interest income:							
From external sources	**427**	**379**	**316**	**87**	**5**	**-**	**1,214**
Intersegmental	**(2)**	**128**	**-**	**-**	**-**	**-**	**126**
Total income	**1,764**	**660**	**319**	**573**	**10**	**7**	**3,333**
Expenses in respect of credit losses	**84**	**9**	**-**	**47**	**1**	**(1)**	**140**
Operating and other expenses:							
To external sources	**2,081**	**499**	**273**	**183**	**11**	**4**	**3,051**
Intersegmental	**5**	**(5)**	**-**	**-**	**-**	**-**	**-**
Profit (loss) before taxes	**(406)**	**157**	**46**	**343**	**(2)**	**4**	**142**
Provision for taxes (benefit) on profit	**(148)**	**47**	**17**	**122**	**1**	**-**	**39**
Profit (loss) after taxes	**(258)**	**110**	**29**	**221**	**(3)**	**4**	**103**
Group share in profits of companies included on equity basis after effect of taxes	**-**	**4**	**-**	**-**	**-**	**-**	**4**
Net profit attributable to non-controlling interests	**-**	**(21)**	**-**	**-**	**-**	**-**	**(21)**
Net profit (loss)	**(258)**	**93**	**29**	**221**	**(3)**	**4**	**86**
Return on equity							**2.0%**
Average balance of assets	**20,385**	**8,887**	**144**	**64,378**	**56**	**205**	**94,055**
of which: investments in companies included on equity basis	**-**	**2**	**-**	**-**	**-**	**-**	**2**
Average balance of liabilities	**122,785**	**1,054**	**-**	**272**	**920**	**8**	**125,039**
Average balance of risk assets	**23,319**	**8,619**	**141**	**34,794**	**274**	**72**	**67,219**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**63,772**	**-**	**-**	**-**	**63,772**
Average balance of securities	**-**	**-**	**48,012**	**-**	**175**	**-**	**48,187**
Average balance of other assets under management	**4,449**	**-**	**-**	**-**	**-**	**-**	**4,449**
Balance of credit to the public	**21,704**	**9,140**	**155**	**67,011**	**52**	**210**	**98,272**
Balance of deposits of the public	**119,065**	**55**	**-**	**-**	**932**	**7**	**120,059**

Households (cont.)

	Banking and finance	Credit cards	Capital market	Mortgages	Overseas activity: Banking and finance	Overseas activity: Mortgages	Total
	For the nine months ended 30 September 2012						
	NIS millions						
Net interest income:							
From external sources	(665)	188	6	1,952	(8)	8	1,481
Intersegmental	2,153	(39)	(4)	(1,482)	13	(1)	640
Non-interest income:							
From external sources	428	372	340	120	5	-	1,265
Intersegmental	9	135	-	(25)	-	-	119
Total income	1,925	656	342	565	10	7	3,505
Expenses in respect of credit losses	32	14	-	(10)	3	-	39
Operating and other expenses:							
To external sources	1,976	462	229	185	11	5	2,868
Intersegmental	-	(5)	-	16	-	-	11
Profit (loss) before taxes	(83)	185	113	374	(4)	2	587
Provision for taxes (benefit) on profit	(31)	56	40	130	1	-	196
Profit (loss) after taxes	(52)	129	73	244	(5)	2	391
Net profit attributable to non-controlling interests	-	(22)	-	-	-	-	(22)
Net profit (loss)	(52)	107	73	244	(5)	2	369
Return on equity							11.0%
Average balance of assets	19,680	8,121	128	58,158	68	188	86,343
Of which investments in companies included on equity basis	-	3	-	-	-	-	3
Average balance of liabilities	126,288	1,048	-	6,662	868	9	134,875
Average balance of risk assets	21,306	7,872	129	31,539	215	66	61,127
Average balance of mutual funds and supplementary training funds	-	-	53,106	-	-	-	53,106
Average balance of securities	-	-	49,018	-	175	-	49,193
Average balance of other assets under management	211	-	-	5,024	-	-	5,235
Balance of credit to the public at 31 December 2012	19,907	8,387	138	61,794	62	204	90,492
Balance of deposits of the public at 31 December 2012	127,229	32	-	-	924	9	128,194

Main Changes in the Scope of Operations
Total credit to the public in the households segment increased by NIS 7.8 billion, or 8.6% compared with the end of 2012. Housing loans increased by 8.4%, and credit, after cancelling out the effect of housing loans, increased by 9.0%. Deposits of the public fell by some NIS 11.9 billion.

Main Changes in Net Profit

In the first nine months of 2013, net profit in the households segment amounted to NIS 86 million, compared with NIS 369 million in the corresponding period last year, a decrease of NIS 283 million or 76.7%. The decrease in profit derives from a decrease of NIS 172 million in total income, an increase in expenses in respect of credit losses amounting to NIS 101 million and as a result of a provision of NIS 50 million due to a Bank of Israel directive relating to residential property and an increase in operating and other expenses amounting to NIS 172 million.

The return on equity of the net profit in the segment was 2.0%.

Pension Counseling Services

The balances of the pension assets of customers receiving counseling in the Leumi Group to the end of September 2013, including advanced training funds in respect of which counseling was provided in the framework of pension counseling and/or investment advice, amounted to some NIS 17.7 billion.

The following table presents data concerning new loans granted and loans refinanced for the purchase of a residential dwelling and for the pledge of a residential dwelling:

	First nine months of 2013	First nine months of 2012	Rate of change
	NIS millions		%
From Bank funds	**10,680**	10,081	5.9
From Ministry of Finance funds:			
Loans	**30**	25	20.0
Standing loans	**17**	10	70.0
Total new loans	**10,727**	10,116	6.0
Refinanced loans	**1,887**	1,119	68.6
Total loans extended	**12,614**	11,235	12.3

Data relating to risk characteristics of housing loans

Disclosure on housing loans *

Set forth below are data relating to the risk characteristics of the housing loans, pursuant to a letter from the Bank of Israel dated 15 May 2011, and developments in credit risks and the way they are managed, including reference to measures adopted by the Bank to deal with these risk characteristics.

* The definitions mentioned in the disclosure below (e.g. repayment ratio, LTV ratio, etc.) are in accordance with the Bank's reports to the Bank of Israel.

Development of balance of housing credit, net:

	Balance of housing credit	Rate of increase
	NIS millions	%
December 2009	42,734	
December 2010	49,319	15.4
December 2011	54,386	10.3
December 2012	60,294	10.9
September 2013 *	**66,828**	**10.8**

* From 2013, the data for housing credit also include housing granted in Leumi, which is not through the Mortgage Department.

The increase in the level of housing credit in recent years is attributable, *inter alia*, to demand for housing units and an increase in the prices of housing units, with the majority constituting credit for the purchase of residential dwellings.

Development of balance of loans, net, according to linkage basis:

	Unlinked	Percentage of credit portfolio	CP.I.-linked	Percentage of credit portfolio	Foreign currency	Percentage of credit portfolio	Total portfolio
	NIS millions	%	NIS millions	%	NIS millions	%	NIS millions
December 2009	15,585	36.5	26,114	61.1	1,035	2.4	42,734
December 2010	21,552	43.7	26,619	54.0	1,148	2.3	49,319
December 2011	22,973	42.2	29,802	54.8	1,611	3.0	54,386
December 2012	26,234	43.5	32,522	53.9	1,538	2.6	60,294
September 2013 *	**30,536**	**45.7**	**34,544**	**51.7**	**1,738**	**2.6**	**66,828**

* From 2013, the data for housing credit also include housing granted in Leumi, which is not through the Mortgage Department.

Development of the balance of the housing loan portfolio, net, at variable and fixed interest:

	Fixed		Variable			Total loan portfolio
	Unlinked	CP.I.-linked	Unlinked	CP.I.-linked	Foreign currency	
	NIS millions					
December 2010	766	11,309	20,786	15,310	1,148	49,319
December 2011	1,142	11,125	21,831	18,677	1,611	54,386
December 2012	2,144	10,698	24,090	21,824	1,538	60,294
September 2013 *	**3,691**	**10,494**	**26,845**	**24,060**	**1,738**	**66,828**

* From 2013, the data for housing credit also include housing granted in Leumi, which is not through the Mortgage Department.

Development of new housing loans by type of interest:

The development of the new loans extended by variable and fixed interest is as follows (a variable interest loan is a loan where the interest borne is likely to change over the life of the loan):

	2013 *			2012				2011	2010
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter	Annual average	Annual average
	Percentage of loans extended								
	%								
Fixed – linked	**10.5**	13.3	10.9	9.9	13.9	14.8	14.9	10.0	6.7
Variable – every 5 years or more - linked	**28.8**	31.1	31.3	34.2	38.8	44.8	45.1	26.7	11.6
Variable – up to 5 years index-linked	**2.2**	2.2	2.5	3.7	4.2	4.6	5.7	13.1	20.5
Fixed-unlinked	**14.4**	13.6	14.3	11.6	8.4	6.8	6.1	3.8	4.3
Variable – every 5 years or more - unlinked	**11.5**	9.0	9.3	11.3	5.4	-	-	-	-
Variable – up to 5 years index-unlinked	**30.8**	28.9	29.1	28.2	27.5	27.6	27.0	42.0	53.8
Variable – foreign currency	**1.7**	1.9	2.6	1.1	1.8	1.4	1.2	4.4	3.1

* From 2013, the data for housing credit also include housing granted in Leumi, which is not through the Mortgage Department.

The percentage of new credit extended by Leumi Mortgage in variable interest housing loans during the first nine months of 2013 was 74%, compared with an average of 79% in 2012. The data relate to all types of variable interest and the different linkage segments, including loans in which the interest is variable each period of five years and more. The percentage of new credit extended by Leumi Mortgage Bank in variable interest loans, after canceling the effect of C.P.I.-linked variable interest varying each period of 5 years and more, which the regulation from the Banking Supervision Department of 3 May 2011 excludes from the definition of variable interest loans, during the first nine months of 2013, was 34%, similar to the average for the whole of 2012.

The balance of the portfolio of housing loans in arrears of more than 90 days is as follows:

	Balance of debt	Amount of credit in arrears	Percentage of problem debt
	NIS millions		%
December 2009	43,317	1,306	3.0
December 2010	49,911	1,046	2.1
December 2011	54,888	918	1.7
December 2012	60,738	829	1.4
September 2013*	**67,302**	**825**	**1.2**

* From 2013, the data for housing credit also include housing granted in Leumi, which is not through the Mortgage Department.

The allowance for credit losses as at 30 September 2013, which includes the group allowance for housing loans (hereinafter, "the overall allowance"), as required by a letter from the Bank of Israel dated 1 May 2011, is NIS 488 million, representing 0.73% of the housing balance, compared with an allowance of NIS 444 million as at 31 December 2012, representing 0.73% of the housing credit balance. The increase in the allowance for credit losses is attributable to the adjustment of the collective allowance for housing loans, as required by the Bank of Israel directives of 21 March 2013, amounting to NIS 50 million.

Data relating to new housing credit:

During the first nine months of 2013, Leumi Mortgage extended new housing loans amounting to NIS 9.8 billion from the funds of the Bank.

Development of the rate of financing (LTV ratio), in new credit, above 60%:

The table below presents the development of new credit extended by Leumi Mortgage at a rate of financing higher than 60% (the rate of financing is the ratio between the rate of credit approved for the borrower, even if all or part thereof has not yet been actually extended, and the value of the mortgaged asset, when extending the credit facility):

	2013	2012							2011
	3rd quarter	2nd quarter	1st quarter	Annual average	4th quarter	3rd quarter	2nd quarter	1st quarter	Annual average
Rate of financing	%								
Between 60% and 70%	**16.5**	19.2	20.9	22.6	20.6	22.6	23.2	24.5	23.0
Between 70% and 80%	**16.7**	16.9	16.0	12.9	12.9	13.6	12.0	12.8	12.5
Above 80%	**0.8**	0.9	1.3	3.5	3.5	4.0	3.5	2.5	3.2

Development of the rate of financing, and the balance of the credit portfolio:

The average financing rate of the credit portfolio balance as at 30 September 2013 was 50.1%, compared to 50.6% in 2012.

Development of new credit in which the repayment ratio is less than 2:

The rate of credit extended in the first nine months of 2013 in which the repayment ratio was lower than 2 for income-earners earning NIS 10,000 or less at the date of approving the credit, stood at 1% of the total new credit extended, similar to the average for 2012, and in contrast to an average of 2% for the whole of 2010-2011. (The repayment ratio is calculated as follows: the fixed monthly income of the borrower divided by total monthly repayments in respect of the existing mortgage loans and the new loan).

This computation complies with the Bank of Israel regulations, Reporting to the Banking Supervision Department Regulation 876.

Development of new credit, in which repayment schedules are longer than 25 years:

The rate of new credit for housing loans in the first nine months of 2013, in which the repayment schedule according to the loan contracts is longer than 25 years, stood at an average of 31% of the total new loans extended, similar to 2012 and compared to an average rate of 39% in 2011 and 37% in 2010.

As a general rule, the Bank does not extend new loans whose terms allow the borrower to pay back less than the interest accruing on the loan, except in exceptional cases.

The Bank does not extend loans secured by a second charge, except in exceptional cases.

In accordance with its credit policy, the Bank extends new loans when the information available regarding the borrower, or regarding the collateral, at the date of granting the loan, is complete, updated, and verified.

Development of credit risks

Against a background of high demand for housing in recent years, both for residential purposes and for investment, there has been a marked increase in housing prices, leading to a substantial increase in the extent of housing credit. In light of this increase in prices, the risk inherent in extending loans at high rates of financing has increased, stemming from the high burden of debt on the borrower, and higher exposure when the security becomes impaired.

In addition, the low interest rates that have prevailed in the economy in recent years, mainly unlinked Prime interest, have led to a sharp increase in the proportion of unlinked variable interest loans out of total credit to the public in the mortgage market. As a consequence, in an environment of increasing interest rates, borrowers are exposed to a rise in the level of mortgage payments.

As a result of economic developments in the economy in recent years, as presented above, the Bank adopted a number of measures in order to contend with the increase in the abovementioned credit risks:

- As part of the Bank's risk management, it was decided to tighten administrative restrictions for the following characteristics: high rates of financing, ongoing monthly repayment capacity, credit ratings in accordance with the Bank's internal statistical model, loan products/plans, types of interest and the amount of the loan.
- As part of credit risk management, the Bank periodically performs stress scenarios that have examined the effect of a fall in the value of securities, an increase in interest rates and the effect of other macroeconomic variables on the Bank's results.

As part of the capital planning process and its goals, the Bank retains additional "capital buffers" to contend with higher risk characteristics, such as: a capital buffer in respect of loans at high rates of financing, a capital buffer in respect of the gap between the current rate of allowances for credit losses and the average rate over the economic cycle, and a capital buffer in respect of the possibility of a fall in real estate prices.

The average housing loan extended by the Bank in the first nine months of 2013 was NIS 548 thousand, compared with NIS 530 thousand in 2012, NIS 540 thousand in 2011, NIS 665 thousand in 2010 and NIS 596 thousand in 2009.

On the basis of the data for the extent of arrears, the rate of credit loss allowances, the amount of problem debt as a percentage of the Bank's total credit portfolio, and the low rate of losses in asset disposals, the quality of the housing loan portfolio is favorable.

Update of directives regarding residential property

On 19 February 2013, the Supervisor of Banks published a draft update of the directives regarding residential property. On 21 March 2013, the directives were updated and the circular was published.

The directives provide, *inter alia*, that commencing the financial statements for the third quarter of 2013, the ratio of the collective allowance to the balance of the housing loans will stand at a minimum rate of 0.35%. This does not apply to housing loans in respect of which an allowance according to the extent of arrears or an individual allowance is held. In the financial statements for the first quarter of 2013, an allowance of NIS 50 million was made as a result of this directive.

2. Small Businesses

The following tables set out a summary of the profit and loss in the Small Businesses segment:

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the three months ended 30 September 2013							
	NIS millions							
Net interest income:								
From external sources	**191**	**5**	**1**	**1**	**73**	**13**	**3**	**287**
Intersegmental	**(28)**	**1**	**-**	**(1)**	**(16)**	**(2)**	**(2)**	**(48)**
Non-interest income:								
From external sources	**87**	**31**	**6**	**-**	**19**	**5**	**-**	**148**
Intersegmental	**1**	**(12)**	**-**	**-**	**-**	**-**	**-**	**(11)**
Total income	**251**	**25**	**7**	**-**	**76**	**16**	**1**	**376**
Expenses in respect of credit losses	**25**	**-**	**-**	**-**	**3**	**(10)**	**1**	**19**
Operating and other expenses:								
To external sources	**182**	**14**	**4**	**-**	**32**	**8**	**1**	**241**
Intersegmental	**(1)**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) before taxes	**45**	**10**	**3**	**-**	**41**	**18**	**(1)**	**116**
Provision for taxes on profit	**16**	**4**	**1**	**-**	**15**	**-**	**-**	**36**
Profit (loss) after taxes	**29**	**6**	**2**	**-**	**26**	**18**	**(1)**	**80**
Profit attributable to non-controlling interests	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Net profit (loss)	**29**	**5**	**2**	**-**	**26**	**18**	**(1)**	**79**

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the three months ended 30 September 2012							
	NIS millions							
Net interest income:								
From external sources	187	5	-	2	74	10	2	280
Intersegmental	(24)	-	-	-	(21)	(2)	(1)	(48)
Non-interest income:								
From external sources	84	28	5	-	16	4	-	137
Intersegmental	-	(12)	-	-	-	-	-	(12)
Total income	247	21	5	2	69	12	1	357
Expenses (income) in respect of credit losses	(8)	(1)	-	-	8	(4)	-	(5)
Operating and other expenses:								
To external sources	155	14	3	-	28	9	1	210
Intersegmental	-	1	-	-	-	-	-	1
Profit before taxes	100	7	2	2	33	7	-	151
Provision for taxes on the profit	35	2	1	1	11	1	-	51
Profit after taxes	65	5	1	1	22	6	-	100
Net profit attributable to non-controlling interests	-	(1)	-	-	-	-	-	(1)
Net profit	65	4	1	1	22	6	-	99

Small Businesses (cont.)

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the nine months ended 30 September 2013							
	NIS millions							
Net interest income:								
From external sources	**565**	**17**	**1**	**3**	**216**	**33**	**8**	**843**
Intersegmental	**(73)**	**(2)**	**-**	**(2)**	**(51)**	**(9)**	**(4)**	**(141)**
Non-interest income:								
From external sources	**256**	**88**	**19**	**-**	**56**	**11**	**1**	**431**
Intersegmental	**1**	**(33)**	**-**	**-**	**-**	**-**	**-**	**(32)**
Total income	**749**	**70**	**20**	**1**	**221**	**35**	**5**	**1,101**
Expenses in respect of credit losses	**54**	**(1)**	**-**	**-**	**17**	**6**	**1**	**77**
Operating and other expenses:								
To external sources	**527**	**43**	**11**	**-**	**96**	**23**	**3**	**703**
Intersegmental	**(3)**	**3**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before taxes	**171**	**25**	**9**	**1**	**108**	**6**	**1**	**321**
Provision for taxes on profit	**63**	**7**	**3**	**-**	**39**	**1**	**-**	**113**
Profit after taxes	**108**	**18**	**6**	**1**	**69**	**5**	**1**	**208**
Net profit attributable to non-controlling interests	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
Net profit	**108**	**15**	**6**	**1**	**69**	**5**	**1**	**205**
Return on equity								**16.8%**
Average balance of assets	**13,879**	**905**	**21**	**93**	**6,409**	**858**	**252**	**22,417**
Average balance of liabilities	**16,245**	**1,522**	**-**	**-**	**3,793**	**598**	**85**	**22,243**
Average balance of risk assets	**11,361**	**730**	**24**	**59**	**6,320**	**971**	**252**	**19,717**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**2,955**	**-**	**-**	**-**	**-**	**2,955**
Average balance of securities	**-**	**-**	**6,055**	**-**	**-**	**9**	**-**	**6,064**
Average balance of other assets under management	**220**	**-**	**-**	**-**	**-**	**-**	**-**	**220**
Balance of credit to the public	**14,268**	**895**	**15**	**86**	**6,677**	**898**	**292**	**23,131**
Balance of deposits of the public	**17,308**	**-**	**-**	**-**	**3,919**	**595**	**106**	**21,928**

Small Businesses (cont.)

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the nine months ended 30 September 2012							
	NIS millions							
Net interest income:								
From external sources	548	18	1	4	228	26	5	830
Intersegmental	(56)	(4)	-	(2)	(74)	(5)	(2)	(143)
Non-interest income:								
From external sources	253	81	17	-	48	10	1	410
Intersegmental	-	(35)	-	-	-	-	-	(35)
Total income	745	60	18	2	202	31	4	1,062
Expenses in respect of credit losses	46	-	-	-	6	(3)	-	49
Operating and other expenses:								
To external sources	478	38	8	-	79	23	2	628
Intersegmental	-	3	-	-	-	-	-	3
Profit before taxes	221	19	10	2	117	11	2	382
Provision for taxes on the profit	78	6	3	1	41	2	-	131
Profit after taxes	143	13	7	1	76	9	2	251
Net profit attributable to non-controlling interests	-	(2)	-	-	-	-	-	(2)
Net profit	143	11	7	1	76	9	2	249
Return on equity								23.2%
Average balance of assets	13,020	828	23	96	5,806	614	159	20,546
Average balance of liabilities	14,750	1,419	-	-	3,208	505	68	19,950
Average balance of risk assets	10,909	679	25	70	5,804	594	159	18,240
Average balance of mutual funds and supplementary training funds	-	-	2,113	-	-	-	-	2,113
Average balance of securities	-	-	4,733	-	-	5	-	4,738
Average balance of other assets under management	227	-	-	-	-	-	-	227
Balance of credit to the public at 31 December 2012	13,470	874	29	107	6,137	883	233	21,733
Balance of deposits of the public at 31 December 2012	15,505	-	-	-	3,482	622	57	19,666

Small Businesses (cont.)

Main Changes in the Scope of Operations

Total credit to the public in the segment increased by NIS 1.4 billion, compared with the end of 2012, an increase of 6.4%. Total deposits of the public in the segment increased by NIS 2.2 billion, compared with the end of 2012, an increase of 11.5%.

Main Changes in the Net Profit

In the first nine months of 2013, net profit in the small businesses segment totaled NIS 205 million, compared with NIS 249 million in the corresponding period last year, a decrease of 17.7%. This decrease in profit derives mainly from an increase in operating and other expenses amounting to NIS 72 million, which was partly offset as a result of an increase in income amounting to NIS 39 million.

The return on equity of the net profit in the segment was 16.8%.

3. Corporate Banking

The following tables set out a summary of the profit and loss of the Corporate Banking segment:

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the three months ended 30 September 2013						
	NIS millions						
Net interest income:							
From external sources	**400**	**6**	**-**	**298**	**(1)**	**-**	**703**
Intersegmental	**(196)**	**(1)**	**-**	**(172)**	**5**	**1**	**(363)**
Non-interest income:							
From external sources	**134**	**51**	**5**	**10**	**1**	**-**	**201**
Intersegmental	**(85)**	**(24)**	**(1)**	**60**	**-**	**-**	**(50)**
Total income	**253**	**32**	**4**	**196**	**5**	**1**	**491**
Expenses in respect of credit losses	**(78)**	**(1)**	**-**	**(5)**	**-**	**-**	**(84)**
Operating and other expenses:							
To external sources	**104**	**21**	**2**	**43**	**3**	**1**	**174**
Intersegmental	**(1)**	**1**	**-**	**-**	**-**	**-**	**-**
Profit before taxes	**228**	**11**	**2**	**158**	**2**	**-**	**401**
Provision for taxes on profit	**81**	**3**	**1**	**59**	**1**	**-**	**145**
Profit after taxes	**147**	**8**	**1**	**99**	**1**	**-**	**256**
Net profit attributable to non-controlling interests	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Net profit	**147**	**7**	**1**	**99**	**1**	**-**	**255**

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the three months ended 30 September 2012						
	NIS millions						
Net interest income:							
From external sources	394	7	4	304	1	2	712
Intersegmental	(154)	(2)	(4)	(185)	2	-	(343)
Non-interest income:							
From external sources	(65)	49	4	69	2	-	59
Intersegmental	124	(25)	-	(2)	-	-	97
Total income	299	29	4	186	5	2	525
Expenses in respect of credit losses	223	-	-	26	(1)	-	248
Operating and other expenses:							
To external sources	96	19	4	36	4	1	160
Intersegmental	1	-	-	-	-	-	1
Profit (loss) before taxes	(21)	10	-	124	2	1	116
Provision for (benefit from) taxes on profit	(9)	3	-	44	1	-	39
Profit (loss) after taxes	(12)	7	-	80	1	1	77
Net profit attributable to non-controlling interests	-	(2)	-	-	-	-	(2)
Net profit (loss)	(12)	5	-	80	1	1	75

Corporate Banking (cont.)

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Real estate	Total
	For the nine months ended 30 September 2013						
	NIS millions						
Net interest income:							
From external sources	**1,195**	**18**	**-**	**786**	**(1)**	**1**	**1,999**
Intersegmental	**(549)**	**(4)**	**-**	**(419)**	**16**	**2**	**(954)**
Non-interest income:							
From external sources	**235**	**147**	**12**	**128**	**4**	**1**	**527**
Intersegmental	**(48)**	**(70)**	**-**	**73**	**-**	**-**	**(45)**
Total income	**833**	**91**	**12**	**568**	**19**	**4**	**1,527**
Expenses in respect of credit losses	**(126)**	**(2)**	**-**	**(84)**	**-**	**-**	**(212)**
Operating and other expenses:							
To external sources	**299**	**59**	**5**	**131**	**11**	**2**	**507**
Intersegmental	**-**	**1**	**-**	**-**	**-**	**-**	**1**
Profit before taxes	**660**	**33**	**7**	**521**	**8**	**2**	**1,231**
Provision for taxes on profit	**234**	**9**	**3**	**189**	**3**	**-**	**438**
Profit after taxes	**426**	**24**	**4**	**332**	**5**	**2**	**793**
Net profit attributable to non-controlling interests	**-**	**(5)**	**-**	**-**	**-**	**-**	**(5)**
Net profit	**426**	**19**	**4**	**332**	**5**	**2**	**788**
Return on equity							**12.9%**
Average balance of assets	**43,242**	**403**	**166**	**23,507**	**251**	**103**	**67,672**
Average balance of liabilities	**18,098**	**2,771**	**-**	**5,349**	**1,186**	**163**	**27,567**
Average balance of risk assets	**67,271**	**411**	**166**	**23,915**	**370**	**103**	**92,236**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**2,462**	**-**	**-**	**-**	**2,462**
Average balance of securities	**-**	**-**	**58,607**	**-**	**78**	**-**	**58,685**
Average balance of other assets under management	**202**	**-**	**-**	**-**	**-**	**-**	**202**
Balance of credit to the public	**40,045**	**363**	**166**	**22,216**	**108**	**42**	**62,940**
Balance of deposits of the public	**16,387**	**-**	**-**	**4,461**	**1,078**	**162**	**22,088**

Corporate Banking (cont.)

					Overseas activity		
	Banking and finance	Credit cards	Capital market	Real estate	Banking and finance	Real estate	Total
	For the nine months ended 30 September 2012						
	NIS millions						
Net interest income:							
From external sources	1,193	22	5	925	7	4	2,156
Intersegmental	(474)	(7)	(5)	(537)	8	-	(1,015)
Non-interest income:							
From external sources	84	143	11	184	6	1	429
Intersegmental	101	(77)	-	(2)	-	-	22
Total income	904	81	11	570	21	5	1,592
Expenses in respect of credit losses	772	1	-	(98)	-	-	675
Operating and other expenses:							
To external sources	284	55	12	107	13	3	474
Intersegmental	1	-	-	-	-	-	1
Profit (loss) before taxes	(153)	25	(1)	561	8	2	442
Provision for (benefit from) taxes on profit	(57)	6	-	198	3	-	150
Profit (loss) after taxes	(96)	19	(1)	363	5	2	292
Net profit attributable to non-controlling interests	-	(4)	-	-	-	-	(4)
Net profit (loss)	(96)	15	(1)	363	5	2	288
Return on equity							4.2%
Average balance of assets	50,494	417	164	26,051	520	158	77,804
Average balance of liabilities	20,968	2,660	-	5,585	756	170	30,139
Average balance of risk assets	77,646	385	163	26,596	661	158	105,609
Average balance of mutual funds and supplementary training funds	-	-	2,105	-	-	-	2,105
Average balance of securities	-	-	56,563	-	122	-	56,685
Average balance of other assets under management	230	-	-	-	-	-	230
Balance of credit to the public at 31 December 2012	44,452	389	166	24,649	392	204	70,252
Balance of deposits of the public at 31 December 2012	19,748	-	-	4,989	1,373	171	26,281

Corporate Banking (cont.)

Main Changes in the Scope of Operations

Total credit to the public in the segment decreased by NIS 7.3 billion compared with the end of 2012, a decrease of 10.4%. Total deposits of the public fell by NIS 4.2 billion, or 16.0%.

Main Changes in Net Profit

In the first nine months of 2013, net profit in the corporate banking segment totaled NIS 788 million, compared with NIS 288 million during the corresponding period in 2012. The increase in profit derives mainly from income in respect of credit losses amounting to NIS 212 million in the first nine months of 2013, compared with expenses in respect of credit losses amounting to NIS 675 million in the corresponding period in 2012.

The return on equity of the net profit in the segment was 12.9%.

4. Commercial Banking

The following tables set out a summary of the profit and loss of the Commercial Banking segment:

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Real estate	Total
	For the three months ended 30 September 2013							
	NIS millions							
Net interest income:								
From external sources	**154**	**3**	**-**	**99**	**146**	**-**	**36**	**438**
Intersegmental	**(3)**	**(1)**	**-**	**(57)**	**(24)**	**-**	**(11)**	**(96)**
Non-interest income:								
From external sources	**60**	**19**	**12**	**15**	**16**	**2**	**1**	**125**
Intersegmental	**34**	**(9)**	**(1)**	**(1)**	**-**	**-**	**-**	**23**
Total income	**245**	**12**	**11**	**56**	**138**	**2**	**26**	**490**
Expenses in respect of credit losses	**(2)**	**(1)**	**-**	**(6)**	**14**	**-**	**2**	**7**
Operating and other expenses:								
To external sources	**135**	**8**	**8**	**17**	**76**	**-**	**9**	**253**
Intersegmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before taxes	**112**	**5**	**3**	**45**	**48**	**2**	**15**	**230**
Provision for taxes on profit	**41**	**2**	**1**	**17**	**23**	**-**	**6**	**90**
Profit after taxes	**71**	**3**	**2**	**28**	**25**	**2**	**9**	**140**
Group share in profits of companies included on equity basis after effect of taxes	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Net profit	**71**	**2**	**2**	**28**	**25**	**2**	**9**	**139**

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Real estate	Total
	For the three months ended 30 September 2012							
	NIS millions							
Net interest income:								
From external sources	150	2	(2)	86	142	-	34	412
Intersegmental	5	(1)	2	(36)	(26)	-	(13)	(69)
Non-interest income:								
From external sources	117	20	11	14	23	2	5	192
Intersegmental	(41)	(8)	-	-	-	-	-	(49)
Total income	231	13	11	64	139	2	26	486
Expenses in respect of credit losses	(28)	-	-	5	15	-	11	3
Operating and other expenses:								
To external sources	130	8	15	15	86	1	12	267
Intersegmental	-	-	-	-	-	-	-	-
Profit (loss) before taxes	129	5	(4)	44	38	1	3	216
Provision for (benefit from) taxes on profit	45	2	(1)	15	11	-	2	74
Net profit (loss)	84	3	(3)	29	27	1	1	142

Commercial Banking (cont.)

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Real estate	Total
	For the nine months ended 30 September 2013							
	NIS millions							
Net interest income:								
From external sources	**433**	**8**	**-**	**272**	**426**	**-**	**100**	**1,239**
Intersegmental	**21**	**(2)**	**-**	**(129)**	**(66)**	**-**	**(34)**	**(210)**
Non-interest income:								
From external sources	**172**	**59**	**35**	**44**	**49**	**6**	**5**	**370**
Intersegmental	**85**	**(26)**	**(3)**	**(3)**	**-**	**-**	**-**	**53**
Total income	**711**	**39**	**32**	**184**	**409**	**6**	**71**	**1,452**
Expenses in respect of credit losses	**(47)**	**(1)**	**-**	**(1)**	**89**	**-**	**112**	**152**
Operating and other expenses:								
To external sources	**411**	**24**	**28**	**45**	**247**	**3**	**28**	**786**
Intersegmental	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Profit (loss) before taxes	**346**	**16**	**4**	**140**	**73**	**3**	**(69)**	**513**
Provision for (benefit from) taxes on profit	**126**	**4**	**1**	**51**	**36**	**1**	**(13)**	**206**
Profit (loss) after taxes	**220**	**12**	**3**	**89**	**37**	**2**	**(56)**	**307**
Net profit attributable to non-controlling interests	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
Net profit (loss)	**220**	**9**	**3**	**89**	**37**	**2**	**(56)**	**304**
Return on equity								**9.1%**
Average balance of assets	**23,796**	**363**	**262**	**8,104**	**15,118**	**-**	**3,052**	**50,695**
Average balance of liabilities	**36,260**	**1,085**	**-**	**2,464**	**11,001**	**-**	**253**	**51,063**
Average balance of risk assets	**27,182**	**299**	**295**	**8,097**	**14,456**	**-**	**3,052**	**53,381**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**4,894**	**-**	**-**	**151**	**-**	**5,045**
Average balance of securities	**-**	**-**	**43,920**	**-**	**-**	**1,548**	**-**	**45,468**
Average balance of other assets under management	**665**	**-**	**-**	**-**	**-**	**-**	**-**	**665**
Balance of credit to the public	**22,467**	**376**	**166**	**8,101**	**15,022**	**-**	**2,980**	**49,112**
Balance of deposits of the public	**35,914**	**-**	**-**	**2,326**	**10,606**	**-**	**190**	**49,036**

Commercial Banking (cont.)

					Overseas activity			
	Banking and finance	Credit cards	Capital market	Real estate	Banking and finance	Capital market	Real estate	Total
	For the nine months ended 30 September 2012							
	NIS millions							
Net interest income:								
From external sources	389	9	8	296	423	-	105	1,230
Intersegmental	66	(3)	(8)	(144)	(68)	-	(36)	(193)
Non-interest income:								
From external sources	180	55	32	40	61	7	10	385
Intersegmental	63	(27)	-	-	-	-	-	36
Total income	698	34	32	192	416	7	79	1,458
Expenses in respect of credit losses	39	-	-	4	32	-	11	86
Operating and other expenses:								
To external sources	376	22	41	49	261	4	36	789
Intersegmental	-	-	-	-	-	-	-	-
Profit (loss) before taxes	283	12	(9)	139	123	3	32	583
Provision for (benefit from) taxes on profit	100	3	(3)	49	40	1	10	200
Profit (loss) after taxes	183	9	(6)	90	83	2	22	383
Group share in profits of companies included on equity basis after effect of tax	-	(1)	-	-	-	-	-	(1)
Net profit (loss)	183	8	(6)	90	83	2	22	382
Return on equity								12.3%
Average balance of assets	23,805	324	265	8,288	15,442	-	3,332	51,456
Average balance of liabilities	34,830	935	76	2,798	11,100	-	376	50,115
Average balance of risk assets	26,725	275	296	9,304	14,282	-	3,332	54,214
Average balance of mutual funds and supplementary training funds	-	-	3,714	-	-	155	-	3,869
Average balance of securities	-	-	40,389	-	-	2,143	-	42,532
Average balance of other assets under management	712	-	-	-	-	-	-	712
Balance of credit to the public at 31 December 2012	22,846	297	122	8,271	15,350	-	3,022	49,908
Balance of deposits of the public at 31 December 2012	35,889	-	-	2,751	11,162	-	306	50,108

Commercial Banking (cont**.)**

Main Changes in the Scope of Operations

Total credit to the public in the commercial segment decreased by NIS 0.8 billion, a decrease of 1.6%, compared with the end of 2012, and total deposits of the public decreased by NIS 1.1 billion, or 2.1%.

Main changes in net profit

In the first nine months of 2013, net profit in the commercial banking segment totaled NIS 304 million, compared with NIS 382 million during the corresponding period in 2012, a decrease of NIS 78 million, or 20.4%. The decrease is primarily attributable to an increase in expenses in respect of credit losses in foreign activity amounting to NIS 158 million, which was partly offset by recording income in respect of credit losses in 2013 in activity in Israel amounting to NIS 49 million, compared with expenses in 2012 amounting to NIS 43 million. The return on equity of the net profit in the segment was 9.1%.

5. Private Banking

The following tables set out a summary of the profit and loss in the Private Banking segment:

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Mortgages	Overseas activity: Real estate	Total
	For the three months ended 30 September 2013									
	NIS millions									
Net interest income:										
From external sources	**(42)**	**-**	**-**	**1**	**3**	**10**	**-**	**10**	**-**	**(18)**
Intersegmental	**57**	**-**	**-**	**-**	**-**	**37**	**-**	**(5)**	**1**	**90**
Non-interest income:										
From external sources	**10**	**1**	**39**	**-**	**4**	**4**	**44**	**1**	**-**	**103**
Intersegmental	**(3)**	**1**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**6**
Total income	**22**	**2**	**39**	**1**	**7**	**59**	**44**	**6**	**1**	**181**
Expenses in respect of credit losses	**1**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**
Operating and other expenses:										
To external sources	**45**	**1**	**17**	**-**	**3**	**117**	**86**	**2**	**-**	**271**
Intersegmental	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
Profit (loss) before taxes	**(25)**	**1**	**22**	**1**	**4**	**(57)**	**(42)**	**4**	**1**	**(91)**
Provision for (benefit from) taxes on profit	**(8)**	**-**	**8**	**-**	**2**	**2**	**(1)**	**-**	**-**	**3**
Net profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**
Net profit (loss)	**(17)**	**1**	**14**	**1**	**2**	**(58)**	**(41)**	**4**	**1**	**(93)**

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Real estate	Mortgages	Total
	For the three months ended 30 September 2012								
	NIS millions								
Net interest income:									
From external sources	(60)	-	-	(1)	8	-	-	10	(42)
Intersegmental	89	-	-	5	39	-	1	(7)	127
Non-interest income:									
From external sources	6	-	41	4	31	43	1	1	127
Intersegmental	1	1	-	-	2	-	-	-	4
Total income	36	1	41	8	80	43	2	4	216
Expenses in respect of credit losses	(1)	-	-	-	-	-	-	-	(1)
Operating and other expenses:									
To external sources	45	-	16	3	97	56	1	4	222
Intersegmental	1	-	-	-	(1)	1	-	-	1
Profit (loss) before taxes	(9)	1	25	5	(16)	(14)	1	-	(6)
Provision for (benefit from) taxes on profit	(3)	-	9	2	1	(1)	-	-	8
Profit (loss) after taxes	(6)	1	16	3	(17)	(13)	1	-	(14)
Net profit attributable to non-controlling interests	-	-	-	-	1	-	-	-	1
Net profit (loss)	(6)	1	16	3	(16)	(13)	1	-	(13)

Private Banking (cont.)

						Overseas activity				
	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Banking and finance	Capital market	Mortgages	Real estate	Total
	For the nine months ended 30 September 2013									
	NIS millions									
Net interest income:										
From external sources	**(131)**	**-**	**-**	**1**	**4**	**27**	**-**	**28**	**(1)**	**(72)**
Intersegmental	**191**	**-**	**-**	**-**	**5**	**114**	**-**	**(17)**	**3**	**296**
Non-interest income:										
From external sources	**(26)**	**1**	**128**	**-**	**12**	**113**	**144**	**3**	**-**	**375**
Intersegmental	**53**	**1**	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**60**
Total income	**87**	**2**	**128**	**1**	**21**	**260**	**144**	**14**	**2**	**659**
Expenses in respect of credit losses	**1**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**3**
Operating and other expenses:										
To external sources	**127**	**2**	**52**	**-**	**10**	**287**	**175**	**7**	**1**	**661**
Intersegmental	**1**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**3**
Profit (loss) before taxes	**(42)**	**-**	**76**	**1**	**10**	**(29)**	**(32)**	**7**	**1**	**(8)**
Provision for (benefit from) taxes on profit	**(14)**	**-**	**26**	**-**	**4**	**6**	**-**	**1**	**-**	**23**
Profit (loss) after taxes	**(28)**	**-**	**50**	**1**	**6**	**(35)**	**(32)**	**6**	**1**	**(31)**
Net profit attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**(3)**
Net profit (loss)	**(28)**	**-**	**50**	**1**	**6**	**(38)**	**(32)**	**6**	**1**	**(34)**
Return on equity										**(4.5%)**
Average balance of assets	**1,467**	**64**	**31**	**42**	**607**	**8,869**	**-**	**868**	**-**	**11,948**
Average balance of liabilities	**19,014**	**-**	**-**	**-**	**1,401**	**16,677**	**-**	**18**	**152**	**37,262**
Average balance of risk assets	**1,872**	**48**	**29**	**26**	**574**	**6,953**	**-**	**304**	**-**	**9,806**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**6,087**	**-**	**-**	**-**	**1,826**	**-**	**-**	**7,913**
Average balance of securities	**-**	**-**	**42,155**	**-**	**-**	**-**	**34,581**	**-**	**-**	**76,736**
Average balance of other assets under management	**210**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**210**
Balance of credit to the public	**1,110**	**64**	**38**	**39**	**698**	**4,055**	**-**	**836**	**-**	**6,840**
Balance of deposits of the public	**18,640**	**-**	**-**	**-**	**1,344**	**15,549**	**-**	**14**	**151**	**35,698**

Private Banking (cont.)

	Banking and finance	Credit cards	Capital market	Real estate	Mortgages	Overseas activity: Banking and finance	Overseas activity: Capital market	Overseas activity: Mortgages	Overseas activity: Real estate	Total
	For the nine months ended 30 September 2012									
	NIS millions									
Net interest income:										
From external sources	(169)	-	-	(3)	1	36	-	31	(1)	(105)
Intersegmental	267	-	-	12	-	114	-	(20)	3	376
Non-interest income:										
From external sources	9	-	117	9	-	139	146	4	1	425
Intersegmental	17	1	-	-	-	(1)	-	-	-	17
Total income	124	1	117	18	1	288	146	15	3	713
Expenses in respect of credit losses	(4)	-	-	-	-	4	-	-	-	-
Operating and other expenses:										
To external sources	131	1	48	8	-	302	171	10	2	673
Intersegmental	1	-	-	-	-	1	1	-	-	3
Profit (loss) before taxes	(4)	-	69	10	1	(19)	(26)	5	1	37
Provision for (benefit from) taxes on profit	(1)	-	23	4	-	2	(4)	1	-	25
Profit (loss) after taxes	(3)	-	46	6	1	(21)	(22)	4	1	12
Net loss attributable to non-controlling interests	-	-	-	-	-	1	-	-	-	1
Net profit (loss)	(3)	-	46	6	1	(20)	(22)	4	1	13
Return on equity										1.8%
Average balance of assets	1,931	51	10	388	33	9,155	-	1,062	-	12,630
Average balance of liabilities	19,527	-	9	1,349	-	18,550	-	15	193	39,643
Average balance of risk assets	2,231	43	8	426	25	7,669	-	372	-	10,774
Average balance of mutual funds and supplementary training funds	-	-	4,829	-	-	-	1,700	-	-	6,529
Average balance of securities	-	-	39,792	-	-	-	36,908	-	-	76,700
Average balance of other assets under management	231	-	-	-	-	-	-	-	-	231
Balance of credit to the public at 31 December 2012	1,775	64	44	423	44	4,919	-	901	-	8,170
Balance of deposits of the public at 31 December 2012	19,361	-	-	1,407	-	17,379	-	15	176	38,338

Private Banking (cont.)

Main changes in the scope of operations

Total credit to the public in the segment decreased by NIS 1.3 billion, or 16.3%, compared with the end of 2012, and total deposits of the public decreased by some NIS 2.6 billion, or 6.9%.

Main changes in net profit

In the first nine months of 2013, the loss in the private banking segment amounted to NIS 34 million, compared to a profit of NIS 13 million in the corresponding period in 2012. Most of the loss is attributable to the decrease in total income amounting to NIS 54 million from foreign activity.

6. Financial Management – Capital Markets

The following table sets out a summary of the profit and loss of the Financial Management segment – Capital Markets

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	**2013**	2012
	NIS millions		NIS millions	
Net interest income:				
From external sources	**(371)**	(28)	**(716)**	31
Intersegmental	**655**	149	**1,260**	325
Operating and other income:				
From external sources	**387**	235	**1,049**	492
Intersegmental	**(25)**	(51)	**(60)**	(155)
Total income	**646**	305	**1,533**	693
Expenses (income) in respect of credit losses	**1**	7	**(47)**	1
Operating and other expenses:				
To external sources	**421**	453	**967**	1,048
Intersegmental	**10**	11	**34**	32
Profit (loss) before taxes	**214**	(166)	**579**	(388)
Provision for (benefit from) taxes	**51**	(87)	**158**	(145)
Profit (loss) after taxes	**163**	(79)	**421**	(243)
Group share in profits (losses) of companies included on equity basis after effect of tax	**(19)**	108	**(132)**	132
Net profit (loss) attributed to non-controlling interests	**(2)**	(1)	**2**	(1)
Net profit (loss)	**142**	28	**291**	(112)

The profit in the financial management segment in the first nine months of 2013 amounted to NIS 291 million, compared with a loss of NIS 112 million in the corresponding period last year. The increase in the profit resulted primarily from an increase in noninterest income amounting to NIS 557 million, as a result of profits from the sale of shares and the sale of loans. On the other hand, allowances for impairment of a nature other than temporary in respect of an investment in the shares of Partner Communication were made in the financial management segment last year.

Companies included on equity basis (Non-Banking) – (reported in the Financial Management Sector)

Financial management segment – capital markets includes the results of the Group's investment in non-banking investments.

Leumi Group's total investments in companies included on equity basis amounted to NIS 1,944 million on 30 September 2013, compared with NIS 2,129 million on 31 December 2012.

Total investments in shares of companies included on equity basis (Table 13B - Basel II):

	Book value			**Market value**		**Capital adequacy requirements**	
	NIS millions			NIS millions		NIS millions	
Company	**30 September 2013**	31 December 2012	**% change**	**30 September 2013**	31 December 2012	**30 September 2013**	31 December 2012
The Israel Corporation Ltd.	**1,385**	1,567	(11.6)	**2,573**	3,367	**125**	141
Others	**559**	562	(0.5)	*** -**	* -	**50**	51
Total	**1,944**	2,129	(8.7)	**2,573**	3,367	**175**	192

* Of which, NIS 183 million at 30 September 2013 and NIS 208 million at 31 December 2012 is tradable.

The Israel Corporation has announced an examination of the split of its holdings, such that the Israel Corporation will continue to hold Israel Chemicals Ltd and Oil Refineries Ltd., while its remaining holdings will be transferred and held by all the shareholders in the Israel Corporation through a new company. The Bank is examining the impact of the split. For further information, see the Immediate Report of the Israel Corporation dated 26 June 2013 (ref.: 2013-01-073893).

At the end of July 2013, the Russian potassium producer, Uralkali, announced its withdrawal from the potassium marketing company, jointly owned by it and Belaruskali (BPC), through which the two producers, Uralkali and Belaruskali, will export their product outside of their countries. At the same time as the withdrawal notice, Uralkali also announced a change in its sales strategy and a switch to a policy of favoring quantity over price, taking full advantage of the company's production capacity. This announcement triggered a process of reduction in potassium prices in the markets and led to a deferral in the purchase of potassium by customers in expectation of further price decreases.

The contribution of companies included on equity basis to the Group's net profit in the first nine months of 2013 amounted to a loss of NIS 128 million, compared with a profit of NIS 132 million in the corresponding period last year.

The following table shows the companies' contribution to the Group's net profit (in NIS millions):

	For the nine months ended 30 September		
	2013	2012	% change
The Israel Corporation Ltd.	**(161)**	103	-
Others	**33**	29	13.8
Total	**(128)**	132	-

The contribution of companies included on equity basis to the other comprehensive income (loss) is a loss of NIS 11 million.

Holdings in Non-Banking Holding Corporations (Conglomerates)

The Bank's holdings in non-banking corporations are subject to restrictions set out in the Banking (Licensing) Law, 1981 ("the Banking Law"). The Banking Law determines, *inter alia*, in section 24A, that a banking corporation is entitled to hold more than 1% of the means of control in only one conglomerate (a corporation whose capital exceeds some NIS 2,000 million and operates in more than three sectors of the economy). The Bank has holdings in one conglomerate - the Israel Corporation Ltd.

7. Others - this segment includes activities not allocated to the other segments.
This segment includes the Group's other activities, none of which amounts to a reportable segment according to the directives of the Bank of Israel. This activity primarily includes that part of the operations of companies which do not belong to other segments. During the first nine months of 2013, the loss in the "Others" segment amounted to NIS 41 million, compared with a profit of NIS 1 million in the corresponding period last year.

The main cause of the negative effect on adjustments in taxes was the negative exchange rate differences in the current quarter compared with positive exchange rate differences in the corresponding period in 2012.

The following table sets out details of the main changes, in NIS millions:

	For the first nine months ended 30 September		Change in amount
	2013	2012	
Net profit in the Bank	**35**	11	24
Other companies in Israel	**11**	6	5
Overseas companies	**6**	(1)	7
Tax adjustments (1)	**(93)**	(15)	(78)
Total	**(41)**	1	(42)

(1) Tax differentials between tax calculations in the segments and the effective tax in the consolidated statements.

Activities in Products

A. Capital market activities - The Group's activities in the capital market include investment counseling, including counseling in relation to supplementary training funds, brokerage in the securities and financial instruments market, including activity carried out through the foreign currency dealing rooms and Israeli and foreign securities, brokerage and custody services, and banking and financial services for entities active in the capital market. A subsidiary company of Leumi Partners Ltd. engages in underwriting and distribution of public and private offerings.

The following tables set out details of the capital market operations as presented in the various operating segments:

	House-holds	Small businesses	Corporate banking	Commercial banking	Private banking	Financial management and others	Overseas activities	Total
	For the three months ended 30 September 2013							
	NIS millions							
Net interest income	**1**	**1**	**-**	**-**	**-**	**4**	**-**	**6**
Non-interest income	**102**	**6**	**4**	**11**	**39**	**27**	**46**	**235**
Total income	**103**	**7**	**4**	**11**	**39**	**31**	**46**	**241**
Operating and other expenses	**88**	**4**	**2**	**8**	**17**	**32**	**89**	**240**
Profit (loss) before taxes	**15**	**3**	**2**	**3**	**22**	**(1)**	**(43)**	**1**
Net profit (loss)	**9**	**2**	**1**	**2**	**14**	**-**	**(40)**	**(12)**

	House-holds	Small businesses	Corporate banking	Commercial banking	Private banking	Financial management and others	Overseas activities	Total
	For the three months ended 30 September 2012							
	NIS millions							
Net interest income	1	-	-	-	-	1	-	2
Non-interest income	111	5	4	11	41	26	47	245
Total income	112	5	4	11	41	27	47	247
Operating and other expenses	75	3	4	15	16	28	59	200
Profit (loss) before taxes	37	2	-	(4)	25	(1)	(12)	47
Net profit (loss)	24	1	-	(3)	16	-	(12)	26

	House-holds	Small businesses	Corporate banking	Commercial banking	Private banking	Financial management and others	Overseas activities	Total
	For the nine months ended 30 September 2013							
	NIS millions							
Net interest income	**3**	**1**	**-**	**-**	**-**	**4**	**-**	**8**
Noninterest income	**316**	**19**	**12**	**32**	**128**	**88**	**154**	**749**
Total income	**319**	**20**	**12**	**32**	**128**	**92**	**154**	**757**
Operating and other expenses	**273**	**11**	**5**	**28**	**52**	**102**	**184**	**655**
Profit (loss) before taxes	**46**	**9**	**7**	**4**	**76**	**(10)**	**(30)**	**102**
Net profit (loss)	**29**	**6**	**4**	**3**	**50**	**(5)**	**(29)**	**58**

	House-holds	Small businesses	Corporate banking	Commercial banking	Private banking	Financial management and others	Overseas activities	Total
	For the nine months ended 30 September 2012							
	NIS millions							
Net interest income	2	1	-	-	-	4	-	7
Noninterest income	340	17	11	32	117	72	157	746
Total income	342	18	11	32	117	76	157	753
Operating and other expenses	229	8	12	41	48	79	179	596
Profit (loss) before taxes	113	10	(1)	(9)	69	(3)	(22)	157
Net profit (loss)	49	7	(1)	(6)	46	(1)	(19)	99

In the first nine months of 2013, net profit from capital market operations amounted to NIS 58 million, compared with NIS 99 million in the corresponding period in 2012.

B. Credit Cards - Leumi Card

This activity includes mainly the issue of credit cards to private customers and voucher clearing services for businesses.

The principal credit card activities are carried out by the subsidiary, Leumi Card, which engages in the issue of credit cards, the provision of voucher clearing services and the development of payment solutions.

Leumi Card ended the first nine months of 2013 with a net profit of NIS 157 million, compared with a profit of NIS 142 million in the corresponding period in 2012.

During the first nine months of 2013, the volume of activity by Leumi Card cardholders increased by 7% compared with the activity in the corresponding period in 2012. The number of valid cards at 30 September 2013 increased by 6% compared with 30 September 2012.

On 17 April 2012, a license agreement was signed by Leumi Card and Isracard Ltd., by virtue of which Leumi Card was granted a clearing and issuing license and the option for providing services for debit cards under the brand name of Isracard. The agreement was in force from 15 May 2012.

Pursuant to the license agreement, the activity of clearing the cards under the Isracard brand is conducted in a similar fashion to the clearing of cards in the joint interface between credit card companies in the sector for clearing Visa and Mastercard cards. It should be noted that Cal signed a license agreement with Isracard.

It should be noted that according to a later agreement between Leumi Card and Isracard, the commercial terms granted to Leumi Card were equalized to those granted to Cal.

The agreement includes, mainly, the economic conditions for clearing the "Isracard" brand, and pursuant thereto, a graded license was determined, in accordance with the amounts to be actually cleared by the company.

At the request of the Antitrust Commissioner ("the Commissioner"), the agreements were transferred to a process of granting an exemption from a restrictive arrangement. Further, the Commissioner decided to grant an exemption to the license agreements. However, he conditioned this on the license fee commission provided in the license agreements will change and be at a different rate from that stipulated in the agreement. It should be noted that as a result of requests from Mastercard Worldwide and Isracard, the rate of the license fee commission remains at an exemption – confidential.

Isracard has announced that it disagrees with the Commissioner's position, and as a result, in February 2013, applied to the Restrictive Practices Court, with a request to approve the rate of the license fee commission as originally decided between it and the other credit card companies.

The following tables set out details of credit card activity as presented in the various operating segments:

	Households	Small businesses	Corporate banking	Commercial banking	Private banking	Total
	For the three months ended 30 September 2013					
	NIS millions					
Net interest income	**51**	**6**	**5**	**2**	**-**	**64**
Noninterest income	**180**	**19**	**27**	**10**	**2**	**238**
Total income	**231**	**25**	**32**	**12**	**2**	**302**
Expenses (income) in respect of credit losses	**1**	**-**	**(1)**	**(1)**	**-**	**(1)**
Operating and other expenses	**161**	**15**	**22**	**8**	**1**	**207**
Profit before taxes	**69**	**10**	**11**	**5**	**1**	**96**
Share of external shareholders	**(8)**	**(1)**	**(1)**	**(1)**	**-**	**(11)**
Net profit	**42**	**5**	**7**	**2**	**1**	**57**

	Households	Small businesses	Corporate banking	Commercial banking	Private banking	Total
	For the three months ended 30 September 2012					
	NIS millions					
Net interest income	50	5	5	1	-	61
Non-interest income	175	16	24	12	1	228
Total income	225	21	29	13	1	289
Expenses (income) in respect of credit losses	7	(1)	-	-	-	6
Operating and other expenses	160	15	19	8	-	202
Profit before taxes	58	7	10	5	1	81
Share of external shareholders	(7)	(1)	(2)	-	-	(10)
Net profit	35	4	5	3	1	48

	Households	Small businesses	Corporate banking	Commercial banking	Private banking	Total
	For the nine months ended 30 September 2013					
	NIS millions					
Net interest income	**153**	**15**	**14**	**6**	**-**	**188**
Noninterest income	**507**	**55**	**77**	**33**	**2**	**674**
Total income	**660**	**70**	**91**	**39**	**2**	**862**
Expenses (income) in respect of credit losses	**9**	**(1)**	**(2)**	**(1)**	**-**	**5**
Operating and other expenses	**494**	**46**	**60**	**24**	**2**	**626**
Profit before taxes	**157**	**25**	**33**	**16**	**-**	**231**
Share of external shareholders	**(21)**	**(3)**	**(5)**	**(3)**	**-**	**(32)**
Net profit	**93**	**15**	**19**	**9**	**-**	**136**

	Households	Small businesses	Corporate banking	Commercial banking	Private banking	Total
	For the nine months ended 30 September 2012					
	NIS millions					
Net interest income	149	14	15	6	-	184
Noninterest income	507	46	66	28	1	648
Total income	656	60	81	34	1	832
Expenses in respect of credit losses	14	-	1	-	-	15
Operating and other expenses	457	41	55	22	1	576
Profit before taxes	185	19	25	12	-	241
Share of external shareholders	(22)	(2)	(4)	(1)	-	(29)
Net profit	107	11	15	8	-	141

The net profit from credit card activity in the first nine months of 2013 amounted to NIS 136 million, compared with NIS 141 million in the corresponding period in 2012.

C. Real Estate

	Small businesses	Corporate banking	Commercial banking	Private banking	Overseas activities	Total
	For the three months ended 30 September 2013					
	NIS millions					
Net interest income	**57**	**126**	**42**	**3**	**31**	**259**
Non-interest income	**19**	**70**	**14**	**4**	**2**	**109**
Total income	**76**	**196**	**56**	**7**	**33**	**368**
Expenses (income) in respect of credit losses	**3**	**(5)**	**(6)**	**-**	**3**	**(5)**
Operating and other expenses	**32**	**43**	**17**	**3**	**11**	**106**
Profit (loss) before taxes	**41**	**158**	**45**	**4**	**19**	**267**
Net profit	**26**	**99**	**28**	**2**	**11**	**166**

	Small businesses	Corporate banking	Commercial banking	Private banking	Overseas activities	Total
	For the three months ended 30 September 2012					
	NIS millions					
Net interest income	53	119	50	4	29	255
Non-interest income	16	67	14	4	15	116
Total income	69	186	64	8	44	371
Expenses in respect of credit losses	8	26	5	-	11	50
Operating and other expenses	28	36	15	3	15	97
Profit before taxes	33	124	44	5	18	224
Net profit	22	80	29	3	12	146

	Small businesses	Corporate banking	Commercial banking	Private banking	Overseas activities	Total
	For the nine months ended 30 September 2013					
	NIS millions					
Net interest income	**165**	**367**	**143**	**9**	**79**	**763**
Noninterest income	**56**	**201**	**41**	**12**	**9**	**319**
Total income	**221**	**568**	**184**	**21**	**88**	**1,082**
Expenses (income) in respect of credit losses	**17**	**(84)**	**(1)**	**1**	**113**	**46**
Operating and other expenses	**96**	**131**	**45**	**10**	**34**	**316**
Profit (loss) before taxes	**108**	**521**	**140**	**10**	**(59)**	**720**
Net profit (loss)	**69**	**332**	**89**	**6**	**(49)**	**447**

	Small businesses	Corporate banking	Commercial banking	Private banking	Overseas activities	Total
	For the nine months ended 30 September 2012					
	NIS millions					
Net interest income	154	388	152	9	88	791
Noninterest income	48	182	40	9	32	311
Total income	202	570	192	18	120	1,102
Expenses (income) in respect of credit losses	6	(98)	4	-	11	(77)
Operating and other expenses	79	107	49	8	43	286
Profit before taxes	117	561	139	10	66	893
Net profit	76	363	90	6	46	581

Net profit from real estate activity in the first nine months of 2013 amounted to NIS 447 million, compared to NIS 581 million in the corresponding period last year, the decrease deriving mainly from expenses in respect of credit losses recorded this year, compared with income in respect of credit losses in 2012.

Profit Centers in the Group

The following table sets out details of the contribution of the Group's major profit centers to net profit:

	For the first nine months of		
	2013	2012	Change
	NIS millions		%
The Bank (4)	**1,414**	464	+
Consolidated companies in Israel (1) (4)	**456**	436	4.5
Overseas consolidated companies (2)	**(115)**	188	-
Companies included on equity basis (1)	**(156)**	102	-
Net profit	**1,599**	1,190	34.4
Profit (loss) of overseas subsidiaries, in nominal terms (US$ millions) (3)	**9.5**	40.3	(76.4)

(1) Companies included on equity basis belonging to Israeli companies are included in the data of the consolidated companies in Israel.
(2) After certain adjustments to Israeli accounting principles.
(3) As reported by the overseas subsidiaries, including non-controlling interests.
(4) The profits of Leumi Mortgage Bank for the first nine months of 2013 were included with the profits of the Bank. In the first nine months of 2012, NIS 241 million were included in the profits of consolidated subsidiaries in Israel.

The following are the main changes in the contribution of the profit centers (after translation adjustments):

- The increase in the net profit of the Bank is mainly due to an increase in noninterest income and a decrease in expenses in respect of credit losses, partly offset by an increase in other operating expenses. In addition, there was an increase in net profit due to the merger of Leumi Mortgage Bank and the inclusion of its profits as part of the profits of the Bank.
  Most of the explanations for the abovementioned changes, which derive mainly from the Bank's results, are presented above in the chapter "Development of Income, Expenses, and Tax Provision" as part of the discussion on the Group's results.

- The increase in the net profit of consolidated companies in Israel derives mainly from an increase in the profits of Leumi Partners and Leumi Card.

- The loss of overseas subsidiaries derives mainly to an increase in credit loss expenses in the United Kingdom and United States offices.

- The increase in the loss of companies included on equity basis derives from an increase in the losses of the Israel Corporation.

The profit of the overseas units in nominal terms, as published by them, translated for convenience to US dollars, totaled some US$ 9 million, compared with a net profit of US$ 40 million in the corresponding period in 2012. The contribution of the overseas units in shekels, after certain adjustments to Israeli accounting principles, amounted to a loss of NIS 115 million, compared with a profit of NIS 188 million in the corresponding period in 2012.

Activities of Major Investee Companies

General

The Bank Leumi Group operates in Israel and abroad through subsidiaries, comprising banks, finance companies and financial service companies. The Group also invests in non-banking corporations engaged in the fields of insurance, energy, chemicals, infrastructure and real estate.

Consolidated Companies in Israel

The Bank's investments in consolidated companies in Israel amounted to NIS 5,198 million on 30 September 2013, compared with NIS 4,796 million on 31 December 2012. The contribution of the subsidiaries in Israel to net profit in the first nine months of 2013 was some NIS 456 million, compared with some NIS 436 million in the corresponding period in 2012, an increase of 4.5%, after canceling the effect of Leumi Mortgage Bank, an increase of NIS 261 million.

The following table sets out the contribution of the major consolidated companies in Israel to the net profit of the Group:

	Return on Group investment		Contribution to Group profit (1)		
	For the period ended 30 September				Rate of change
	2013	2012	**2013**	2012	
	%		NIS millions		%
Leumi Mortgage Bank (2)	**-**	11.5	**-**	241.3	-
Arab Israel Bank	**22.9**	24.3	**80.0**	78.9	1.4
Leumi Card	**17.0**	17.4	**126.1**	113.5	11.1
Leumi Partners (3)	**55.4**	-	**189.9**	(68.8)	+
Leumi Real Holdings	**1.2**	3.3	**8.0**	22.3	(64.1)
Leumi Leasing and Investments	**2.7**	3.2	**19.3**	22.7	(15.0)
Others	**4.3**	3.7	**32.9**	26.6	23.7
Total consolidated companies in Israel	**12.6**	8.0	**456.2**	436.5	4.5
Total consolidated companies in Israel after canceling the effect of Leumi Mortgage Bank	**12.6**	5.8	**456.2**	195.2	+

(1) The profit (loss) presented is according to the Group's share in the results.
(2) Activity merged with that of the Bank on 31 December 2012.
(3) Including the profit and/or loss of associate companies of Leumi Partners.

Overseas Consolidated Companies

The Bank's investments in overseas consolidated companies amounted to NIS 4,611 million on 30 September 2013, compared with NIS 4,940 million on 31 December 2012.

In the first nine months of 2013, the contribution of overseas consolidated subsidiaries to the net operating profit of the Group amounted to a loss of NIS 115 million, compared with a profit of NIS 188 million in the corresponding period in 2012.

The following table sets out the contribution of the principal overseas consolidated companies to the net profit of the Group:

	Return on the Group's investment		Contribution to the Group's profit		
	For the period ended 30 September				Rate of change
	2013	2012	**2013**	2012	
	%		NIS millions		%
Leumi USA (BLC) *	**1.7**	3.5	**31.2**	66.6	(53.2)
Leumi UK*	**-**	21.3	**(90.1)**	118.7	-
Leumi Private Bank **	**-**	-	**(61.8)**	(22.4)	-
Leumi Luxembourg	**6.5**	15.7	**7.4**	15.8	(53.2)
Leumi Re	**0.6**	3.4	**0.4**	2.1	-
Leumi Romania	**-**	4.9	**(1.6)**	8.9	-
Others	**-**	2.0	**(0.7)**	(1.8)	+
Total overseas consolidated companies	**-**	5.2	**(115.2)**	187.9	-

* The decrease in the profits of the offices in the United States and the United Kingdom derives from expenses in respect of credit losses recorded in the offices.

** Including amortization of goodwill not attributed.

The following table sets out details of the net profit of the overseas subsidiaries as reported by them:

	For the nine months ended 30 September		
	2013	2012	Change
	In millions		%
Leumi USA (BLC) - US$	**8.8**	17.6	(50.0)
Of which: BL USA - US$	**8.5**	17.1	(50.3)
Leumi UK - £	**(8.4)**	10.1	-
Leumi Private Bank - CHF	**5.7**	(1.5)	+
Leumi Luxembourg - €	**2.5**	2.4	4.2
Leumi Re - US$	**2.4**	1.5	60.0
Leumi Romania – ron	**6.5**	12.8	(49.2)
Total translated to the dollar	**9.5**	40.3	(76.4)

* 1 ron = NIS 1.069

Towards the end of 2012, Bank Leumi USA (BLUSA) began to implement the "Running for 10" strategic plan, which includes a number of initiatives intended to improve the Bank's long-term profitability by strengthening its business focus, improving its abilities and core systems and operating efficiency. As part of this program, BLUSA entered into a number of agreements in connection with the sale of its interests in two buildings in New York. The execution of the agreements is contingent on complex commercial agreements, which, if all of them are fulfilled, BLUSA believes that the sale is likely to take place by the end of 2015. In view of the uncertainty, it is not possible, at this stage, to provide a reliable estimate of the expected profit from the sale, if such sale does take place.

On 25 June 2013, approval was received from of the regulatory authority in China (the China Banking Regulatory Commission), to establish a representative office in China. On 6 September 2013, the Bank's representative office was opened China with the approval of the Shanghai Administration for Industry and Commerce, which is entrusted with the supervision and compliance of businesses in the Shanghai region.

For information regarding legal actions and other matters connected to consolidated companies, see Note 6 to the Financial Statements.

Activities of Companies Included on Equity Basis

Total investments of the Group in companies included on equity basis on 30 September 2013 amounted to NIS 1,944 million, compared with NIS 2,129 million on 31 December 2012.

During the first nine months of 2013, the contribution to net profit amounted to a loss of NIS 128 million, compared with a profit of NIS 132 million in the corresponding period in 2012.

Risk Exposure and Risk Management

This section is set out in more detail in the 2012 Financial Statements (pages 182-243), and should therefore be read in conjunction with the above Annual Report.

Main changes in the risk environment

The Bank's main risk focal points and challenges are contending with the global and local regulation and its effect on the Bank's activity, capital and profit, volatility in the financial markets in Israel and around the world, particularly, the changes in long-term interest rates, which derive from the uncertainty with regard to continuation of the Federal Reserve's quantitative easing. Additional topics in focusing are the appreciation of the exchange rate of the shekel for leading currencies, which continue to hamper export-biased companies, and fluctuations in the price of goods, which impair profitability of companies that are dependent on the price of ore, gas and oil. Bank Leumi continues to monitor the risk in accordance with policy determined for managing and minimizing the risks.

Table of severity of risk factors

There has been no change in the classification of the severity of the risk factors in relation to the table published in the 2012 Annual Report on page 187.

Basel directives and preparations in Leumi

The financial statement data of Leumi, the calculation of the risk assets and capital adequacy ratio as of 30 September 2013 were computed and presented in accordance with the directives required pursuant to the rules of the standardized approach in Basel II. According to the Group's assessment, the capital adequacy ratio covers the capital required in respect of the First and Second Pillars, including the stress scenarios used by the Group in its internal assessments. Details regarding the Basel directives, the ICAAP and Basel III appear in the Annual Report on pages 190-193.

On 30 May 2013, the Bank of Israel published final instructions for the adoption of the Basel III directives in Israel. The directives will come into force on 1 January 2014. The changes in the directives vis-à-vis the drafts are not material, relating mainly to the change in incidence, including the transition period relating to the regulatory adjustments to and deductions from capital, minimum interests, the balance of other comprehensive income or loss in respect of a defined employee benefit, and to weight a surplus investment in a single non-bank corporation.

On 29 August 2013, the Bank of Israel published a draft relating to the disclosure requirements of Basel III relating to the composition of capital. The way in which the requirements will be implemented is currently being examined.

According to an estimate, based upon the Bank's interpretation of the Bank of Israel's directives, relating to the adoption of the Basel III directives, assuming full and immediate implementation (without taking into account the transitional provisions), on 30 September 2013, the Tier 1 shareholders' equity ratio of Leumi Group was 8.89%, compared with 9.28%, according to the Basel II directives. The reduction in the capital adequacy ratio derives mainly from an increase in the risk assets, which is mainly the effect of a surplus investment in a single non-banking corporation (a decrease of some 0.02%), and the effect of deferred taxes, a collective allowance and counterparty risk in derivatives. The increase in risk assets was partly offset as a result of the association of the positive capital reserve in respect of available-for-sale securities with Tier 1 shareholders' equity (an increase of some 0.06%). On the other hand, a number of interpretations, mainly relating to cross-holdings in a financial corporation and investments in capital components of financial corporations, which have not been included in the abovementioned ratio, have not yet been clarified.

In addition, on 30 May 2013, the Bank of Israel published the provisions of Proper Conduct of Banking Business Regulation No. 333 for Interest Risk Management, which is based mainly on the principles of Basel for the management and supervision of interest risk, which were published in 2004 and generally accepted standards throughout the world. The directive comes into effect on 1 July 2014. The Bank is prepared accordingly.

In the Report of the Board of Directors and in the financial statements, certain required data have been expanded and/or added pursuant to the Third Pillar of Basel II, in accordance with the regulations of the Supervisor of Banks, as set forth below:

Subject	Table	Report of the Board of Directors	Financial Statements
General	1	-	
Capital structure (quantitative and qualitative)	2	Page 9	Note 4
Capital adequacy (quantitative and qualitative)	3	Page 10	-
Risk exposures and its assessment – general qualitative disclosure		-	-
Credit risk exposures by main credit	4(b)	Page 97	-
Exposures to foreign countries by geographical region	4(c)	Page 112	Exhibit D
Credit risk exposures by counterparty and main credit type	4(d)	Pages 97-98	-
Credit exposures by period to maturity	4(e)	Page 99	-
Problem credit risk exposure and expenses for credit losses by market sector	4(f)	-	Exhibit C
Amount of impaired loans and provisions by geographical region	4(g)	-	Exhibit D
Change in allowance for credit loss balances	4(h)	-	Note 3A1
Credit exposures by weight of risk	5	Pages 100-104	-
Credit risk mitigation (qualitative and quantitative)	7	Pages 105-106	-
Credit exposures in derivatives of counterparty (qualitative and quantitative)	8	Pages 107-109	-
Securitization (qualitative and quantitative)	9(f) 9(g)	Page 52 Page 53	Note 2
Market risk (qualitative and quantitative)	10	Page 114-115	-
Operational risk- qualitative disclosure	12	Page 124	-
Investment in shares (qualitative and quantitative)	13(b)	Page 55	-
Investments in shares of companies included on equity basis	13(b)	Page 84	-
Interest risk	14	Pages 117-118	Exhibit B

Credit risk

This chapter is provided in great detail in the 2012 Annual Report (pages 194-198) and therefore, should be read in conjunction therewith.

1. Exposure and management of credit risks to the public

Credit risk exposures by main type of credit exposure (Table 4(b) – Basel II):

Type of credit exposure	**30 September 2013**	30 September 2012	31 December 2012	**30 September 2013**	30 September 2012	31 December 2012
	Gross credit risk exposure			Average gross credit risk exposure		
	NIS million			NIS million		
Credit	**282,554**	290,323	297,282	**289,163**	289,641	291,169
Debentures	**46,933**	44,651	43,043	**44,001**	42,295	42,445
Others	**16,454**	14,924	15,530	**15,949**	14,281	14,531
Guarantees and liabilities on account of customers	**116,806**	120,776	117,189	**118,236**	117,562	117,487
Transactions in derivative financial instruments	**6,502**	7,024	6,396	**6,895**	7,241	7,072
Total	**469,249**	477,698	479,440	**474,244**	471,020	472,704

Credit risk exposures by counterparty and main credit type (Table 4(d) - Basel II):

	30 September 2013					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Sovereign debts	**30,282**	**31,389**	**-**	**692**	**97**	**62,910**
Debts of public-sector entities	**3,256**	**5,358**	**-**	**122**	**28**	**8,764**
Debts of banking corporations	**8,225**	**3,621**	**-**	**1,849**	**2,465**	**16,160**
Debts of securities companies	**-**	**288**	**-**	**-**	**-**	**288**
Debts of corporations	**108,711**	**3,641**	**-**	**73,562**	**3,810**	**189,724**
Debts collateralized by commercial real estate	**16,350**	**-**	**-**	**2,036**	**-**	**18,386**
Retail exposures to individuals	**32,762**	**-**	**-**	**29,300**	**97**	**62,159**
Loans to small businesses	**14,813**	**-**	**-**	**4,427**	**5**	**19,245**
Housing mortgages	**68,155**	**-**	**-**	**4,818**	**-**	**72,973**
Securitization	**-**	**2,186**	**-**	**-**	**-**	**2,186**
Other assets	**-**	**-**	**16,454**	**-**	**-**	**16,454**
Total credit risk	**282,554**	**46,933**	**16,454**	**116,806**	**6,502**	**469,249**

	30 September 2012					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Sovereign debts	35,186	32,146	-	163	27	67,522
Debts of public-sector entities	3,269	2,880	-	157	34	6,340
Debts of banking corporations	10,400	4,281	-	1,980	2,173	18,834
Debts of corporations	119,073	3,787	-	79,072	4,723	206,655
Debts collateralized by commercial real estate	18,504	-	-	1,991	-	20,495
Retail exposures to individuals	28,342	-	-	28,914	64	57,320
Loans to small businesses	13,663	-	-	4,138	3	17,804
Housing mortgages	61,886	-	-	4,361	-	66,247
Securitization	-	1,557	-	-	-	1,557
Other assets	-	-	14,924	-	-	14,924
Total credit risk	290,323	44,651	14,924	120,776	7,024	477,698

	31 December 2012					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Sovereign debts	41,551	30,875	-	217	27	72,670
Debts of public-sector entities	3,339	3,400	-	114	19	6,872
Debts of banking corporations	11,193	2,947	-	2,100	2,241	18,481
Debts of corporations	116,037	4,100	-	75,217	4,022	199,376
Debts collateralized by commercial real estate	18,582	-	-	1,606	-	20,188
Retail exposures to individuals	29,941	-	-	27,998	84	58,023
Loans to small businesses	13,795	-	-	4,164	3	17,962
Housing mortgages	62,844	-	-	5,773	-	68,617
Securitization	-	1,721	-	-	-	1,721
Other assets	-	-	15,530	-	-	15,530
Total credit risk	297,282	43,043	15,530	117,189	6,396	479,440

Distribution of portfolio by repayment period and by main types of credit exposure – (Table 4(e) – Basel II):

	30 September 2013					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Up to one year	**136,565**	**23,854**	**3,504**	**71,116**	**3,804**	**238,843**
From one to five years	**68,934**	**10,317**	**1,168**	**27,430**	**5,405**	**113,254**
More than five years	**76,670**	**12,762**	**3,336**	**18,260**	**6,597**	**117,625**
Non-monetary items	**385**	**-**	**8,446**	**-**	**2,670**	**11,501**
Benefits for offset	**-**	**-**	**-**	**-**	**(11,974)**	**(11,974)**
Total	**282,554**	**46,933**	**16,454**	**116,806**	**6,502**	**469,249**

	30 September 2012					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Up to one year	153,345	21,587	3,238	78,546	4,097	260,813
From one to five years	65,088	13,168	746	27,204	4,089	110,295
More than five years	71,854	9,896	2,653	15,026	6,621	106,050
Non-monetary items	36	-	8,287	-	2,441	10,764
Benefits for offset	-	-	-	-	(10,224)	(10,224)
Total	290,323	44,651	14,924	120,776	7,024	477,698

	31 December 2012					
	Credit	Bonds	Others	Guarantees and other obligations	Transactions in financial derivative instruments	Total
	NIS millions					
Up to one year	156,095	20,874	2,796	75,118	4,364	259,247
From one to five years	68,517	13,879	1,427	26,576	4,794	115,193
More than five years	72,350	8,290	2,972	15,495	6,641	105,748
Non-monetary items	320	-	8,335	-	2,340	10,995
Benefits for offset	-	-	-	-	(11,743)	(11,743)
Total	297,282	43,043	15,530	117,189	6,396	479,440

Credit risk according to the standardized approach (Table 5 – Basel II)*:

The tables below set forth details of gross credit exposure according to risk weighting, the exposure being distributed by the counterparty, before and after mitigation of credit risk in respect of recognized collateral.

* See details above in Tables 4(b) and 4(d).

Amount of exposure before expenses in respect of credit losses and before mitigation of credit risk (2):

	30 September 2013											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Gross credit exposure (1)
	NIS millions											
Sovereign debts	**60,009**	**2,202**	**-**	**-**	**401**	**-**	**298**	**-**	**-**	**-**	**-**	**62,910**
Debts of public-sector entities	**-**	**5,328**	**-**	**-**	**3,433**	**-**	**2**	**1**	**-**	**-**	**-**	**8,764**
Debts of banking corporations	**646**	**12,643**	**-**	**-**	**1,967**	**-**	**904**	**-**	**-**	**-**	**-**	**16,160**
Debts of securities companies	**-**	**288**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**288**
Debts of corporations	**-**	**1,209**	**-**	**-**	**654**	**-**	**184,050**	**3,811**	**-**	**-**	**-**	**189,724**
Debts collateralized by commercial real estate	**-**	**-**	**-**	**-**	**-**	**-**	**17,622**	**764**	**-**	**-**	**-**	**18,386**
Retail exposures to individuals	**-**	**-**	**-**	**-**	**-**	**61,765**	**206**	**188**	**-**	**-**	**-**	**62,159**
Loans to small businesses	**-**	**-**	**-**	**-**	**-**	**18,912**	**123**	**210**	**-**	**-**	**-**	**19,245**
Housing mortgages	**-**	**-**	**39,163**	**-**	**4,577**	**23,240**	**5,782**	**211**	**-**	**-**	**-**	**72,973**
Securitization	**-**	**1,260**	**-**	**346**	**308**	**-**	**236**	**-**	**30**	**-**	**6**	**2,186**
Other assets	**2,412**	**-**	**-**	**-**	**-**	**-**	**13,606**	**436**	**-**	**-**	**-**	**16,454**
Total	**63,067**	**22,930**	**39,163**	**346**	**11,340**	**103,917**	**222,829**	**5,621**	**30**	**-**	**6**	**469,429**

(1) Before conversion to credit of off-balance sheet components, as required in the Basel II Directives (e.g. weighting of unutilized facilities) and before mitigation of credit risk as a result of performing certain transactions (e.g. by the use of guarantees).

(2) The mitigation of credit risk expresses the final classification of the risk weighting between the various rates.

The above comments relate to the table in the chapter "Credit Risk according to the Standardized Approach (Table 5 – Basel II)".

Amount of exposure after expenses in respect of credit losses and before mitigation of credit risk (2):

	30 September 2013											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Gross credit exposure (1)
	NIS millions											
Sovereign debts	**60,009**	**2,202**	**-**	**-**	**401**	**-**	**298**	**-**	**-**	**-**	**-**	**62,910**
Debts of public-sector entities	**-**	**5,328**	**-**	**-**	**3,433**	**-**	**2**	**1**	**-**	**-**	**-**	**8,764**
Debts of banking corporations	**646**	**12,642**	**-**	**-**	**1,964**	**-**	**904**	**-**	**-**	**-**	**-**	**16,156**
Debts of securities companies	**-**	**288**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**288**
Debts of corporations	**-**	**1,209**	**-**	**-**	**654**	**-**	**181,634**	**3,701**	**-**	**-**	**-**	**187,198**
Debts collateralized by commercial real estate	**-**	**-**	**-**	**-**	**-**	**-**	**17,548**	**723**	**-**	**-**	**-**	**18,271**
Retail exposures to individuals	**-**	**-**	**-**	**-**	**-**	**61,422**	**130**	**185**	**-**	**-**	**-**	**61,737**
Loans to small businesses	**-**	**-**	**-**	**-**	**-**	**18,711**	**55**	**209**	**-**	**-**	**-**	**18,975**
Housing mortgages	**-**	**-**	**39,013**	**-**	**4,559**	**23,197**	**5,514**	**203**	**-**	**-**	**-**	**72,486**
Securitization	**-**	**1,260**	**-**	**346**	**308**	**-**	**236**	**-**	**30**	**-**	**6**	**2,186**
Other assets	**2,412**	**-**	**-**	**-**	**-**	**-**	**13,606**	**436**	**-**	**-**	**-**	**16,454**
Total	**63,067**	**22,929**	**39,013**	**346**	**11,319**	**103,330**	**219,927**	**5,458**	**30**	**-**	**6**	**465,425**

Amount of exposure after expenses in respect of credit losses and after mitigation of credit risk (2):

	30 September 2013											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Gross credit exposure (1)
	NIS millions											
Sovereign debts	**66,521**	**2,202**	**-**	**-**	**394**	**-**	**223**	**-**	**-**	**-**	**-**	**69,340**
Debts of public-sector entities	**491**	**2,365**	**-**	**-**	**3,429**	**-**	**2**	**1**	**-**	**-**	**-**	**6,288**
Debts of banking corporations	**646**	**10,893**	**-**	**-**	**2,019**	**-**	**822**	**-**	**-**	**-**	**-**	**14,380**
Debts of securities company	**-**	**288**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**288**
Debts of corporations	**-**	**1,074**	**-**	**-**	**654**	**-**	**165,862**	**3,594**	**-**	**-**	**-**	**171,184**
Debts collateralized by commercial real estate	**-**	**-**	**-**	**-**	**-**	**-**	**16,851**	**723**	**-**	**-**	**-**	**17,574**
Retail exposures to individuals	**-**	**-**	**-**	**-**	**-**	**59,195**	**114**	**182**	**-**	**-**	**-**	**59,491**
Loans to small businesses	**-**	**-**	**-**	**-**	**-**	**16,253**	**49**	**202**	**-**	**-**	**-**	**16,504**
Housing mortgages	**-**	**-**	**39,008**	**-**	**4,556**	**23,098**	**5,512**	**203**	**-**	**-**	**-**	**72,377**
Securitization	**-**	**1,260**	**-**	**346**	**308**	**-**	**236**	**-**	**30**	**-**	**6**	**2,186**
Other assets	**2,412**	**-**	**-**	**-**	**-**	**-**	**13,606**	**436**	**-**	**-**	**-**	**16,454**
Total	**70,070**	**18,082**	**39,008**	**346**	**11,360**	**98,546**	**203,277**	**5,341**	**30**	**-**	**6**	**446,066**

Amount of exposure before expenses in respect of credit losses and before mitigation of credit risk (2):

	30 September 2012									
	0%	20%	35%	50%	75%	100%	150%	350%	Deduction from capital	Gross credit exposure (1)
	NIS millions									
Sovereign debts	64,255	2,546	-	406	-	315	-	-	-	67,522
Debts of public-sector entities	-	2,857	-	3,482	-	-	1	-	-	6,340
Debts of banking corporations	-	14,539	-	3,345	-	928	22	-	-	18,834
Debts of corporations	-	339	-	1,252	-	200,427	4,637	-	-	206,655
Debts collateralized by commercial real estate	-	-	-	-	-	20,016	479	-	-	20,495
Retail exposures to individuals	-	-	-	-	56,995	149	176	-	-	57,320
Loans to small businesses	-	-	-	-	17,392	256	156	-	-	17,804
Housing mortgages	-	-	41,505	-	18,158	6,387	197	-	-	66,247
Securitization	-	1,143	-	334	-	21	-	2	57	1,557
Other assets	2,787	-	-	-	-	11,700	437	-	-	14,924
Total	67,042	21,424	41,505	8,819	92,545	240,199	6,105	2	57	477,698

Amount of exposure after expenses in respect of credit losses and before mitigation of credit risk (2):

	30 September 2012									
	0%	20%	35%	50%	75%	100%	150%	350%	Deduction from capital	Gross credit exposure (1)
	NIS millions									
Sovereign debts	64,253	2,546	-	406	-	315	-	-	-	67,520
Debts of public-sector entities	-	2,856	-	3,479	-	-	1	-	-	6,336
Debts of banking corporations	-	14,536	-	3,345	-	928	22	-	-	18,831
Debts of corporations	-	339	-	1,252	-	197,781	4,566	-	-	203,938
Debts collateralized by commercial real estate	-	-	-	-	-	19,970	479	-	-	20,449
Retail exposures to individuals	-	-	-	-	56,658	96	173	-	-	56,927
Loans to small businesses	-	-	-	-	17,209	107	154	-	-	17,470
Housing mortgages	-	-	41,407	-	18,109	6,087	181	-	-	65,784
Securitization	-	1,143	-	334	-	21	-	2	57	1,557
Other assets	2,787	-	-	-	-	11,699	437	-	-	14,923
Total	67,040	21,420	41,407	8,816	91,976	237,004	6,013	2	57	473,735

Amount of exposure after expenses in respect of credit losses and after mitigation of credit risk (2):

	30 September 2012									
	0%	20%	35%	50%	75%	100%	150%	350%	Deduction from capital	Gross credit exposure (1)
	NIS millions									
Sovereign debts	66,928	2,546	-	406	-	255	-	-	-	70,135
Debts of public-sector entities	538	863	-	3,473	-	-	1	-	-	4,875
Debts of banking corporations	-	14,023	-	3,357	-	878	14	-	-	18,272
Debts of corporations	-	339	-	1,252	-	185,867	4,432	-	-	191,890
Debts collateralized by commercial real estate	-	-	-	-	-	19,154	418	-	-	19,572
Retail exposures to individuals	-	-	-	-	54,375	85	170	-	-	54,630
Loans to small businesses	-	-	-	-	14,991	104	148	-	-	15,243
Housing mortgages	-	-	41,403	-	18,026	6,085	181	-	-	65,695
Securitization	-	1,143	-	334	-	21	-	2	57	1,557
Other assets	2,787	-	-	-	-	11,699	437	-	-	14,923
Total	70,253	18,914	41,403	8,822	87,392	224,148	5,801	2	57	456,792

Amount of exposure before expenses in respect of credit losses and before mitigation of credit risk (2):

	31 December 2012											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Gross credit exposure (1)
	NIS millions											
Sovereign debts	69,264	2,623	-	-	507	-	276	-	-	-	-	72,670
Debts of public-sector entities	-	3,378	-	-	3,491	-	2	1	-	-	-	6,872
Debts of banking corporations	20	14,609	-	-	3,013	-	839	-	-	-	-	18,481
Debts of corporations	-	498	-	-	1,261	-	193,056	4,561	-	-	-	199,376
Debts collateralized by commercial real estate	-	-	-	-	-	-	19,443	745	-	-	-	20,188
Retail exposures to individuals	-	-	-	-	-	57,670	168	185	-	-	-	58,023
Loans to small businesses	-	-	-	-	-	17,655	124	183	-	-	-	17,962
Housing mortgages	-	-	43,337	-	-	18,303	6,758	219	-	-	-	68,617
Securitization	-	727	-	390	169	-	370	-	42	2	21	1,721
Other assets	2,190	-	-	-	-	-	12,899	441	-	-	-	15,530
Total	71,474	21,835	43,337	390	8,441	93,628	233,935	6,335	42	2	21	479,440

Amount of exposure after expenses in respect of credit losses and before mitigation of credit risk (2):

	31 December 2012											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Gross credit exposure (1)
	NIS millions											
Sovereign debts	69,263	2,623	-	-	507	-	276	-	-	-	-	72,669
Debts of public-sector entities	-	3,378	-	-	3,489	-	2	1	-	-	-	6,870
Debts of banking corporations	20	14,610	-	-	3,009	-	839	-	-	-	-	18,478
Debts of corporations	-	498	-	-	1,261	-	190,209	4,474	-	-	-	196,442
Debts collateralized by commercial real estate	-	-	-	-	-	-	19,363	726	-	-	-	20,089
Retail exposures to individuals	-	-	-	-	-	57,333	116	182	-	-	-	57,631
Loans to small businesses	-	-	-	-	-	17,475	55	181	-	-	-	17,711
Housing mortgages	-	-	43,235	-	-	18,256	6,473	201	-	-	-	68,165
Securitization	-	727	-	390	169	-	370	-	42	2	21	1,721
Other assets	2,190	-	-	-	-	-	12,899	441	-	-	-	15,530
Total	71,473	21,836	43,235	390	8,435	93,064	230,602	6,206	42	2	21	475,306

Amount of exposure after expenses in respect of credit losses and after mitigation of credit risk (2):

	31 December 2012											
	0%	20%	35%	40%	50%	75%	100%	150%	225%	650%	Deduction from capital	Net credit exposure (1)
	NIS millions											
Sovereign debts	73,194	2,623	-	-	506	-	230	-	-	-	-	76,553
Debts of public-sector entities	499	1,386	-	-	3,482	-	2	1	-	-	-	5,370
Debts of banking corporations	20	13,649	-	-	3,077	-	773	-	-	-	-	17,519
Debts of corporations	-	498	-	-	1,261	-	176,851	4,362	-	-	-	182,972
Debts collateralized by commercial real estate	-	-	-	-	-	-	18,367	726	-	-	-	19,093
Retail exposures to individuals	-	-	-	-	-	55,026	107	179	-	-	-	55,312
Loans to small businesses	-	-	-	-	-	15,146	53	172	-	-	-	15,371
Housing mortgages	-	-	43,232	-	-	18,160	6,470	201	-	-	-	68,063
Securitization	-	727	-	390	169	-	370	-	42	2	21	1,721
Other assets	2,190	-	-	-	-	-	12,899	441	-	-	-	15,530
Total	75,903	18,883	43,232	390	8,495	88,332	216,122	6,082	42	2	21	457,504

Credit risk mitigation

Policy and processes with regard to valuation and management of collateral

As a policy, the Bank aims to place credit against collateral. The amount of collateral required from a borrower is, *inter alia*, a consequence of the risk level in the credit. The collateral received is not the main consideration for approving the credit, but rather additional support intended to reduce the loss to the Bank in the event of business/financial default by the borrower.

As part of the collateral policy for all of the market sectors, principles and rules have been established with regard to collateral and the amount thereof. The requirement for collateral and the percentage thereof are derived from the level of risk that the Bank is prepared to assume when extending the credit, but special emphasis is placed on the rating of the borrowers' risk and their repayment capacity as a criterion for granting the credit, as opposed to the weight given to the accepted collateral.

In addition, the business criteria for receiving the collateral are determined by establishing the degree of reliance on the collateral, the methods of dealing with it on receipt, the way in which its value and timing are updated and the means of monitoring and control, and these are distributed through work procedures, update circulars and operating directives.

The collateral is adapted to the type of credit it secures, taking into account the time span, the type of linkage, the nature and purpose of the credit, and the speed at which they can be realized. The Bank verifies the collateral by receiving an updated assessment and/or assessor's valuations. The assessment needs to be external and independent, and must be directed to the Bank.

Mitigation of credit risk (Table 7 – Basel II):

	30 September 2013					
	Gross credit exposure before allowances for credit losses	Gross credit exposure after allowance for credit losses	Total exposure covered by guarantees deducted	Total amounts added	Total exposure covered by eligible financial collateral	Net credit exposure
	NIS millions					
Sovereign debts	**62,910**	**62,910**	**(80)**	**6,513**	**(3)**	**69,340**
Debts of public-sector entities	**8,764**	**8,764**	**(2,964)**	**491**	**(3)**	**6,288**
Debts of banking corporations	**16,160**	**16,156**	**(1,350)**	**367**	**(793)**	**14,380**
Debts of securities companies	**288**	**288**	**-**	**-**	**-**	**288**
Debts of corporations	**189,724**	**187,198**	**(2,955)**	**-**	**(13,059)**	**171,184**
Debts collateralized by commercial real estate	**18,386**	**18,271**	**(5)**	**-**	**(692)**	**17,574**
Retail exposures to individuals	**62,159**	**61,737**	**(4)**	**-**	**(2,242)**	**59,491**
Loans to small businesses	**19,245**	**18,975**	**(11)**	**-**	**(2,460)**	**16,504**
Housing mortgages	**72,973**	**72,486**	**(2)**	**-**	**(107)**	**72,377**
Securitization	**2,186**	**2,186**	**-**	**-**	**-**	**2,186**
Other assets	**16,454**	**16,454**	**-**	**-**	**-**	**16,454**
Total	**469,249**	**465,425**	**(7,371)**	**7,371**	**(19,359)**	**446,066**

	30 September 2012					
	Gross credit exposure before allowances for credit losses	Gross credit exposure after allowance for credit losses	Total exposure covered by guarantees deducted	Total amounts added	Total exposure covered by eligible financial collateral	Net credit exposure
	NIS millions					
Sovereign debts	67,522	67,520	(60)	2,675	-	70,135
Debts of public-sector entities	6,340	6,336	(1,993)	538	(6)	4,875
Debts of banking corporations	18,834	18,831	(757)	400	(202)	18,272
Debts of corporations	206,655	203,938	(690)	-	(11,358)	191,890
Debts collateralized by commercial real estate	20,495	20,449	(92)	-	(785)	19,572
Retail exposures to individuals	57,320	56,927	(5)	-	(2,292)	54,630
Loans to small businesses	17,804	17,470	(16)	-	(2,211)	15,243
Housing mortgages	66,247	65,784	-	-	(89)	65,695
Securitization	1,557	1,557	-	-	-	1,557
Other assets	14,924	14,923	-	-	-	14,923
Total	477,698	473,735	(3,613)	3,613	(16,943)	456,792

	31 December 2012					
	Gross credit exposure before allowance for credit losses	Gross credit exposure after allowance for credit losses	Total exposure covered by guarantees deducted	Total amounts added	Total exposure covered by eligible financial collateral	Net credit exposure
	NIS millions					
Sovereign debts	72,670	72,669	(45)	3,929	-	76,553
Debts of public-sector entities	6,872	6,870	(1,992)	499	(7)	5,370
Debts of banking corporations	18,481	18,478	(927)	496	(528)	17,519
Debts of corporations	199,376	196,442	(1,901)	-	(11,569)	182,972
Debts collateralized by commercial real estate	20,188	20,089	(30)	-	(966)	19,093
Retail exposures to individuals	58,023	57,631	(5)	-	(2,314)	55,312
Loans to small businesses	17,962	17,711	(24)	-	(2,316)	15,371
Housing mortgages	68,617	68,165	-	-	(102)	68,063
Securitization	1,721	1,721	-	-	-	1,721
Other assets	15,530	15,530	-	-	-	15,530
Total	479,440	475,306	(4,924)	4,924	(17,802)	457,504

Activity in Derivative Instruments for the purpose of mitigating credit risks

Hedging and/or Risk Mitigation Policy and Strategies and Processes for Monitoring the Continuing Effectiveness of Risk-Mitigating Hedging Activities

Developments in international foreign currency markets and the volatility of exchange rates of the various currencies, with their implications on those borrowers active in foreign currency, make it necessary to increase activity in monitoring, supervising and controlling customers' exposures to fluctuations in market prices (exchange rate, inflation, etc.). To this end, the Bank has updated instructions addressing the adjustment required between the currency base of the credit and the currency of the cash flow, which constitutes the source of repayment of the credit, and awareness of the subject of exposure to currency risks has been increased, with special attention being drawn to borrowers with the potential for a high degree of exposure. When necessary, the borrower's risk rating is revised and a requirement is issued to strengthen capital and collateral.

If it appears that a borrower faces exposure/sensitivity to changes in exchange rates and commodity prices, the relevant business function has to examine the degree of the borrower's sensitivity from an overall perspective. This examination takes into account all the criteria requiring the borrower to be added to the list of sensitive customers, as well as consideration and quantification of the borrower's sensitivity to changes in the relevant exchange rates and commodity prices.

For the purpose of hedging various credit risks, the Bank recommends its customers make use of defensive mechanisms against macro-economic variables, such as the Consumer Price Index, exchange rates and commodity prices. In order to mitigate the levels of credit risk, the Bank suggests the borrower protect himself against sharp changes in exchange rates, *inter alia*, by the use of financial instruments. By using these instruments, it is possible to "hedge" financial exposure and, to a certain extent, also real exposure, and to keep risk to a minimum.

Below are credit risk balances of counterparty (Table 8 – Basel II):

	30 September 2013	
	Par value balance	Net credit exposure of derivatives
	NIS millions	
Interest contracts	**322,952**	**10,121**
Foreign currency contracts	**186,219**	**5,663**
Contracts in respect of shares	**51,912**	**2,380**
Commodities and other contracts	**8,176**	**312**
Credit derivative transactions (1)	**-**	**-**
Offset benefits (2)	**-**	**(11,974)**
Eligible collateral	**-**	**(1,790)**
Total	**569,259**	**4,712**

	30 September 2012	
	Par value balance	Net credit exposure of derivatives
	NIS millions	
Interest contracts	265,363	9,057
Foreign currency contracts	194,502	5,504
Contracts in respect of shares	16,903	2,441
Commodities and other contracts	1,828	218
Credit derivative transactions (1)	-	28
Offset benefits (2)	-	(10,224)
Eligible collateral	-	(946)
Total	478,596	6,078

	31 December 2012	
	Par value balance	Net credit exposure of derivatives
	NIS millions	
Interest contracts	290,808	10,363
Foreign currency contracts	180,438	5,501
Contracts in respect of shares	38,415	2,163
Commodities and other contracts	1,535	109
Credit derivative transactions (1)	187	3
Offset benefits (2)	-	(11,743)
Eligible collateral	-	(1,297)
Total	511,383	5,099

(1) As at the date of the report, there were no credit risk exposures in respect of hedging sold or purchased.
(2) With effect from 31 December 2011, credit risk in respect of derivatives is calculated according to Regulation 313 and includes the offset of transactions in derivatives with offsetting agreements.

2. Credit exposure in respect of the fair value of derivatives by counterparty to the contract as at 30 September 2013:

	AAA to AA-	A+	A	A-	BBB to BBB-	BB+ to B-	Unrated	Total
Foreign banks	NIS millions							
Euro zone (1)	**2,144**	**-**	**-**	**-**	**-**	**-**	**-**	**2,144**
United Kingdom (2)	**1,354**	**-**	**-**	**-**	**-**	**-**	**-**	**1,354**
United States	**2,033**	**-**	**-**	**-**	**-**	**-**	**-**	**2,033**
Other	**286**	**-**	**-**	**-**	**-**	**-**	**-**	**286**
Total foreign banks	**5,817**	**-**	**-**	**-**	**-**	**-**	**-**	**5,817**
Israeli banks (3)	**-**	**1,667**	**-**	**-**	**-**	**-**	**-**	**1,667**
Corporate customers, according to sectors of the economy								
Financial services (4)								**2,705**
Industry (5)								**452**
Construction and real estate								**98**
Transportation and storage								**10**
Trade								**106**
Electricity and water								**4**
Business services								**30**
Private individuals								**18**
Communications and computer services								**34**
Others								**25**
Total corporate customers								**3,482**
Others*								**-**
Total exposure								**10,966**

* Reverse transactions carried out by the customers and offset for the purpose of risk according to the sectors of the economy.

(1) This amount includes transactions with 7 countries.
(2) This amount includes transactions with 8 banks.
(3) This amount includes transactions with 9 banks.
(4) This amount includes transactions with 409 customers, where the highest amount for a single customer is NIS 692 million.
(5) This amount includes transactions with 257 customers, where the highest amount for a single customer is NIS 257 million.

3. Credit exposure to foreign financial institutions

Credit exposure to foreign financial institutions (1):

	As at 30 September 2013			
	Balance sheet credit risk (2)	Securities (3)	Current off-balance sheet credit risk (4)	Current credit exposure
	NIS millions			
External credit rating (5)				
AAA to AA-	**12,290**	**4,573**	**1,064**	**17,927**
A+ to A-	**749**	**97**	**32**	**878**
BBB+ to BBB-	**142**	**890**	**176**	**1,208**
BB+ to B-	**93**	**78**	**1**	**172**
Below B-	**1**	**-**	**-**	**1**
Unrated	**127**	**-**	**5**	**132**
Total current credit exposure to foreign financial institutions	**13,042**	**5,638**	**1,278**	**20,318**
Problem debt balances	**-**	**-**	**-**	**-**

	As at 31 December 2012			
	Balance sheet credit risk (2)	Securities (3)	Current off-balance sheet credit risk (4)	Current credit exposure
	NIS millions			
External credit rating (5)				
AAA to AA-	14,921	3,746	1,119	19,786
A+ to A-	669	406	-	1,075
BBB+ to BBB-	147	1,140	205	1,492
BB+ to B-	126	77	23	226
Below B-	-	-	16	16
Unrated	-	-	2	2
Total current credit exposure to foreign financial institutions	15,863	5,369	1,365	22,597
Problem debt balances	5	-	-	5

(1) Foreign financial institutions include banks, investment banks, insurance companies and institutional bodies.
(2) Deposits in banks, credit to the public, securities that were borrowed or purchased in the context of buy-back agreements and other assets in respect of derivatives (fair value of derivatives).
(3) Including subordinated bank debentures amounting to NIS 1,077 million at September 2013 and NIS 1,272 million at December 2012.
(4) Mainly guarantees and undertakings for the provision of credit (excluding off-balance sheet derivatives).
(5) In order to rate the foreign financial institutions, the Bank uses credit ratings determined for implementing the standardized approach of Basel II. The Bank uses the ratings of Moody's and S&P agencies for rating the foreign financial institutions.

Notes:

a. Credit exposures do not include investments in asset-backed securities (see the details in the note on securities).
b. Some of the banks have received government support of various types, including direct investments in the bank's capital, government guarantees of certain asset portfolios of the banks, guarantees enabling the banks to raise sources of financing, etc.
c. For further information regarding the composition of the credit exposure in respect of derivatives *vis-à-vis* banks and broker/dealers (local and overseas), see Note 7 to the Financial Statements.

Credit exposure to foreign financial institutions refers to commercial banks, bank holding companies, investment banks, insurance companies and institutional bodies.

Exposure to overseas banks is divided as follows: United States, 45%, Europe (Germany, France, Switzerland, Spain and the Benelux countries), 24%, United Kingdom 23%, and other countries, 8%.

Exposure includes deposits in foreign banks for short periods of up to one week, and debentures, usually for a period of up to five years. The Bank closely monitors the condition of banks throughout the world and regularly analyses their financial stability. The Bank maintains a summary list of quality banks with which the Bank and its overseas subsidiaries make deposits.

Additional details regarding investments in securities, mainly debentures of overseas banks, are presented in the section "Securities" in the chapter "Structure and Development of Assets and Liabilities".

Management of the exposure to and credit lines of overseas financial institutions takes into consideration, *inter alia*:

- Their size, as reflected, *inter alia*, by the size of their capital.
- Their strength, as reflected in capital adequacy ratios (particularly Tier I capital).
- The market's valuation, as reflected in the market value of their shares and their risk, as estimated with the help of their credit derivatives (CDS).
- The internal rating as computed in a unit which is independent of the business entity.
- The ratings assigned to them by the international rating agencies.
- The financial strength of the country where the bank's center of activity is located.
- Additional considerations, such as the level of support, including direct investment in the banks' capital by governments, for the purpose of ensuring the stability of these banks and other banks in their countries.
- The policy for managing the exposure to overseas financial institutions includes, *inter alia*, limits on the amounts of exposure at bank and country level by risk.

4. Exposure to foreign countries:

The exposure to foreign countries according to final risk is distributed among geographical regions and countries, the main exposure being to countries in Western Europe and in North America. For further details regarding exposure to countries overseas, see Exhibit D below, in the Management Review. (Table 4(c) - Basel II):

	30 September 2013		
	Balance sheet credit risk	Off-balance sheet credit risk (1)	Total credit risk
	NIS millions		
USA	**26,230**	**8,607**	**34,837**
UK	**12,114**	**5,166**	**17,280**
France	**2,807**	**1,857**	**4,664**
Germany	**4,050**	**1,134**	**5,184**
Switzerland	**3,457**	**710**	**4,167**
Belgium	**773**	**197**	**970**
Italy	**349**	**32**	**381**
The Netherlands	**2,384**	**157**	**2,541**
Denmark	**108**	**28**	**136**
Norway	**39**	**-**	**39**
Austria	**98**	**9**	**107**
Sweden	**370**	**5**	**375**
China	**490**	**568**	**1,058**
Others	**4,352**	**783**	**135**
Total	**57,621**	**19,253**	**76,874**

	31 December 2012		
	Balance sheet credit risk	Off-balance sheet credit risk (1)	Total credit risk
	NIS millions		
USA	25,916	7,391	33,307
UK	11,756	5,041	16,797
France	2,904	1,398	4,302
Germany	4,066	1,030	5,096
Switzerland	3,553	1,021	4,574
Belgium	303	200	503
Italy	348	35	383
The Netherlands	3,063	161	3,224
Denmark	736	41	777
Norway	245	-	245
Austria	72	35	107
Sweden	141	2	143
China	411	202	613
Others	5,380	1,099	6,479
Total	58,894	17,656	76,550

(1) Effective 31 December 2011, the credit risk in respect of derivatives is calculated according to Proper Conduct of Banking Business Regulation No. 313 including offset transactions in derivatives with offset agreements.

The following table presents the exposure to countries according to the credit rating of the countries as rated by the World Bank, as at 30 September 2013 in NIS millions:

Rating	Balance sheet exposure	Off balance-sheet exposure	Total exposure	Percentage of exposure in relation to total	Of which, problem commercial credit risk
OECD countries with high income	**53,922**	**18,123**	**72,045**	**93.7**	**1,394**
High-income countries	**921**	**72**	**993**	**1.3**	**2**
Countries with mid-high income	**2,622**	**884**	**3,506**	**4.6**	**538**
Countries with mid-low income	**143**	**174**	**317**	**0.4**	**3**
Countries with low income	**13**	**-**	**13**	**-**	**-**
Total	**57,621**	**19,253**	**76,874**	**100.0**	**1,937**

The amount of exposure to foreign countries with liquidity problems as defined by the Fitch Index and by the Bank of Israel (countries which receive financial aid from the IMF or whose obligations are rated with a credit rating of CCC or below) totals NIS 1,319 million and relates to 12 countries.

The countries are defined according to national income per capita as follows:

High income - exceeding US$ 12,616 per capita
Mid-high income - from US$ 4,086 to US$ 12,615 per capita
Mid-low income - from US$ 1,036 to US$ 4,085 per capita
Low income – up to US$ 1,035 per capita

Following are the names of the principal countries in each of the categories:

a. OECD countries, including: United States, Italy, Australia, Austria, Ireland, Belgium, Canada, the Czech Republic, Denmark, Finland, Israel, Hungary, France, United Kingdom, Japan, Spain, Switzerland, Luxembourg, Slovenia, the Netherlands, Sweden, Poland, Germany and Korea.

b. Countries with high income:

Cyprus, Hong Kong, Monaco, Singapore, Cayman Islands and Croatia.

c. Countries with mid-high income:

Argentina, Brazil, Bulgaria, Chile, Mexico, Panama, Romania, Russia, South Africa, Turkey, Venezuela, Uruguay, Columbia, Peru.

d. Countries with mid-low income:

China, Ecuador, Egypt, India, Jordan, Paraguay, the Philippines, Thailand, the Ukraine.

e. Countries with low income:

A large number of the African countries, Haiti, Nepal.

Overall exposure to certain foreign countries:

Country	30 September 2013 Credit to the public	Bonds – Banks and others	Bank deposits	Other	Total
	NIS millions				
Italy (1)	**68**	**246**	**35**	**33**	**382**
Ireland	**4**	**13**	**123**	**4**	**144**
Greece	**5**	**-**	**-**	**-**	**5**
Spain	**30**	**(2) 140**	**1**	**4**	**175**
Total (3)	**107**	**399**	**159**	**41**	**706**

(1) Of which, NIS 248 million is in Bank Intessa.
(2) Approximately half of the exposure is to Santander Bank, the majority of whose revenues are from sources outside of Spain.
(3) The Group has no exposure to Portugal.

Market and Liquidity Risks

This chapter is written in great detail in the Annual Financial Statements for 2012 (pages 221-232). Accordingly, the following chapter should be read in conjunction with the Annual Report.

Capital requirement in respect of market risk

Below are the capital requirements in respect of market risks (Table 10–Basel II), as required pursuant to the standard approach. These requirements reflect only a small part of the capital held by Leumi in respect of market risks (First Pillar of the Basel II framework). In addition to this capital, the Group holds additional equity in respect of market risks and nostro activity, in the framework of the Second Pillar of Basel II.

The following table sets forth the capital requirements in respect of market risks (Table 10 – Basel II):

	30 September 2013	30 September 2012	31 December 2012
	NIS millions		
Capital requirement in respect of:			
Interest risks	**784**	630	673
Share price risk	**88**	3	14
Exchange rate risk	**69**	146	117
Options	**74**	59	70
Total capital requirement in respect of market risks	**1,015**	838	874

Main focus points in market risks

1. Exposure to interest

Interest risk is a risk of a loss as a result of changes in risk-free interest rates of credit in the various currencies due to differences between the date of change in interest on the assets and liabilities in each of the linkage segments.

The interest exposure policy restricts the extent of exposure to possible changes in interest on the Bank's profits and on capital. Accordingly, in each sector, the exposure to an unexpected change of 1% in interest in all the periods is measured, relating to the potential erosion of economic value[1] and of the accounting profit for the year resulting from a shift in the yield curves in each of the segments and also for all segments together. Exposure to profit is heavily influenced by the activity remeasured at market prices (derivative transactions and trading portfolio).

There are structured interest risks arising from the uncertainty in the market factors that may not be hedged, but are structured in the banking activity. The risk includes gross behavioral options in loans and deposits that may not be hedged (for example, early repayment options).

The interest risk is measured and managed on the basis of various behavioral assumptions with regard to the repayment times of the assets and liabilities. The principal assumptions are:

- In the index-linked sector, an estimate is taken into account with regard to breakages and withdrawals at exit points in savings plans. The estimate is derived from past customer behavior.
- According to accumulated experience, there is a long-standing stable credit balance, in non-interest bearing current accounts. Accordingly, for purposes of measuring and managing interest rate exposure, Bank policy is to regard part of the average non-interest bearing current account balances as a long-term liability. In view of the low interest environment, the current account spread was changed with effect from June 2012.
- The management of exposures takes account of assumptions with regard to early repayment of housing loans. Assumptions regarding CPI-linked loans at fixed rates of interest rely on a statistical model for predicting early repayments. This statistical model is checked regularly. At the same time, a repayment model including all linkage segments, which will be assimilated in the management of the activity, is being developed.

The Bank is prepared for implementing the interest risk management regulations which will come into force on 1 July 2014.

The summary of exposures to unexpected changes in interest at Group level (before tax and millions of NIS)* is as follows:

	Potential erosion in economic value		Potential erosion in annual profit	
Effect of immediate parallel change of 1% on the yield curve	**30 September 2013**	31 December 2012	**30 September 2013**	31 December 2012
Actual	**871**	742	**239**	182
Limit	**1,100**	1,100	**500**	500

* The extent of exposure ignores the location of the interest floor of 0% on deposits. The more the interest rates continue to fall and become closer to zero, the higher the impairment of the financial margin.

In the first nine months of 2013, the potential erosion in the economic value ranged from NIS 625 million to NIS 1,038 million and in annual profit, from NIS 86 million to NIS 257 million.

In the first nine months of 2013, the Group complied with all of the exposure restrictions for interest prescribed by the Board of Directors.

[1] The economic value of the capital is defined as the difference between the current value of assets and liabilities. In calculating present value, cash flows are deducted from the risk-free credit yield curve and the foreign currency LIBOR flows.

Sensitivity of the fair value of assets and liabilities to interest

The effect of potential changes in interest rates on the fair value of the financial instruments of the Bank and its consolidated subsidiaries, except for non-monetary items, according to accounting principles, is as follows:

The net fair value of financial instruments, before the effect of changes in interest:

	30 September 2013				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	**204,649**	**61,413**	**50,502**	**11,493**	**15,232**
Amounts receivable in respect of derivative financial and off-balance sheet instruments	**310,570**	**7,226**	**111,779**	**30,094**	**25,889**
Financial liabilities	**162,205**	**53,035**	**76,327**	**17,002**	**12,989**
Amounts payable in respect of derivative financial and off-balance sheet instruments	**334,844**	**11,301**	**87,907**	**24,299**	**28,372**
Net fair value of financial instruments	**18,170**	**4,303**	**(1,953)**	**286**	**(240)**

	30 September 2012				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	196,433	64,063	60,913	11,629	15,672
Amounts receivable in respect of derivative financial and off-balance sheet instruments	249,191	5,121	109,816	30,862	23,831
Financial liabilities	160,705	55,370	82,956	18,657	11,691
Amounts payable in respect of derivative financial and off-balance sheet instruments	268,356	10,995	88,657	23,592	28,136
Net fair value of financial instruments	16,563	2,819	(884)	242	(324)

	31 December 2012				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	204,561	62,635	59,575	12,066	14,814
Amounts receivable in respect of derivative financial and off-balance sheet instruments	280,774	5,874	119,103	28,982	26,075
Financial liabilities	168,101	54,421	82,296	17,808	11,425
Amounts payable in respect of derivative financial and off-balance sheet instruments	300,234	12,632	96,660	22,990	29,799
Net fair value of financial instruments	17,000	1,456	(278)	250	(335)

The effect of potential changes in interest rates on the net fair value* of financial instruments (Table 14 – Basel II):

	30 September 2013						
	Fair value, net, of financial instruments after the effect of changes in interest rates					Change in fair value	
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency				
Change in interest rates	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	**17,443**	**4,174**	**(2,222)**	**272**	**(250)**	**(1,149)**	**(5.59)**
Immediate corresponding increase of 0.1%	**18,097**	**4,290**	**(1,980)**	**285**	**(241)**	**(115)**	**(0.56)**
Immediate corresponding decrease of 1%	**18,295**	**4,389**	**(1,702)**	**301**	**(223)**	**1,124**	**5.47**

	30 September 2012						
	Fair value, net, of financial instruments after the effect of changes in interest rates					Change in fair value	
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency				
Change in interest rates	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	16,315	2,943	(905)	218	(346)	(191)	(1.04)
Immediate corresponding increase of 0.1%	16,538	2,831	(886)	240	(326)	(19)	(0.10)
Immediate corresponding decrease of 1%	16,878	2,675	(840)	217	(306)	208	1.13

* Not including an estimate of the value of income in respect of early repayment commission.

	31 December 2012						
	Fair value, net, of financial instruments after the effect of changes in interest rates					Change in fair value	
	Israeli currency		Foreign currency, including Israeli currency linked to foreign currency				
Change in interest rates	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	16,561	1,546	(387)	239	(346)	(479)	(2.65)
Immediate corresponding increase of 0.1%	16,956	1,465	(290)	249	(336)	(48)	(0.27)
Immediate corresponding decrease of 1%	17,485	1,275	(179)	260	(320)	429	2.37

1.1 Exposure to interest and compliance with restrictions

The status of exposure to interest changes at the Group level, which is calculated according to accounting principles, is set forth below. During the first nine months of 2013, the Group complied with all the exposure restrictions for interest set by the Board of Directors. For detailed data on exposure to interest, see Exhibit B below in the Management Review.

	30 September 2013			31 December 2012		
	Unlinked	CPI-linked	Foreign currency and linked thereto	Unlinked	CPI-linked	Foreign currency and linked thereto
Average duration in years:						
Average duration of assets (1)	**1.20**	**2.97**	**0.91**	1.04	2.81	0.78
Average duration of liabilities (1)	**1.11**	**3.15**	**0.74**	0.98	3.26	0.70
Duration gap in years	**(0.09)**	**(0.18)**	**0.17**	0.06	(0.45)	0.08
Internal rate of return (IRR) gap (%)	**1.70**	**0.84**	**1.54**	1.30	0.86	0.81

(1) Including future transactions and options, and based on fair value data of financial instruments.

In calculating the duration of liabilities in the CPI-linked sector, an estimate of early repayments and withdrawals at exit points of savings plans is taken into account, on the basis of a model which estimates anticipated early repayments based on savers' behavior. The duration of liabilities, according to the original cash flow of the savings schemes is longer, reaching 3.19 years, with an internal rate of return (hereinafter: IRR) gap of 0.58%.

The data presented above take into account early repayments of CPI-linked mortgages according to a statistical model that estimates expected repayments on the basis of the borrowers' past behavior. The average duration of assets at the end of the reported period, according to the original cash flow, without taking into account early repayments, is longer, reaching 3.30 years, and an IRR gap of about 0.58%.

Current account balances are presented in Exhibit B to the Management Review, pursuant to directives of the Bank of Israel, as demand deposits for up to one month. However, for the purposes of interest exposure, a certain percentage of the current account balances in shekels and in foreign currency is spread over a repayment period of up to ten years, in accordance with a behavioral model whose basic assumptions are regularly updated. Taking into account the above assumptions, the average duration of liabilities is longer, reaching 1.13 years in unlinked shekels and 0.80 years in foreign currency, with an IRR gap of 1.26% and 1.16%, respectively.

2. Basis exposure

The exposure to basis risk is reflected in the loss that may occur due to changes in the CPI and exchange rates, as a result of the difference between the value of the assets and the value of the liabilities, including the effect of futures transactions in each of the linkage sectors.

In accordance with accounting principles, capital is defined as an unlinked shekel source, such that an investment of the capital in a sector other than the unlinked shekel sector is defined as a basis exposure. Exposure to the basis risks is measured as a percentage of the Group's exposed capital.

The exposed capital, at the Bank level, includes capital and certain reserves, less fixed assets and investments in investee companies, excluding the investments in subsidiaries abroad, which are financed from foreign currency sources and are therefore not deducted from capital. At the Group level, the exposed capital includes capital and certain reserves, less fixed assets and investments in companies included on equity basis.

Exposure limits, approved by the Board of Directors, are determined according to considerations of expected return and risk and are allocated among the trading rooms, ALM, and the subsidiary companies.

The subsidiaries abroad and in Israel manage basis exposures in low volumes, on the basis of the policies anchored in directors' resolutions, and in coordination with the Bank in Israel.

Changes in the exchange rate influence the effective tax rate, since the exchange rate differences in respect of the overseas investments are not taken into account in the income basis for calculating the tax provision, unlike exchange rate differences in respect of financing sources, thereby leading to a lack of symmetry in respect of exchange rate differences. The Bank has carried out hedging transactions against the tax exposure in respect of the investments in the abovementioned subsidiaries whose functional currency is identical to the shekel which the Bank entered into hedging transactions. In addition, hedging transactions have been entered into against some of the expected foreign currency income.

The following table sets out the actual economic exposure at Group level, compared with the limits set by the Board of Directors. The data are presented in terms of the percentage of the exposed capital:

	Approved limits	**Actual exposure (%)**		
	Maximum surplus (deficit)	**30 September 2013**	30 September 2012	31 December 2012
Unlinked	(65%)-65%	**(12.1)**	**(5.3)**	(5.2)
CPI-linked	(50%)-50%	**10.2**	**4.6**	3.9
Foreign currency	(15%)-15%	**1.9**	**0.7**	1.3

During the first nine months of 2013, the CPI-linked surplus was about 7% of the exposed capital, which fluctuates between a deficit of (1%) and a surplus of 11% of the exposed capital. A relatively low volume of capital was channeled to the foreign currency and foreign-currency-linked sector, and therefore, the effect of the change in exchange rates did not materially affect profit.

During the first nine months of 2013, the Group complied with all the basis exposure limits approved by the Board of Directors.

The following table shows the sensitivity to changes in the exchange rates of the major currencies as at 30 September 2013. The measurement relates to the effect of such changes on the capital of the Bank and includes activity in balance sheet and off-balance sheet instruments:

	US$	€	£	CHF	Yen
	NIS millions				
Increase of 5% in exchange rate	**(3)**	**24**	**7**	**(5)**	**(9)**
Increase of 10% in exchange rate	**(7)**	**46**	**16**	**(9)**	**(17)**
Decrease of 5% in exchange rate	**5**	**(21)**	**(6)**	**5**	**12**
Decrease of 10% in exchange rate	**11**	**(19)**	**(7)**	**10**	**29**

The above data do not take into account the effect of changes in exchange rate on the flow of income and expenses in foreign currency in respect of which hedging was also made at the beginning of the year.

3. Exposures in trading rooms

Market risks in the trading portfolio derive as a result of the Bank's activity as a market-maker and as a manager of positions in nostro:

- Market-making activity – The Bank is a leader in the scope of activity in the area of derivatives, and provides immediate services to customers who are active in instruments. In the foreign currency trading and derivatives room, the activity of market-making is conducted at the spot desk (in shekels and in foreign currency), at the options desk (in shekels and in foreign currency) and at the interest desk (shekels and foreign currency). This activity exposes the Bank to market risks (exchange rate risks and interest risks) and accordingly, the activity is managed and monitored in accordance with the restrictions. Because of the dynamic nature of the activity, these restrictions are regularly monitored at least once a day by the middle office.
- Nostro trading activity – In the trading room, pro-active activity is carried out in the context of which exposures are initiated in debentures and derivatives. This activity is managed and monitored at least once a week, in accordance with the restrictions approved and validated by the Risk Management Division.

4. Aggregate exposure to market risk – interest, basis, shares as reflected in the Value at Risk model

The VaR limits are determined, both on the economic value of the Group including overseas subsidiaries, and on the components remeasured at market value (MtM) which affect the profit and loss of the Bank (including the Bank's commercial portfolios).

Below is the estimated VaR at Group level in NIS millions:

	VaR at economic value			VaR in mark-to-market portfolios		
	30 September 2013	30 September 2012	31 December 2012	**30 September 2013**	30 September 2012	31 December 2012
Actual	**157**	145	142	**71**	46	41
Limit	**500**	500	500	**400**	400	400

In the first nine months of 2013, the VaR on the economic value ranged from a maximum of NIS 157 million and a minimum of NIS 92 million, and the VaR on the portfolios revalued at fair value ranged from a maximum of NIS 71 million to a minimum of NIS 30 million, respectively.

In the first nine months of 2013, the Group complied with all the VaR restrictions prescribed by the Board of Directors.

Marketable credit nostro risks

Leumi is exposed to credit and market risks of countries, banks and financial institutions in Israel and abroad. In addition, the Bank also invests to a limited extent in asset-backed instruments (CLO, MBS and ABS, etc.).

The Group exposure policy for foreign financial institutions and countries is a part of the policy for managing market risks and marketable credit risks. This policy defines guidelines, risk limits on credit/counterparty exposures and authorities. The policy prescribes that most exposures will be to large banks that are systemically important to their country and to banks with a relatively high credit quality with an emphasis on dispersal of the portfolio.

Day-to-day risk management in the exposure to financial institutions and countries is effected through credit committees chaired by the Capital Market Division and in collaboration with the Risk Management Division.

In the Risk Management Division, the quality of the portfolio is monitored and risk analyses and scenarios for the examination of risk focal points, which are discussed in the Upper Market Risk Committee and in the Risk Management Committee of the Board of Directors, are carried out.

Exposure to liquidity risk

Liquidity exposure

Liquidity risk is the risk created due to the uncertainty relating to the possibility of raising funds and/or realizing assets unexpectedly within a short period, without incurring any material loss.

Liquidity risk management policy

In accordance with Bank of Israel directives, the Bank implements an overall policy for managing liquidity risk, the purpose of which is to support the achievement of business goals, while evaluating and limiting losses that may arise from exposure to liquidity risks. The liquidity risk management policy is aimed at maintaining a high level of liquidity through investment in quality assets at a high level of liquidity and, via policy, directs the raising of stable and varied sources, with an emphasis on raising deposits from a large number of customers for various terms, including long terms. For further details, reference may be made to page 230 of the Annual Report.

Sources of financing:

The composition of the Bank's assets and liabilities continues to point to high liquidity, as a result of a policy of raising stable and varied sources and a policy of investing surplus liquid means in quality assets.

Surplus liquid means in Israeli currency are invested primarily in deposits in the Bank of Israel amounting to some NIS 25.2 billion and in securities, some NIS 35.5 billion, principally in government debentures. Surplus liquid means in foreign currency are invested primarily in debentures amounting to some NIS 22.3 billion, and in bank deposits, some NIS 9.4 billion.

The balance of public deposits in the Bank, not including subordinated notes, fell during the third quarter of 2013 by NIS 8.1 billion (-2.8%), and after canceling the effect of exchange rate differentials, the decrease was NIS 2.8 billion (-1.0%).

The decrease in the shekel segment amounted to NIS 3.2 billion (-1.8%) and in foreign currency and foreign currency linked segment amounted to NIS 4.9 billion, (-4.5%) and, after canceling the effect of exchange rate differentials, a decrease of NIS 0.4 billion (0.4%).

Monitoring liquidity risk

The Bank routinely monitors the liquidity position and the liquidity risk indices. Liquidity risk is measured and managed using an internal model whose purpose is to examine and monitor the liquid resources at the Bank's disposal in various scenarios. The scenarios relate to various market situations: normal course of business and stress scenarios relating to the Bank and the entire banking system.

In each of the scenarios, the liquidity position and the Bank's ability to meet all liquidity requirements are examined on the basis of two quantitative indices: the liquidity gap and the liquidity ratio. The model places the balance of the liquid assets as a ratio of liabilities expected to materialize in the short term, as established according to various parameters, depending on the level of severity of the scenario and on the basis of the discretion of the business factors.

In addition to the model outlined above, other indices are measured to supplement the liquidity position:

- In the foreign currency sector, the rate of long-term assets being financed by short-term liabilities, the "long/short" ratio, is also monitored.
- As part of the ongoing management of liquidity in Israeli currency and foreign currency, the daily liquidity situation is monitored in real-time, using the Bank's existing information systems and on the basis of the forecast of the daily liquidity position.
- In the Israeli currency and foreign currency sectors, trends in the liquidity position are examined (daily, monthly, etc.) over a protracted period, in order to monitor developments in deposits of the public, credit to the public, and liquidity in general, as well as to measure margin risk.

Publication of the Bank of Israel Directive No. 342 regarding Management of Liquidity Risks and Preparation for Basel III

The Bank is prepared for the implementation of the directive published by the Supervisor of Banks regarding the management of liquidity risk.

Pursuant thereto, the Bank has begun to measure the minimum liquidity coverage ratio (LCR), an index for the short-term liquidity crisis, which is intended to estimate the Bank's ability to finance its expected obligations in the scenario with a range of one month. The directive requires that the minimum liquidity ratio be more that 1 and the Bank has complied with this requirement.

Linkage Status and Liquidity Position

Linkage Status

The following is a summary of the status of the linkage balance sheets, as shown in note 5 to the Financial Statements:

The following is a summary of the status of the linkage balance sheets:

	As at 30 September 2013			As at 31 December 2012		
	Unlinked	CPI-linked	Foreign currency (2)	Unlinked	CPI-linked	Foreign currency (2)
	NIS millions					
Total assets (1)	**219,061**	**59,051**	**113,631**	216,020	60,341	120,100
Total liabilities (1)	**198,996**	**58,991**	**115,937**	196,437	62,127	120,924
Excess (deficit) of assets in segment	**20,065**	**60**	**(3) (2,306)**	19,583	(1,786)	(824) (3)

(1) Including forward transactions and options.
(2) Including foreign-currency-linked.
(3) The excess of liabilities in foreign currency derives mainly from a hedging transaction against the tax exposure in respect of the foreign investments, and in respect of hedging of future profits in foreign currency.

For the purposes of day-to-day management and reporting, certain changes are made that take into account the Bank's economic approach to basis risk, in contrast to the accounting approach. The basis exposure, which is calculated using the economic approach, is set forth in the chapter on “Risk Exposure and Risk Management”.

Liquidity Position and Raising Funds in the Bank

The structure of the Bank’s assets and liabilities continues to indicate a high level of liquidity. This is the result of a deliberate policy of raising funds from stable and diversified sources, while placing importance on raising finance from a large number of customers, various customer segments, for varying periods, and in various currencies.

Leumi monitors, on an ongoing basis, its liquidity position through metrics that are intended to alert it to changes in the liquidity position by using, *inter alia*, internal models developed in Leumi pursuant to a directive of the Bank of Israel, and in accordance with generally accepted standards throughout the world.

The volume of the balances of the banking system (current accounts and monetary deposits) in the Bank of Israel at the end of September 2013 amounted to some NIS 107 billion compared with some NIS 126 billion at the end of Dec 2012. The volume of Leumi's balances in the Bank of Israel at the end of September 2013 amounted to some NIS 25 billion, compared with NIS 36 billion at the end of December 2012.

The Bank also has a securities portfolio of some NIS 54 billion, invested mainly in Government of Israel debentures, foreign government debentures and foreign bank debentures. This compares with a balance of NIS 49 billion at 31 December 2012.

The balance of liquid assets represent around 25.2% of the financial assets of the Bank, a decrease of some 2.0% compared with the level at 31 December 2012.

Operational risks

This chapter is set out in great detail in the Financial Report for 2012 (pages 233-237) and accordingly, the following should be read in conjunction therewith.

Leumi Group operates in a wide range of financial activities and therefore is exposed to operational risks, including, *inter alia*, risk of fraud and embezzlement, legal risks, compliance risk, data technology risks, business continuity and data security.

The management of operational risks in Leumi Group is carried out from a systemic perspective, using a consistent and systematic Group methodology outlined by the Operational Risk Management Division, adjusting for the nature, size and complexity of the activity of each organizational unit in the Group. The management of operational risks is based on a pro-active process of identifying, measuring, monitoring, reporting and controlling/mitigating material risks. For further explanation regarding operational risk management in the Bank, see page 233 in the Annual Report.

Risk of cyber attacks (Reporting as prospective information) – In recent years, an increase in the degree of cyber threats can be discerned. Attacks have been carried out against national infrastructures, government institutions and corporations, both in Israel and around the world.

Bank Leumi, as a leading financial organization, is an attractive target for various attackers. The computer systems, communication networks and our customers' devices have come under attack and will continue to be vulnerable to cyber-attack, viruses, malware, phishing, and other exposures intended to cause damage to service, or steal or corrupt data.

Leumi regards the Bank's data and those of its customers as an important asset and invests much effort in applying supervision and control mechanisms and procedures. As a part of its preparedness for contending with such cyber threats, a survey has been carried out to examine Leumi's resistance. As a result of the survey, Leumi commenced a multi-year process to improve its defence capability to stave off cyber threats.

In the first nine months of 2013, Leumi experienced no serious data security or cyber events.

Legal Proceedings

The Report of the Board of Directors in the Annual Report for 2012 sets forth legal, civil and other proceedings in which the Bank and consolidated subsidiaries are parties.

As of the publication date of this report, there had been no material changes in the abovementioned proceedings, except as outlined below.

With regard to claims of an amount exceeding 1% of the Bank's shareholders' equity on 30 September 2013, some NIS 261 million, see also note 6 to the Financial Statements.

In the opinion of the Management of the Bank, based on legal opinions, appropriate provisions have been included in the financial statements to cover possible damages in respect of all the claims.

(a) Further to the details set forth in paragraph 2.6 in the chapter "Legal Proceedings" in the Report of the Board of Directors (page 246 in the 2012 Financial Report), on 25 August 2013, the Antitrust Commissioner ("the Commissioner") granted the exemption regarding the joint holdings of Bank Leumi, Bank Hapoalim, Discount Bank, First International Bank and Bank Mizrahi-Tefahot (hereinafter, together – "the Banks") in ABS – Automatic Bank Services Ltd. (hereinafter "ABS") for a period of three years. Pursuant to the exemption, further terms were stipulated in addition to those provided in previous exemptions granted by the Commissioner. The exemption includes conditions relating to the technological interface for providing gathering and the approval of credit card transactions services and interface services between businesses and ABS, which are developed and assimilated in ABS systems, principal of which is the provision of a possibility for rapid connection under equitable conditions and at a low cost of various entities that are entitled under the law to connect to ABS, with effect from 1 October 2015. On 7 August 2013, ABS signed an agreement to sell its automated cash-dispensing activity, subject to fulfillment of the conditions precedent in the agreement, pursuant to the decision of the Commissioner on this matter.

(b) The United States authorities (the "U.S. authorities") are conducting an investigation into foreign banks, including Bank Leumi Group ("the Group"), in connection with activities of the Group with customers who are U.S. taxpayers ("U.S. customers"), on suspicion of a breach of U.S. law. In the context of the progress of the investigation, authorities, including the tax authorities, have issued subpoenas to the Group, including the Bank, for information and documents concerning U.S. customers and have summoned customers and Group employees, to give evidence and provide documents in connection with U.S. customers and the banking services given to them by the Group. The Group is cooperating with the authorities, in providing information and in the procedural steps required, as allowed by law. At the same time, the Group is continuing its own investigation of the Group's activities of the subject. The investigation is being carried out by means of outside parties hired for this purpose. The Bank recently received preliminary data from the abovementioned investigation.

The Bank has made a provision of NIS 340 million in the 2012 financial statements which is intended to cover the expense that might be incurred by the Group due to the investigations that are being conducted by the U.S. authorities with regard to the U.S. customers. In view of the preliminary data which the Bank has received, the Bank decided to increase the said provision in the Bank's financial statements for the third quarter of 2013 by NIS 190 million to an aggregate total of NIS 530 million. This provision also included an estimate of the expected balance of expenses in respect of consultants and other outside service-providers in connection with the investigation.

Because there is no certainty regarding the level of expense that the Group may incur on this matter, it is possible that the final expense will be significantly higher. In addition, the abovementioned provision does not constitute an acknowledgement of any claim that might be raised against the Group by the U.S. authorities.

(c) On 1 September 2013, a petition to approve the submission of a derivative claim against former senior officers in the Bank was submitted to the Economic Department of the Tel Aviv District Court. According to the petitioner, as part of the investigations of the tax authorities in the United States, representatives of the Bank and representatives of Bank Leumi USA assisted customers who are assessed for tax in the United States to enter into transactions which prevented the tax authorities in the United States from collecting taxes from their citizens. The damage incurred by the Bank, according to the petitioner, stands at hundreds of millions of shekels which the Bank intends to pay to the United States tax authorities, and at this stage, the Bank has put aside the sum of NIS 340 million, with part of the sum paid to advisors and service-providers in connection with the investigations. The petitioner claims that the abovementioned officers are responsible for the damage incurred by the Bank when they led it to take part in the illegal activity or at least, did not prevent it.

D. Additional Matters

Leumi for the Community

Leumi Tomorrow - The Centennial Fund for Endowing Israel's Future Generation

In September 2013, a year of activity of educational programs opened with Leumi Tomorrow supporting almost 20,000 young people from the geographical and social periphery. The participants, who come from all sectors of the population, took part in nine projects, which are intended to reduce educational gaps between the outlying towns and the cities, promote leadership and develop social involvement.

Leumi Promoting Israeli Art

As a part of its commitments to support and encourage art in the areas away from the centre of the country, and to provide exposure for artists living in the periphery, Leumi acts to make art accessible to residents of the north and south of the country.

- Spaces in the South: At the end of August 2013, the first art exhibition of its kind opened in Sderot, including, for the first time a complete exhibition of works from Leumi's collection being displayed outside the confines of the Bank. Alongside this, there were also creations of artists living and working in the south. Leumi sponsored the event and awarded four study scholarships of NIS 10,000 to each of the art students in Sderot and the surrounding area. Also, as part of the event, Leumi purchased four creations by young local artists.

- Galilee Color Fair: On the Sukkot holiday, the Northern Contemporary Art Fair, supported by Leumi was held in Hazor Galilit. This exceptional event exposed the residents of the north of the country to works created by leading Israeli artists and represented a meeting-point for Jewish and Arab artists, some well known, some just starting out, and artists covering several generations. The fair included a unique exhibition from Leumi's collected works, collections from various museums in the area and works by graduates of local art colleges.

Summary of Donations and Sponsorships

In the first nine months of 2013, Leumi Group donated funds and provided sponsorships for social welfare and community purposes amounting to some NIS 20.7 million, of which donations totaled some NIS 13.4 million.

Internal Auditor

Details regarding Internal Audit in the Group, including the professional standards by which it operates, the annual and multi-year work plans, and the considerations taken into account in formulating them, were included in the Annual Report for 2012. During the period, there were no significant changes in these details.

The 2013 work program of the Internal Audit Division was submitted to the Audit Committee on 17 January 2013, and was discussed in the Audit Committee on 20 January 2013. On 31 January 2013, it was submitted to the plenum of the Board of Directors and discussed in the plenum on 3 February 2013.

The Internal Auditor’s annual report for 2012 was submitted to the Audit Committee on 14 March 2013 and discussed in the Audit Committee on 17 March 2013. On 8 April 2013, the report was submitted to the plenum of the Board of Directors and discussed in the plenum on 11 April 2013.

The annual reports of the internal auditors of subsidiaries in Israel and abroad for 2012 were submitted to the Audit Committee on 22 April 2013 and were discussed in the committee on 25 April 2013.

The Internal Auditor report for the first half of 2013 was submitted to the Audit Committee on 19 August 2013 and discussed in the Audit Committee on 22 August 2013.

Controls and Procedures

Controls and Procedures Regarding Disclosure in the Financial Statements

The directives of the Supervisor of Banks subject banking corporations to the requirements of Section 404 of the SOX Act. In Section 404, the SEC and the Public Company Accounting Oversight Board, determined provisions as to management's responsibility for the internal control over financial reporting and as to the external auditors' opinion with regard to the audit of the internal control over financial reporting.

The Supervisor's directives in the said circular prescribe that:

- Banking corporations shall apply the requirements of Section 404 and also SEC directives that have been published thereunder.

- Proper internal control requires a control system in accordance with a defined and recognized framework, and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model meets the requirements and can be used to assess internal control.

The Bank routinely implements the directive in Leumi Group.

Assessment of controls and procedures with regard to disclosure

The Bank management, in conjunction with the President and CEO and the Chief Accounting Officer, at the end of the period covered in the report, estimated the effectiveness of the controls and procedures with regard to the Bank's disclosure. On the basis of this evaluation, the President and CEO of the Bank and the Chief Accounting Officer concluded that as of the end of this period, the controls and procedures with regard to the Bank's disclosure are effective in recording, processing, aggregating and reporting the information which the Bank is required to disclose in the quarterly financial report pursuant to the Public Reporting Directives of the Supervisor of Banks and at the date stipulated in these directives.

Changes in internal control

During the quarter ended 30 September 2013, there was no material change in the internal control of the Bank's financial reporting, which materially affected, or which is likely to materially affect the Bank's internal control of financial reporting.

Organizational Structure and Appointments

Appointments and retirements

Appointments:

Professor Daniel Tsiddon, was appointed to the position of Head of Capital Markets, Private Banking and Strategy Division, with effect from 1 April 2013.

Mr. Yaakov Haber was appointed Head of Corporate Division, with effect from 1 January 2013.

Ms. Tamar Yassur was appointed Head of Banking Division and member of Bank management and to the post of chairman of the board of directors of Leumi Card, with effect from 1 January 2013.

Mr. Dan Yerushalmi was appointed to the position of Head of Operations and Computers and member of Bank management with the rank of Deputy Vice-President, with effect from 1 March 2013. From 1 January 2013, and until he took up his position, Mr. Moshe Wolf was the acting Head of Operations and Computers.

Mr. Shlomo Goldfarb was appointed to the position of Head of the Accounting Division, Chief Accounting Officer and member of Bank management, with effect from 1 April 2013.

Mr. Itay Ben-Zeev was appointed to the position of Head of the Capital Markets Division and member of Bank management with effect from 1 April 2013.

Mr. Avner Mendelson ceased to serve as Head of the Strategy Department and International Operations Headquarters and was appointed to the position of General Manager of Leumi USA, with effect from 1 September 2013.

Mr. Amir Lazar was appointed to the position of Head of the Mortgage Department, with effect from 1 January 2013.

Ms. Osnat Tennenbaum was appointed to the position of Head of the Special Credit Department, with effect from 1 February 2013.

Mr. Ehud Zilberberg was appointed to the position of General Manager of Leumi Switzerland with effect from 1 July 2013.

Retirements:

Mr. Menachem Schwartz ceased to serve in his position as Head of the Accounting Division, Chief Accounting Officer and member of Bank management on 31 March 2013 and retired from the Bank on 31 October 2013, after 43 years employment with the Bank.

Mr. Moshe Ingevir ceased to serve in his position as Head of the Special Credits Department on 31 January 2013 and retired, after 46 years employment with the Bank.

Mr. Amnon Zeiderberg ceased to serve in his position as General Manager of Leumi Switzerland on 30 June 2013.

Mr. Eyal Yitzhak ceased to serve in his position as General Manager of Leumi USA on 31 August 2013 and will retire on 2 June 2014 after 39 years employment in the Leumi Group.

Organizational Structure

Capital Markets, Private Banking and Strategy Division

On 1 April 2013, Professor Daniel Tsiddon, Deputy President and CEO was appointed Head of the Capital Markets, Private Banking and Strategy Division, and the Head of the Capital Markets Division, the Head of the Private Banking Department and Strategy Units, O&M Operations and International Operation Headquarters will report to him.

Accounting Division

On 1 April 2013, with Mr. Shlomo Goldfarb taking up his position as Head of the Accounting Division and Chief Accounting Officer, it was decided that the Accounting Division, which he heads, will report to the Economics and Finance Division headed by Mr. Ron Fainaro.

Remuneration Policy and Bonus Plan

On 2 September 2013, the Bank received a letter from the Supervisor of Banks, requiring the Bank to postpone discussion regarding the remuneration of senior officers, pursuant to the requirements of Amendment 20 to the Companies Law, 1999, which was due to be held in the General Meeting called for 12 September 2013, and to hold it after the Supervisor of Banks completes the regulation of the new directive regarding the remuneration in a banking corporation. This postponement was intended, according to the Supervisor of Banks, to ensure that the Bank's remuneration policy would comply with the requirements which were to appear in the abovementioned new directive, including international standards on the subject which the Supervisor of Banks wishes to implement in the Israeli banking system.

In view of the Supervisor's demand mentioned above, on 3 September 2013, the Board of Directors decided to postpone the General Meeting which was called as mentioned above, and the Bank will continue to publish appropriate reports with regard to the convening of a meeting or meetings to discuss the topics that were on the agenda of the said meeting, including the subject of remuneration.

For further details regarding the postponement of the general meeting whose agenda included the approval of remuneration policy and bonus plan mentioned above, see the Bank's Immediate Report dated 3 September 2013 (ref.: 2013-01-137040).

Attached to the Supervisor's 2 September letter was an interpretation from the Israel Securities Authority (ISA) dated 28 August 2013, which stated that the ISA would not intervene in the postponement of general meetings for the approval of remuneration policy in accordance with Amendment 20 of the Companies Law beyond the last date determined for this in the said amendment, with companies being required to act, with regard to the approval of the terms of office and employment of all their officers, until the approval of the remuneration policy as companies that have yet to approve their remuneration policy.

Also attached to the Supervisor's letter mentioned above was one from the Deputy Attorney-General dated 29 August 2013, reiterating the ISA's position outline above, and further clarified, among other things, that the postponement of the general meetings for a short period as required by the Supervisor does not adversely affect the interests of the shareholders or cause them any tangible damage.

On 19 November 2013, a new Bank of Israel directive was published on the subject of remuneration policy (Regulation 301A). With regard to the said Bank of Israel directive on remuneration policy – see Chapter on Banking Legislation above.

Board of Directors

During the first nine months of 2013 and up until the date of publication of this Report, the following changes took place in the composition of the Board of Directors:

On 21 March 2013, Mr. Doron Cohen completed his term of office as director in the Bank. Also, on 31 August 2013, Mr. Yehuda Drori completed his term of office as director in the Bank. The Board of Directors expressed its appreciation to Mr. Cohen and Mr. Drori for their contribution to the Bank's business and development. For further details, see the Bank's Immediate Reports dated 21 March 2013 (ref.: 2013-01-013426) and 29 August 2013 (ref.: 2013-01-13071).

On 23 October 2013, the Annual General Meeting of the Bank ("Annual General Meeting") was held, the agenda including. *inter alia*, three items in connection with the directors serving in the Bank: (1) the election of five directors to serve on the Board of Directors, (2) the election of one external director, pursuant to the Companies Law, with effect from 1 February 2014 and (3) the ratification of the term office of an external director, pursuant to the Companies Law – Mr. Haim Samet.

In accordance with the Bank's articles, at the abovementioned Annual General Meeting of the Bank, three directors, Mr. David Brodet, Mr. Moshe Dovrat and Mr. Yoav Nardi, retired by rotation.

At the Annual General Meeting, the abovementioned incumbent directors, Mr. Brodet and Mr. Nardi, were re-elected, and Ms. Etty Langerman, Ms. Nurit Segal and Mr. Shay Hermesh were elected to serve as directors in the Bank. In addition, Professor Gabriela Shalev was re-elected to serve as external director pursuant to the Companies Law, 1999, for a further three-year period commencing 1 February 2014.

The election of those directors elected at the Annual General Meeting is contingent on the approval or absence of objection of the Supervisor of Banks, pursuant to Section 11a of the Companies Ordinance, which has yet to be obtained.

On 27 October 27 2013, notice was received from the Supervisor of Banks of the fact that it was not possible to appoint Ms. Langerman as a director of the Bank, due to an interest of relative of hers in the Bank (Ms. Langerman's sister is an employee of the Bank). Accordingly, on 28 October 2013, the Bank announced that, pursuant to the provisions of paragraph 2.1.5 of the Bank's Immediate Report concerning the convening of a general meeting dated 16 September 2013 (ref.: 2013-01-147072), Mr. Moshe Dovrat will be considered to have been elected as a director, in place of Ms. Langerman.

Furthermore, it was resolved at the Annual Meeting to ratify the appointment of Mr. Haim Samet as external director pursuant to the Companies Law, 1999.

On 24 October 2013, the Board of Directors approved the term of office of Mr. David Brodet as Chairman of the Board of Directors to the date of completing the procedure for electing the Chairman of the Board of Directors.

As of date, and up to the receipt of approval or absence of objection of the Supervisor of Banks for the offices of the directors elected, the Board of Directors numbers 13 directors.

For further details, see the Bank's Immediate Report pertaining to the results of the Annual General Meeting of 23 October 2013 (ref.: 2013-01-173919) and Immediate Reports dated 24 October (ref.:2013-01-174873) and 28 October (ref.: 2013-01-176181, 2013-01-176916).

At the meeting of the Board of Directors held on 28 November 2013, it was resolved to approve and publish the Group’s condensed unaudited consolidated financial statements as of 30 September 2013 and for the period ended on that date.

During the period of January to September 2013, the Board of Directors held 33 plenary meetings and 92 committee meetings.

The Bank's Board of Directors expresses its appreciation and gratitude to employees and managers of the Bank and of Group companies in Israel and overseas for their dedicated work and their contribution to the promotion of the Group's business.

David Brodet	Rakefet Russak-Aminoach
Chairman of the Board of Directors	President and Chief Executive Officer

28 November 2013

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis)

Exhibit A

Part A – Average balances and interest rates - assets

	For the three months ended 30 September					
	2013			2012		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	(NIS millions)		%	(NIS millions)		%
Income-bearing assets						
Credit to the public[3, 10]						
In Israel	**209,406**	**2,822**	**5.50**	208,570	2,854	5.59
Outside Israel	**25,448**	**243**	**3.87**	27,899	272	3.96
Total	**234,854**	**3,065**	**5.32**	236,469	3,126	5.39
Credit to the Government						
In Israel	**488**	**8**	**6.72**	410	7	7.01
Outside Israel	**13**	**-**	**-**	5	-	-
Total	**501**	**8**	**6.54**	415	7	6.92
Deposits in banks						
In Israel	**7,350**	**26**	**1.42**	7,120	29	1.64
Outside Israel	**2,211**	**1**	**0.18**	2,589	3	0.46
Total	**9,561**	**27**	**1.13**	9,709	32	1.32
Deposits in central banks						
In Israel	**17,394**	**55**	**1.27**	17,309	96	2.24
Outside Israel	**4,068**	**1**	**0.10**	4,882	-	-
Total	**21,462**	**56**	**1.05**	22,191	96	1.74
Securities borrowed or purchased under resale agreements						
In Israel	**1,565**	**6**	**1.54**	2,183	13	2.40
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,565**	**6**	**1.54**	2,183	13	2.40
Bonds available for sale[4,5]						
In Israel	**44,422**	**217**	**1.97**	41,228	255	2.50
Outside Israel	**4,040**	**12**	**1.19**	4,703	18	1.54
Total	**48,462**	**229**	**1.90**	45,931	273	2.40
Bonds for trading[4,5]						
In Israel	**9,663**	**74**	**3.10**	10,564	67	2.56
Outside Israel	**131**	**1**	**3.09**	116	1	3.49
Total	**9,794**	**75**	**3.10**	10,680	68	2.57
Total interest-bearing assets	**326,199**	**3,466**	**4.32**	327,578	3,615	4.49
Receivables for non-interest bearing credit cards	**6,937**			6,490		
Other non-interest bearing assets[6]	**31,630**			30,288		
Total assets	**364,766**			364,356		
Total income-bearing assets attributable to activity outside Israel	**35,911**	**258**	**2.90**	40,194	294	2.96

See notes on page 139.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Part B – Average balances and interest rates – liabilities and equity

	For the three months ended 30 September					
	2013			2012		
	Average balance[2]	Interest expense	Rate of expense	Average balance[2]	Interest expense	Rate of expense
	(NIS millions)		%	(NIS millions)		%
Interest- bearing liabilities						
Deposits of the public						
In Israel	245,025	(903)	(1.48)	244,834	(1,168)	(1.92)
On demand	66,403	(30)	(0.18)	47,936	(44)	(0.37)
Fixed term	178,622	(873)	(1.97)	196,898	(1,124)	(2.30)
Outside Israel	17,828	(43)	(0.97)	20,051	(50)	(1.00)
On demand	3,357	(5)	(0.60)	4,192	(5)	(0.48)
Fixed term	14,471	(38)	(1.05)	15,859	(45)	(1.14)
Total	262,853	(946)	(1.45)	264,885	(1,218)	(1.85)
Deposits of the Government						
In Israel	194	(2)	(4.19)	299	(4)	(5.46)
Outside Israel	259	-	-	162	-	-
Total	453	(2)	(1.78)	461	(4)	(3.52)
Deposits from banks						
In Israel	2,951	(10)	(1.36)	2,648	(19)	(2.90)
Outside Israel	199	-	-	413	(1)	(0.97)
Total	3,150	(10)	(1.28)	3,061	(20)	(2.64)
Securities lent or sold under resale agreements						
In Israel	750	(4)	(2.15)	1,313	(8)	(2.46)
Outside Israel	-	-	-	59	(1)	(6.95)
Total	750	(4)	(2.15)	1,372	(9)	(2.65)
Bonds						
In Israel	26,880	(558)	(8.57)	27,666	(492)	(7.31)
Outside Israel	10	-	-	486	-	-
Total	26,890	(558)	(8.56)	28,152	(492)	(7.18)
Total interest-bearing liabilities	294,096	(1,520)	(2.08)	297,931	(1,743)	(2.36)
Non-interest bearing deposits of the public	13,620			12,834		
Payables for non-interest bearing credit cards	7,516			6,760		
Other non-interest bearing liabilities [7]	23,784			22,268		
Total liabilities	339,016	(1,520)		339,793	(1,743)	
Total capital means	25,750			24,563		
Total liabilities and capital means	364,766	(1,520)		364,356	(1,743)	
Interest margin		1,946	2.24		1,872	2.13
Net yield[8] on income-bearing assets						
In Israel	290,288	1,731	2.41	287,384	1,630	2.29
Outside Israel	35,911	215	2.42	40,194	242	2.43
Total	326,199	1,946	2.41	327,578	1,872	2.31
Total income-bearing liabilities attributable to activity outside Israel	18,296	(43)	(0.94)	21,171	(52)	(0.99)

See notes on page 139.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Part C – Average balances and interest rates – additional information on interest-bearing assets and liabilities attributed to activity in Israel

	For the nine months ended 30 September					
	2013			2012		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	(NIS millions)		%	(NIS millions)		%
Income-bearing assets						
Credit to the public[3]						
In Israel	**209,556**	**7,636**	**4.89**	209,199	8,464	5.43
Outside Israel	**25,909**	**730**	**3.77**	27,296	797	3.91
Total	**235,465**	**8,366**	**4.77**	236,495	9,261	5.26
Credit to the Government						
In Israel	**442**	**19**	**5.77**	409	19	6.24
Outside Israel	**15**	**-**	**-**	11	-	-
Total	**457**	**19**	**5.58**	420	19	6.08
Deposits in banks						
In Israel	**7,477**	**55**	**0.98**	7,008	62	1.18
Outside Israel	**2,457**	**9**	**0.49**	3,082	15	0.65
Total	**9,934**	**64**	**0.86**	10,090	77	1.02
Deposits in central banks						
In Israel	**22,855**	**266**	**1.55**	20,473	376	2.46
Outside Israel	**4,427**	**4**	**0.12**	4,391	1	0.03
Total	**27,282**	**270**	**1.32**	24,864	377	2.03
Securities borrowed or purchased under resale agreements						
In Israel	**1,299**	**16**	**1.65**	1,838	35	2.55
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,299**	**16**	**1.65**	1,838	35	2.55
Bonds available for sale [4,5]						
In Israel	**40,033**	**577**	**1.93**	36,164	721	2.67
Outside Israel	**3,909**	**31**	**1.06**	4,318	65	2.01
Total	**43,942**	**608**	**1.85**	40,482	786	2.60
Bonds for trading[4,5]						
In Israel	**9,932**	**172**	**2.32**	10,196	237	3.11
Outside Israel	**388**	**5**	**1.72**	109	1	1.23
Total	**10,320**	**177**	**2.29**	10,305	238	3.09
Total interest-bearing assets	**328,699**	**9,520**	**3.88**	324,494	10,793	4.46
Receivables for non-interest bearing credit cards	**6,750**			6,491		
Other non-interest bearing assets[6]	**30,219**			30,531		
Total assets	**365,668**			361,516		
Total income-bearing assets attributable to activity outside Israel	**37,105**	**779**	**2.81**	39,207	879	3.00

See notes on page 139.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Part D – Analysis of changes in interest income and interest expenses

	For the nine months ended 30 September					
	2013			2012		
	Average balance[2]	Interest expense	Rate of expense	Average balance[2]	Interest expense	Rate of expense
	(NIS millions)		%	(NIS millions)		%
Interest- bearing liabilities						
Deposits of the public						
In Israel	244,975	(2,460)	(1.34)	241,725	(3,516)	(1.94)
On demand	61,472	(101)	(0.22)	48,502	(134)	(0.37)
Fixed term	183,503	(2,359)	(1.72)	193,223	(3,382)	(2.34)
Outside Israel	18,625	(146)	(1.05)	20,978	(178)	(1.13)
On demand	3,470	(9)	(0.35)	4,787	(14)	(0.40)
Fixed term	15,155	(137)	(1.21)	16,191	(164)	(1.35)
Total	263,600	(2,606)	(1.32)	262,703	(3,694)	(1.88)
Deposits of the Government						
In Israel	230	(7)	(4.08)	324	(12)	(4.97)
Outside Israel	227	-	-	130	-	-
Total	457	(7)	(2.05)	454	(12)	(3.54)
Deposits from banks						
In Israel	3,163	(29)	(1.22)	2,434	(46)	(2.53)
Outside Israel	229	(1)	(0.58)	1,029	(8)	(1.04)
Total	3,392	(30)	(1.18)	3,463	(54)	(2.08)
Securities lent or sold under repurchase agreements						
In Israel	736	(11)	(2.00)	1,013	(21)	(2.77)
Outside Israel	37	(1)	(3.62)	57	(2)	(4.71)
Total	773	(12)	(2.08)	1,070	(23)	(2.88)
Bonds						
In Israel	27,319	(1,318)	(6.48)	27,989	(1,382)	(6.64)
Outside Israel	10	-	-	429	(4)	(1.25)
Total	27,329	(1,318)	(6.48)	28,418	(1,386)	(6.56)
Total interest-bearing liabilities	295,551	(3,973)	(1.80)	296,108	(5,169)	(2.33)
Non-interest bearing deposits of the public	13,843			12,597		
Payables for non-interest bearing credit cards	7,282			6,746		
Other non-interest bearing liabilities [7]	23,558			21,876		
Total liabilities	340,234	(3,973)		337,327	(5,169)	
Total capital means	25,434			24,189		
Total liabilities and capital means	365,668	(3,973)		361,516	(5,169)	
Interest margin		5,547	2.08		5,624	2.12
Net yield[8] on income-bearing assets						
In Israel	291,594	4,916	2.25	285,287	4,937	2.31
Outside Israel	37,105	631	2.27	39,207	687	2.34
Total	328,699	5,547	2.26	324,494	5,624	2.32
Total income-bearing liabilities attributable to activity outside Israel	19,128	(148)	(1.03)	22,623	(192)	(1.13)

See notes on page 139.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Part D – Analysis of changes in interest income and interest expenses

	For the three months ended 30 September					
	2013			2012		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	(NIS millions)		%	(NIS millions)		%
Index-linked Israeli currency						
Total interest-bearing assets	**58,557**	**1,267**	**8.94**	62,157	1,067	7.05
Total interest-bearing liabilities	**49,524**	**(1,026)**	**(8.55)**	49,929	(849)	(6.98)
Interest margin	**9,033**	**241**	**0.39**	12,228	218	0.07
Unlinked Israeli currency						
Total interest-bearing assets	**188,801**	**1,706**	**3.66**	177,747	1,957	4.48
Total interest-bearing liabilities	**153,326**	**(395)**	**(1.03)**	150,912	(690)	(1.84)
Interest margin	**35,475**	**1,311**	**2.63**	26,835	1,267	2.64
Foreign currency						
Total interest-bearing assets	**42,930**	**235**	**2.21**	47,480	297	2.53
Total interest-bearing liabilities	**72,950**	**(56)**	**(0.31)**	75,919	(152)	(0.80)
Interest margin	**(30,020)**	**179**	**1.90**	(28,439)	145	1.72
Total activity in Israel						
Total interest-bearing assets	**290,288**	**3,208**	**4.49**	287,384	3,321	4.70
Total interest-bearing liabilities	**275,800**	**(1,477)**	**(2.16)**	276,760	(1,691)	(2.47)
Interest margin	**14,488**	**1,731**	**2.33**	10,624	1,630	2.24

	For the nine months ended 30 September					
	2013			2012		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)
	(NIS millions)		%	(NIS millions)		%
Index-linked Israeli currency						
Total interest-bearing assets	**59,632**	**2,761**	**6.22**	62,198	3,003	6.49
Total interest-bearing liabilities	**49,639**	**(2,184)**	**(5.91)**	49,407	(2,315)	(6.30)
Interest margin	**9,993**	**577**	**0.31**	12,791	688	0.19
Unlinked Israeli currency						
Total interest-bearing assets	**187,942**	**5,284**	**3.77**	176,031	6,008	4.58
Total interest-bearing liabilities	**152,437**	**(1,428)**	**(1.25)**	149,841	(2,198)	(1.96)
Interest margin	**35,505**	**3,856**	**2.52**	26,190	3,810	2.62
Foreign currency						
Total interest-bearing assets	**44,020**	**696**	**2.11**	47,058	903	2.57
Total interest-bearing liabilities	**74,347**	**(213)**	**(0.38)**	74,237	(464)	(0.83)
Interest margin	**(30,327)**	**483**	**1.73**	(27,179)	439	1.73
Total activity in Israel						
Total interest-bearing assets	**291,594**	**8,741**	**4.02**	285,287	9,914	4.66
Total interest-bearing liabilities	**276,423**	**(3,825)**	**(1.85)**	273,485	(4,977)	(2.43)
Interest margin	**15,171**	**4,916**	**2.17**	11,802	4,937	2.23

See notes on page 139.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Part D – Analysis of changes in interest income and interest expenses

	2013 compared to 2012			2013 compared to 2012		
	For the nine months ended 30 September			For the three months ended 30 September		
	2013			2013		
	Increase (decrease) due to change[9]		Net change	Increase (decrease) due to change[9]		Net change
	Amount	Price		Amount	Price	
	(NIS millions)					
Interest-bearing assets						
Credit to the public						
In Israel	13	(841)	(828)	11	(43)	(32)
Outside Israel	(39)	(28)	(67)	(23)	(6)	(29)
Total	(26)	(869)	(895)	(12)	(49)	(61)
Other interest-bearing assets						
In Israel	80	(425)	(345)	10	(91)	(81)
Outside Israel	(3)	(30)	(33)	(3)	(4)	(7)
Total	77	(455)	(378)	7	(95)	(88)
Total interest income	51	(1,324)	(1,273)	(5)	(144)	(149)
Interest-bearing liabilities						
Deposits of the public						
In Israel	33	(1,089)	(1,056)	1	(266)	(265)
Outside Israel	(19)	(13)	(32)	(5)	(2)	(7)
Total	14	(1,102)	(1,088)	(4)	(268)	(272)
Other interest-bearing liabilities						
In Israel	(14)	(82)	(96)	(21)	72	51
Outside Israel	(5)	(7)	(12)	-	(2)	(2)
Total	(19)	(89)	(108)	(21)	70	49
Total interest expenses	(5)	(1,191)	(1,196)	(25)	(198)	(223)

See notes on next page.

Rates of Income and Expenses[1] and Analysis of Changes in Interest Income and Expenses (on Consolidated Basis) (cont'd)

Exhibit A (cont'd)

Notes:

(1) The data in these tables are shown after the effect of hedging derivative instruments.

(2) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated on daily figures.

(3) Before deduction of the average balance of credit loss allowances. Including impaired debts not accumulating interest income.

(4) From the average balance of assets there has been deducted (added) the average balance of unrealized profits (losses) from adjustments to fair value of debentures held for trading and available for sale as follows:

In the unlinked Israeli currency segment for the three and nine month period, an amount of NIS 97 million and NIS 132 million respectively (30 September 2012 – NIS 135 million and NIS 99 million respectively).

In the CPI-linked Israeli currency sector for the three and nine month period, an amount of NIS 60 million and NIS 83 million respectively (30 September 2012 – NIS 44 million and NIS 79 million respectively).

In the foreign currency sector (including Israeli currency linked to foreign currency) for the three and nine month period, an amount of NIS 104 million and NIS 280 million respectively (30 September 2012 – NIS 45 million and NIS (122) million respectively).

(5) From the average balance of assets there has been deducted (added) the average balance of unrealized gains (losses) on adjustment to fair value of debentures held for trading and available for sale, in the various segments, for the three and nine month period, an amount of NIS 261 million and NIS 495 million respectively (30 September 2012 – NIS 224 million and NIS 56 million respectively).

(6) Including book balances of derivative instruments, other non-interest bearing assets, non-monetary assets, and after deducting allowance for credit losses.

(7) Including book balances of derivative instruments, and non-monetary liabilities.

(8) Net yield – net interest income divided by total interest-bearing assets.

(9) The calculation of the allocation between a change in amount and a change in price is made as follows: change in price - the change in price is multiplied by the book balance for the corresponding period; change in amount – the change in book balance is multiplied by the price for the current period.

(10) Commissions for the three and nine month period in the amount of NIS 68 million and NIS 205 million were included in interest income from credit to the public for the three and nine month period (30 September 2012 – NIS 58 million and NIS 173 million respectively).

Exposure to Interest Rate Fluctuations (on Consolidated Basis)

Exhibit B

	30 September 2013												31 December 2012			30 September 2012		
	On demand up to one month	One to three months	Three months to one year	One to three years	Three to five years	Five to ten years	Ten to twenty years	Over twenty years	No repayment date	Total fair value	Internal rate of return	Duration (b)	Total fair value	Internal rate of return	Duration	Total fair value (e)	Internal rate of return	Duration (b) (e)
	(NIS millions)										(%)	(Years)		(%)	(Years)		(%)	(Years)
Israeli currency - unlinked																		
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial assets (a)	148,116	8,862	27,783	8,390	4,723	5,094	1,202	118	361	204,649	3.52	0.61	204,561	3.95	0.45	196,433	4.10	0.37
Derivative financial instruments (excluding options)	52,519	94,181	51,165	43,279	28,609	31,617	654	-	-	302,024	-	1.64	269,939	-	1.53	241,367	-	1.54
Options (in terms of basis asset) (d)	1,552	1,428	2,751	1,054	188	1,561	12	-	-	8,546	-	-	10,835	-	-	7,824	-	-
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fair value	202,187	104,471	81,699	52,723	33,520	38,272	1,868	118	361	515,219	3.52	1.20	485,335	3.95	1.04	445,624	4.10	1.00
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial liabilities (a)	137,572	8,072	8,586	4,299	3,386	257	24	-	9	162,205	1.82	0.23	168,101	2.65	0.25	160,705	3.33	0.26
Derivative financial instruments (excluding options)	59,762	108,629	51,683	46,190	30,184	31,693	472	25	-	328,638	-	1.56	288,807	-	1.44	261,810	-	1.46
Options (in terms of basis asset) (d)	1,489	1,007	2,024	1,568	8	68	16	-	-	6,180	-	-	11,390	-	-	6,511	-	-
Off-balance sheet financial instruments	-	-	26	-	-	-	-	-	-	26	-	0.50	34	-	0.50	35	-	0.50
Total fair value	198,823	117,708	62,319	52,057	33,578	32,018	512	25	9	497,049	1.82	1.11	468,332	2.65	0.98	429,061	3.33	0.99
Financial instruments, net																		
Exposure to interest rate fluctuations	3,364	(13,237)	19,380	666	(58)	6,254	1,356	93										
Accumulated exposure in the sector	3,364	(9,873)	9,507	10,173	10,115	16,369	17,725	17,818										
Israeli currency – linked																		
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial assets (a)	2,479	3,427	13,298	17,169	16,256	7,290	1,471	22	1	61,413	2.13	3.01	62,635	2.29	2.84	64,063	2.44	2.83
Derivative financial instruments (excluding options)	376	968	2,593	866	1,012	1,411	-	-	-	7,226	-	2.54	5,874	-	2.53	5,121	-	3.37
Options (in terms of basis asset) (d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fair value	2,855	4,395	15,891	18,035	17,268	8,701	1,471	22	1	68,639	2.13	2.97	68,509	2.29	2.81	69,184	2.44	2.87
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial liabilities (a)	1,655	3,061	8,685	16,157	10,181	12,153	879	264	-	53,035	1.29	3.41	54,421	1.43	3.57	55,370	1.67	3.59
Derivative financial instruments (excluding options)	1,375	1,625	3,268	2,662	817	1,301	156	-	-	11,204	-	1.97	12,531	-	1.97	10,917	-	1.76
Options (in terms of basis asset) (d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments	-	-	97	-	-	-	-	-	-	97	-	-	101	-	-	78	-	-
Total fair value	3,030	4,686	12,050	18,819	10,998	13,454	1,035	264	-	64,336	1.29	3.15	67,053	1.43	3.26	66,365	1.67	3.28
Financial instruments, net																		
Exposure to interest rate fluctuations	(175)	(291)	3,841	(784)	6,270	(4,753)	436	(242)										
Accumulated exposure in the sector	(175)	(466)	3,375	2,591	8,861	4,108	4,544	4,302										

See notes on page 142.

Exposure to Interest Rate Fluctuations (on Consolidated Basis) (cont'd)

Exhibit B (cont'd)

	30 September 2013												31 December 2012			30 September 2012		
	On demand up to one month	One to three months	Three months to one year	One to three years	Three to five years	Five to ten years	Ten to twenty years	Over twenty years	No repayment date	Total fair value	Internal rate of return	Duration (b)	Total fair value	Internal rate of return	Duration	Total fair value (e)	Internal rate of return	Duration (b) (e)
	(NIS millions)										(%)	(Years)		(%)	(Years)		(%)	(Years)
Foreign currency and foreign currency linked																		
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial assets (a)	39,999	13,954	6,450	7,546	5,067	3,400	399	90	322	77,227	2.41	0.98	86,455	1.90	0.80	88,214	2.76	0.70
Derivative financial instruments (excluding options)	49,106	55,043	30,134	8,766	5,644	9,901	230	255	153	159,232	-	0.93	163,552	-	0.81	154,254	-	0.85
Options (in terms of basis asset) (d)	(3,075)	1,614	4,402	611	4,428	532	18	-	-	8,530	-	-	10,607	-	-	10,255	-	-
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fair value	86,030	70,611	40,986	16,923	15,139	13,833	647	345	475	244,989	2.41	0.91	260,614	1.90	0.78	252,723	2.76	0.76
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial liabilities (a)	72,995	14,046	14,557	3,623	520	535	29	-	13	106,318	0.87	0.28	111,529	1.09	0.28	113,304	1.46	0.28
Derivative financial instruments (excluding options)	41,103	36,396	22,933	10,935	8,148	9,636	315	282	153	129,901	-	1.19	139,465	-	1.08	128,834	-	1.15
Options (in terms of basis asset) (d)	(3,237)	1,522	5,065	639	4,638	1,995	41	-	-	10,663	-	-	9,974	-	-	11,539	-	-
Off-balance sheet financial instruments	-	-	14	-	-	-	-	-	-	14	-	0.50	9	-	0.50	12	-	0.50
Total fair value	110,861	51,964	42,569	15,197	13,306	12,166	385	282	166	246,896	0.87	0.74	260,977	1.09	0.70	253,689	1.46	0.71
Financial instruments, net																		
Exposure to interest rate fluctuations	(24,831)	18,647	(1,583)	1,726	1,833	1,667	262	63										
Accumulated exposure in the sector	(24,831)	(6,184)	(7,767)	(6,041)	(4,208)	(2,541)	(2,279)	(2,216)										
Total exposure to interest rate fluctuations																		
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial assets (a) (c)	190,594	26,243	47,531	33,105	26,046	15,784	3,072	230	4,298	346,903	2.65	1.12	356,648	2.68	0.96	351,019	2.90	0.90
Derivative financial instruments (excluding options)	102,001	150,192	83,892	52,911	35,265	42,929	884	255	567	468,896	-	1.41	439,665	-	1.28	401,148	-	1.06
Options (in terms of basis asset) (d)	(1,523)	3,042	7,153	1,665	4,616	2,093	30	-	-	17,076	-	-	21,442	-	-	18,079	-	-
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fair value	291,072	179,477	138,576	87,681	65,927	60,806	3,986	485	4,865	832,875	2.65	1.26	817,755	2.68	1.11	770,246	2.90	0.97
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments																		
Financial liabilities (a) (c)	212,222	25,179	31,828	24,079	14,087	12,945	932	264	434	321,970	1.39	0.77	334,691	1.59	0.80	329,565	1.91	0.82
Derivative financial instruments (excluding options)	102,240	146,650	77,884	59,787	39,149	42,630	943	307	527	470,117	-	1.47	441,067	-	1.34	401,942	-	1.37
Options (in terms of basis asset) (d)	(1,748)	2,529	7,089	2,207	4,646	2,063	57	-	124	16,967	-	-	21,364	-	-	18,050	-	-
Off-balance sheet financial instruments	-	-	137	-	-	-	-	-	142	279	-	0.08	283	-	0.09	259	-	0.11
Total fair value	312,714	174,358	116,938	86,073	57,882	57,638	1,932	571	1,227	809,333	1.39	1.16	797,405	1.59	1.08	749,816	1.91	1.09
Financial instruments, net																		
Exposure to interest rate fluctuations	(21,642)	5,119	21,638	1,608	8,045	3,168	2,054	(86)										
Accumulated exposure in the sector	(21,642)	(16,523)	5,115	6,723	14,768	17,936	19,990	19,904										

See notes on next page.

Exposure to Interest Rate Fluctuations (on Consolidated Basis) (cont'd)

Exhibit B (cont'd)

(a) Excluding book balances of derivative financial instruments, fair value of off-balance sheet financial instruments, and fair value of hybrid financial instruments. The figures in the "No repayment date" column are the non-discounted book balances, including overdue balances in the amount of NIS 667 million.
(b) Weighted average as per fair value of effective duration.
(c) Including non-monetary assets shown in " No repayment date" column.
(d) Duration less than 0.05 years.
(e) Reclassified.

General notes:
In this table, the data by periods shows the present value of future cash flows, discounted at the internal rate of return used for discounting them to the fair value included in respect of the financial instrument, in consistency with the assumptions used to calculate the fair value of the financial instrument. For further details regarding the assumptions used in the calculation of the fair value of the financial instruments, see Note 18D in the Annual Financial Report.
(1) The internal rate of return is the interest rate for discounting the cash flows expected from a financial instrument to the fair value included in respect of it.
(2) The effective duration of a group of financial instruments constitutes an approximation of the percentage change in the fair value of the group of financial instruments that would be caused as a result of a small change (an increase of 0.1%) in the internal rate of return of each of the financial instruments.
(3) The effect of hedging transactions is included in total assets or total liabilities, as applicable.
(4) In calculating the duration of assets and liabilities in the CPI-linked segment an estimate was taken into account of early redemptions and withdrawals at exit points in savings plans, in accordance with a model estimating expected early redemptions based on the behavior of savers. The duration of total assets according to the original cash flow of the savings plans is higher and reached 3.30 years, the duration of total liabilities reaches 3.19 years, and the internal rate of return (hereinafter – IRR) gap amounts to 0.58%. The change in fair value on total assets is NIS 548 million and in total liabilities NIS (1) million.
(5) Further details of the exposure to interest rate fluctuations for each segment of financial assets and financial liabilities by the various balance sheet headings, will be supplied on request.

Total Credit Risk to the Public by Economic Sector (on Consolidated Basis)

Exhibit C

	30 September 2013								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)						
							Credit losses[4]		
				*Of which:			Expenses in respect of credit	Net accounting	Balance of allowance for credit
In respect of activity of borrowers in Israel	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	losses	write-offs	losses
	(NIS millions)								
Agriculture	**2,065**	**103**	**2,057**	**1,757**	**103**	**45**	**(1)**	**(2)**	**(41)**
Industry	**29,266**	**1,854**	**27,573**	**18,634**	**1,805**	**615**	**(8)**	**(10)**	**(540)**
Construction and real estate - construction	**41,350**	**1,745**	**41,240**	**14,690**	**1,745**	**603**	**(25)**	**(23)**	**(398)**
Construction and real estate - real estate activity	**25,664**	**1,717**	**25,579**	**23,109**	**1,717**	**1,479**	**(18)**	**(33)**	**(489)**
Electricity and water	**4,642**	**1**	**3,966**	**3,490**	**1**	**1**	**(7)**	**-**	**(4)**
Commerce	**22,949**	**1,033**	**22,488**	**18,683**	**1,032**	**556**	**(8)**	**87**	**(386)**
Hotels, catering services and food	**2,776**	**281**	**2,746**	**2,454**	**281**	**198**	**(20)**	**(19)**	**(20)**
Transport and storage	**5,547**	**595**	**5,479**	**4,771**	**586**	**336**	**(13)**	**4**	**(110)**
Communications and computer services	**5,531**	**160**	**5,360**	**4,412**	**154**	**66**	**5**	**-**	**(66)**
Financial services	**28,353**	**734**	**18,646**	**11,582**	**701**	**366**	**(111)**	**247**	**(213)**
Business and other services	**8,191**	**148**	**7,996**	**6,274**	**148**	**131**	**(3)**	**11**	**(169)**
Public and community services	**7,343**	**83**	**7,303**	**6,013**	**83**	**35**	**(3)**	**(2)**	**(5)**
Total commercial	**183,677**	**8,454**	**170,433**	**115,869**	**8,356**	**4,431**	**(212)**	**260**	**(2,441)**
Private individuals - housing loans	**69,178**	**818**	**69,178**	**67,286**	**818**	**-**	**46**	**16**	**(483)**
Private individuals - other	**60,693**	**355**	**60,672**	**30,740**	**355**	**85**	**89**	**62**	**(380)**
Total public	**313,548**	**9,627**	**300,283**	**213,895**	**9,529**	**4,516**	**(77)**	**338**	**(3,304)**
Banks in Israel	**6,280**	**-**	**2,026**	**1,457**	**-**	**-**	**1**	**-**	**(1)**
Government of Israel	**36,893**	**-**	**335**	**335**	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**356,721**	**9,627**	**302,644**	**215,687**	**9,529**	**4,516**	**(76)**	**338**	**(3,305)**

	30 September 2013								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)						
							Credit losses[4]		
				*Of which:			Expenses in respect of credit	Net accounting	Balance of allowance for credit
In respect of activity of borrowers abroad	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	losses	write-offs	losses
	(NIS millions)								
Agriculture	**70**	**10**	**55**	**43**	**10**	**9**	**-**	**-**	**(3)**
Industry	**9,750**	**455**	**8,708**	**5,854**	**454**	**339**	**13**	**12**	**(183)**
Construction and real estate - construction	**11,435**	**900**	**10,735**	**8,016**	**900**	**719**	**86**	**24**	**(381)**
Electricity and water	**436**	**-**	**196**	**37**	**-**	**-**	**-**	**-**	**-**
Commerce	**8,164**	**232**	**8,039**	**5,549**	**232**	**123**	**9**	**5**	**(112)**
Hotels, catering services and food	**1,912**	**68**	**1,910**	**1,778**	**68**	**60**	**11**	**11**	**(10)**
Transport and storage	**570**	**27**	**421**	**413**	**27**	**27**	**(1)**	**(1)**	**(13)**
Communications and computer services	**716**	**-**	**465**	**157**	**-**	**-**	**-**	**-**	**(2)**
Financial services	**15,670**	**127**	**3,934**	**3,024**	**125**	**106**	**(2)**	**1**	**(62)**
Business and other services	**3,263**	**195**	**3,076**	**2,150**	**195**	**195**	**65**	**4**	**(105)**
Public and community services	**1,945**	**2**	**1,844**	**1,596**	**2**	**1**	**4**	**-**	**(15)**
Total commercial	**53,931**	**2,016**	**39,383**	**28,617**	**2,013**	**1,579**	**185**	**56**	**(886)**
Private individuals - housing loans	**1,223**	**55**	**1,223**	**1,222**	**54**	**50**	**1**	**5**	**(20)**
Private individuals - other	**1,305**	**44**	**1,265**	**1,002**	**44**	**44**	**-**	**6**	**(42)**
Total public	**56,459**	**2,115**	**41,871**	**30,841**	**2,111**	**1,673**	**186**	**67**	**(948)**
Banks abroad	**30,804**	**-**	**11,737**	**10,720**	**-**	**-**	**3**	**5**	**(2)**
Goevrnments abroad	**4,541**	**-**	**309**	**198**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**91,804**	**2,115**	**53,917**	**41,759**	**2,111**	**1,673**	**189**	**72**	**(950)**
Total	**448,525**	**11,742**	**356,561**	**257,446**	**11,640**	**6,189**	**113**	**410**	**(4,255)**

See notes on page 146.

Total Credit Risk to the Public by Economic Sector (on Consolidated Basis) (cont'd)

Exhibit C (cont'd)

	30 September 2012								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)[3]						
							Credit losses[4]		
				*Of which:			Expenses in respect of credit	Net accounting	Balance of allowance for credit
In respect of activity of borrowers in Israel	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	losses	write-offs	losses
	(NIS millions)								
Agriculture	1,953	93	1,943	1,634	93	39	(13)	(10)	(40)
Industry	35,413	2,219	33,311	21,779	2,219	753	98	79	(555)
Construction and real estate - construction	39,224	1,523	39,086	13,587	1,525	728	(142)	114	(358)
Construction and real estate - real estate activity	28,712	2,326	28,654	25,777	2,324	1,910	61	172	(489)
Electricity and water	2,040	2	1,310	1,033	2	2	(1)	1	(1)
Commerce	24,241	1,287	23,755	19,197	1,287	605	163	19	(496)
Hotels, catering services and food	3,120	398	3,111	2,853	398	272	(74)	(5)	(30)
Transport and storage	5,983	929	5,848	4,930	908	388	34	13	(136)
Communications and computer services	6,476	80	6,206	4,719	79	20	(30)	2	(39)
Financial services	29,620	914	22,114	12,668	865	751	580	306	(557)
Business and other services	7,628	197	7,526	5,879	197	152	21	1	(85)
Public and community services	7,504	203	7,459	6,256	203	101	32	34	(30)
Total commercial	191,914	10,171	180,323	120,312	10,100	5,721	729	726	(2,816)
Private individuals - housing loans	62,706	855	62,706	61,045	855	22	(7)	36	(468)
Private individuals - other	58,669	334	58,650	29,147	334	44	48	112	(362)
Total public	313,289	11,360	301,679	210,504	11,289	5,787	770	874	(3,646)
Banks in Israel	37,114	-	32,179	31,467	-	-	-	-	-
Government of Israel	34,275	-	274	274	-	-	-	-	-
Total activity in Israel	384,678	11,360	334,132	242,245	11,289	5,787	770	874	(3,646)

	30 September 2012								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)[3]						
							Credit losses[4]		
				*Of which:			Expenses in respect of credit	Net accounting	Balance of allowance for credit
In respect of activity of borrowers abroad	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	losses	write-offs	losses
	(NIS millions)								
Agriculture	66	5	58	41	5	4	(1)	-	(1)
Industry	11,935	371	10,987	7,943	371	147	44	16	(151)
Construction and real estate - construction	11,769	1,132	11,117	8,343	1,132	642	19	45	(235)
Electricity and water	367	-	175	37	-	-	-	-	-
Commerce	8,679	239	8,607	5,523	239	156	2	-	(111)
Hotels, catering services and food	2,143	95	2,141	1,933	95	77	(2)	-	(30)
Transport and storage	644	51	630	483	51	22	5	(1)	(12)
Communications and computer services	1,141	2	868	473	2	-	-	-	(4)
Financial services	13,255	81	4,672	3,763	78	75	(5)	4	(50)
Business and other services	4,259	213	4,174	2,791	213	131	2	7	(60)
Public and community services	892	496	792	781	496	2	11	-	(14)
Total commercial	55,150	2,685	44,221	32,111	2,682	1,256	75	71	(668)
Private individuals - housing loans	1,331	47	1,331	1,330	47	45	(2)	(2)	(19)
Private individuals - other	1,761	48	1,727	1,462	48	48	2	-	(47)
Total public	58,242	2,780	47,279	34,903	2,777	1,349	75	69	(734)
Banks abroad	34,101	6	18,334	14,184	6	6	1	1	(5)
Governments abroad	4,174	-	305	144	-	-	-	-	-
Total activity abroad	96,517	2,786	65,918	49,231	2,783	1,355	76	70	(739)
Total	481,195	14,146	400,050	291,476	14,072	7,142	846	944	(4,385)

See notes on page 146.

Total Credit Risk to the Public by Economic Sector (on Consolidated Basis) (cont'd)

Exhibit C (cont'd)

	31 December 2012								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)[3]						
							Credit losses[4]		
				*Of which:					
In respect of activity of borrowers in Israel	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)								
Agriculture	2,014	103	2,004	1,700	103	40	(11)	(15)	(43)
Industry	32,698	2,263	30,881	20,325	2,179	805	199	137	(584)
Construction and real estate - construction	40,291	1,371	40,176	14,165	1,371	905	(120)	79	(403)
Construction and real estate - real estate activity	28,115	2,289	28,051	25,427	2,287	1,887	90	173	(495)
Electricity and water	3,310	8	2,424	2,051	8	8	-	1	(3)
Commerce	23,043	1,296	22,531	18,801	1,291	768	194	43	(487)
Hotels, catering services and food	2,988	303	2,962	2,713	303	210	(59)	14	(26)
Transport and storage	5,919	894	5,838	5,005	868	373	53	13	(147)
Communications and computer services	5,756	86	5,528	4,581	86	31	(47)	(15)	(38)
Financial services	28,382	1,191	21,171	13,170	1,156	758	576	263	(519)
Business and other services	7,881	202	7,726	6,064	202	159	14	2	(155)
Public and community services	7,533	195	7,490	6,226	195	154	40	60	(25)
Total commercial	187,930	10,201	176,782	120,228	10,049	6,098	929	755	(2,925)
Private individuals - housing loans	64,136	860	64,137	62,101	860	1	(13)	47	(455)
Private individuals - other	57,415	352	57,406	28,941	352	47	91	165	(351)
Total public	309,481	11,413	298,325	211,270	11,261	6,146	1,007	967	(3,731)
Banks in Israel	45,091	-	39,295	38,478	-	-	-	-	-
Government of Israel	33,694	-	282	282	-	-	-	-	-
Total activity in Israel	388,266	11,413	337,902	250,030	11,261	6,146	1,007	967	(3,731)

	31 December 2012								
	Overall credit risk[1]		Debts[2] and off-balance sheets credit risk (except for derivatives)[3]						
							Credit losses[4]		
				*Of which:					
In respect of activity of borrowers abroad	Total	Problematic[5]	Total (*)	Debts[2]	Problematic[5]	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)								
Agriculture	81	9	64	50	9	9	1	-	(3)
Industry	11,225	326	10,249	7,025	323	277	98	16	(184)
Construction and real estate - construction	11,409	1,092	10,754	8,375	1,092	878	135	65	(315)
Electricity and water	370	-	164	32	-	-	-	-	-
Commerce	9,082	231	8,933	6,156	231	177	(1)	3	(136)
Hotels, catering services and food	2,296	73	2,295	2,106	73	56	-	18	(11)
Transport and storage	456	49	442	400	49	29	(1)	(2)	(14)
Communications and computer services	644	-	437	260	-	-	(1)	-	(2)
Financial services	13,864	47	4,747	3,619	47	21	(8)	51	(27)
Business and other services	3,246	218	3,143	2,349	218	217	2	23	(61)
Public and community services	1,505	13	1,391	1,040	13	7	2	-	(13)
Total commercial	54,178	2,058	42,619	31,412	2,055	1,671	227	174	(766)
Private individuals - housing loans	1,303	47	1,303	1,302	47	43	-	-	(20)
Private individuals - other	1,685	52	1,646	1,394	52	51	2	1	(44)
Total public	57,166	2,157	45,568	34,108	2,154	1,765	229	175	(830)
Banks abroad	34,945	5	18,343	14,008	5	5	-	1	(4)
Governments abroad	7,065	-	300	160	-	-	-	-	-
Total activity abroad	99,176	2,162	64,211	48,276	2,159	1,770	229	176	(834)
Total	487,442	13,575	402,113	298,306	13,420	7,916	1,236	1,143	(4,565)

See notes on next page.

Total Credit Risk to the Public by Economic Sector (on Consolidated Basis) (cont'd)

Exhibit C (cont'd)

(1) Balance sheet and off-balance sheet credit risk, including in respect of derivative instruments, including: debts[2], bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivative instruments and credit risk in off-balance sheet financial instruments as calculated for purposes of single borrower credit limitations, in the amount of NIS 257,446, 57,775, 1,098, 10,938, 120,268 million respectively (at 30 September 2012 - NIS 291,476, 50,153, 1,946, 10,494, 127,126 million respectively, at 31 December 2012 - NIS 298,306, 54,042, 1,435, 11,438, 122,221 million respectively).

(2) Credit risk on off-balance sheet financial instruments as calculated for the purpose of single borrower credit limitations, except in respect of derivative instruments.

(3) Including in respect of off-balance sheet credit instruments (appearing in the balance sheet under "Other Liabilities").

(4) Balance sheet and off-balance sheet impaired, substandard, or special mention credit risks, including in respect of housing loans for which there is an allowance by extent of arrears and housing loans for which there is no allowance by extent of arrears that are in arrears of 90 days or more.

(5) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired credit to the public are stated before the effect of the allowance for credit losses, and before the effect of collateral eligible for deduction for purposes of the single borrower and group borrower liability.

Exposures to Foreign Countries

Exhibit D

Part A – Information on total country exposure and on exposure to countries whose total individual exposure exceeds 1% of total assets or exceeds 20% of equity for purposes of calculating capital ratios, whichever the lower.

	30 September 2013					
	Balance sheet exposure (a)					
	Cross-border balance sheet exposure			Balance sheet exposure of foreign offices of the banking corporation to local residents		
	To governments (c)	To banks	To others	Balance sheet exposure before deducting local liabilities	Deduction for local liabilities	Balance sheet exposure net after deducting local liabilities
Country	(NIS millions)					
United States	2,363	4,891	11,780	16,434	9,238	7,196
United Kingdom	411	4,214	2,295	7,172	1,978	5,194
France	-	1,807	1,000	-	-	-
Switzerland	-	395	1,098	2,401	437	1,964
Germany	-	2,190	1,860	-	-	-
Belgium	428	148	197	-	-	-
Italy	-	281	68	-	-	-
Netherlands	-	804	1,580	-	-	-
Others	347	1,714	2,308	1,887	799	1,088
Total exposure to foreign countries	3,549	16,444	22,186	27,894	12,452	15,442
Total exposure to LDC countries	149	600	1,118	1,692	781	911
Total exposure to GIIPS countries (d)	-	449	216	-	-	-

	Balance sheet exposure			Off-balance sheet exposure (a) (b)			
						Cross-border balance sheet exposure	
						Repayment period	
	Total balance sheet exposure	Problematic balance sheet credit risk	Of which: balance of impaired debts	Total off-balance sheet exposure	Of which: problematic off-balance sheet credit risk	Up to one year	Over one year
Country	(NIS millions)						
United States	26,230	563	430	8,607	18	8,215	10,819
United Kingdom	12,114	727	492	5,166	-	4,959	1,961
France	2,807	8	1	1,857	-	2,074	733
Switzerland	3,457	27	27	710	-	1,349	144
Germany	4,050	3	3	1,134	-	2,698	1,352
Belgium	773	-	-	197	-	432	341
Italy	349	1	1	32	-	167	182
Netherlands	2,384	62	47	157	-	1,370	1,014
Others	5,457	528	493	1,393	-	3,211	1,158
Total exposure to foreign countries	57,621	1,919	1,494	19,253	18	24,475	17,704
Total exposure to LDC countries	2,778	523	488	1,058	-	1,604	263
Total exposure to GIIPS countries (d)	665	2	2	41	-	329	336

(a) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts appear before the effect of the allowance for credit losses, and before the effect of collateral eligible for deduction for purposes of the single borrower and group borrower debt limitations. This does not include elements of off-balance sheet risk.
(b) Credit risk in off-balance sheet financial instruments as calculated for purposes of single borrower debt limitations.
(c) Includes governments, official institutions and central banks.
(d) Exposure to GIIPS includes the following countries: Portugal, Ireland, Italy, Greece and Spain.

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

30 September 2012

Balance sheet exposure (a)

	Cross-border balance sheet exposure			Balance sheet exposure of foreign offices of the banking corporation to local residents		
	To governments (c)	To banks	To others	Balance sheet exposure before deducting local liabilities	Deduction for local liabilities	Balance sheet exposure net after deducting local liabilities
Country	(NIS millions)					
United States	3,691	3,846	8,749	17,942	10,298	7,644
United Kingdom	-	3,558	2,309	7,102	2,124	4,978
France	-	2,210	739	-	-	-
Switzerland	-	311	957	3,278	459	2,819
Germany	1	2,062	1,926	-	-	-
Belgium	-	241	136	-	-	-
Italy	-	284	62	-	-	-
Netherlands	4	1,526	1,418	-	-	-
Others	387	3,960	2,899	2,088	1,000	1,088
Total exposure to foreign countries	4,083	17,998	19,195	30,410	13,881	16,529
Total exposure to LDC countries	191	605	1,277	2,055	982	1,073
Total exposure to GIIPS countries (d)	-	377	296	-	-	-

	Balance sheet exposure			Off-balance sheet exposure (a) (b)		Cross-border balance sheet exposure: Repayment period	
	Total balance sheet exposure	Problematic balance sheet credit risk	Of which: balance of impaired debts	Total off-balance sheet exposure (e)	Of which: problematic off-balance sheet credit risk	Up to one year	Over one year
Country	(NIS millions)						
United States	23,930	546	308	7,470	17	7,290	8,996
United Kingdom	10,845	660	296	5,333	5	2,228	3,639
France	2,949	-	-	1,288	-	1,027	1,922
Switzerland	4,087	71	71	906	-	931	337
Germany	3,989	3	3	1,142	-	2,276	1,713
Belgium	377	-	-	208	-	359	18
Italy	346	1	1	11	-	89	257
Netherlands	2,948	53	35	87	-	2,011	937
Others	8,334	520	498	1,255	-	5,896	1,350
Total exposure to foreign countries	57,805	1,854	1,212	17,700	22	22,107	19,169
Total exposure to LDC countries	3,146	513	490	654	-	1,795	278
Total exposure to GIIPS countries (d)	673	2	2	17	-	273	400

(a) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts appear before the effect of the allowance for credit losses, and before the effect of collateral eligible for deduction for purposes of the single borrower and group borrower debt limitations. This does not include elements of off-balance sheet risk.
(b) Credit risk in off-balance sheet financial instruments as calculated for purposes of single borrower debt limitations.
(c) Includes governments, official institutions and central banks.
(d) Exposure to GIIPS countries includes the following countries: Portugal, Ireland, Italy, Greece and Spain.
(e) Restated.

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

	31 December 2012					
	Balance sheet exposure (a)					
	Cross-border balance sheet exposure			Balance sheet exposure of foreign offices of the banking corporation to local residents		
	To governments (c)	To banks	To others	Balance sheet exposure before deducting local liabilities	Deduction for local liabilities	Balance sheet exposure net after deducting local liabilities
Country	(NIS millions)					
United States	5,472	4,161	8,519	17,965	10,201	7,764
United Kingdom	121	4,528	2,468	6,907	2,268	4,639
France	-	2,225	679	-	-	-
Switzerland	-	423	1,040	2,463	373	2,090
Germany	395	1,711	1,960	-	-	-
Belgium	-	172	131	-	-	-
Italy	-	255	93	-	-	-
Netherlands	-	1,425	1,638	-	-	-
Others	368	3,020	2,657	1,947	1,007	940
Total exposure to foreign countries	6,356	17,920	19,185	29,282	13,849	15,433
Total exposure to LDC countries	187	613	1,225	1,920	986	934
Total exposure to GIIPS countries (d)	-	344	217	-	-	-

	Balance sheet exposure			Off-balance sheet exposure (a) (b)			
						Cross-border balance sheet exposure	
						Repayment period	
	Total balance sheet exposure	Problematic balance sheet credit risk	Of which: balance of impaired debts	Total off-balance sheet exposure	Of which: problematic off-balance sheet credit risk	Up to one year	Over one year
Country	(NIS millions)						
United States	25,916	512	330	7,391	16	7,813	10,339
United Kingdom	11,756	621	484	5,041	4	2,677	4,440
France	2,904	1	1	1,398	-	1,391	1,513
Switzerland	3,553	37	37	1,021	-	1,117	346
Germany	4,066	3	3	1,030	-	2,180	1,886
Belgium	303	-	-	200	-	268	35
Italy	348	1	1	35	-	96	252
Netherlands	3,063	51	34	161	-	2,117	946
Others	6,985	569	528	1,379	-	4,779	1,266
Total exposure to foreign countries	58,894	1,795	1,418	17,656	20	22,438	21,023
Total exposure to LDC countries	2,959	559	518	780	-	1,737	288
Total exposure to GIIPS countries (d)	561	1	1	40	-	163	398

(a) Balance sheet and off-balance sheet credit risk, problematic credit risk, and impaired debts appear before the effect of the allowance for credit losses, and before the effect of collateral eligible for deduction for purposes of the single borrower and group borrower debt limitations. This does not include elements of off-balance sheet risk.
(b) Credit risk in off-balance sheet financial instruments as calculated for purposes of single borrower debt limitations.
(c) Includes governments, official institutions and central banks.
(d) Exposure to GIIPS countries includes the following countries: Portugal, Ireland, Italy, Greece, and Spain.
(e) Restated

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

In accordance with the Directive of the Supervisor of Banks, country exposure is shown on an end-risk basis, as follows:

- The accounting balance of a debt is to be dealt with as the amount of exposure to the legal country of residence of the debtor who bears the end risk after the effect of guarantees, liquid collateral and credit derivatives.
- The accounting balance of an investment in shares is to be dealt with as the amount of exposure to the country of residence of the issuer of the security.
- Off-balance sheet credit risk is shown as an off-balance sheet exposure to the country of residence of the counterparty to the transaction as it was calculated for the purposes of single borrower debt limitations.

From the aspect of determining end-risk, collateral is to be considered as follows:

- Third party guarantees according to the country of residence of the guarantor.
- Securities - The country of residence is that of the issuer of the security.
- The directive makes it clear that real estate and debtors' balances do not represent collateral for purposes of determining end-risk.

For purposes of determining end-risk, only specific collaterals were considered.

Part B – On 30 September 2013 and comparative periods there was no aggregate balance sheet exposure to foreign countries, of which the individual amount of exposure was between 0.75% and 1% of total consolidated assets or between 15% and 20% of shareholders' equity, whichever the lower.

Part C – The exposure to foreign countries with liquidity difficulties as defined by the Bank of Israel (a country which receives financial assistance from the IMF or its liabilities have a credit rating of CCC or lower) amounted to NIS 1,319 million and related to 12 countries.

Certification

I, Rakefet Russak-Aminoach, certify that:

1. I have reviewed the Quarterly Report of Bank Leumi le-Israel B.M. (the "Bank") for the quarter ended on 30 September 2013 (the "Report").

2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit the statement of a material fact that is necessary so that the statements included therein, in light of the circumstances under which such statements were included, are not misleading with reference to the period covered by the Report.

3. Based on my knowledge, the quarterly financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and changes in shareholders' equity and cash flows of the Bank for the dates and periods covered by the Report.

4. I and the Bank's other certifying officers are responsible for establishing and maintaining controls and procedures with regard to the Bank's disclosure and internal control of financial reporting (as defined in the Public Reporting Directives concerning "The Directors' Report"), and also:

   (a) We have established such controls and procedures, or caused such controls and procedures to be determined under our supervision, so as to ensure that material information relating to the Bank, including its consolidated corporations, is made known to us by others within the Bank and in those corporations, particularly during the period of preparation of the Report;

   (b) We have established such internal control over financial reporting, or caused such internal control to be established under our supervision, so as to provide a reasonable level of confidence regarding the reliability of financial reporting and so that the financial statements for external purposes are prepared in accordance with accepted accounting principles and the directives of the Supervisor of Banks and his instructions;

   (c) We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report, based on our evaluation; and

   (d) We have disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

5. I and the Bank's other certifying officers have disclosed to the Joint Auditors, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Board of Directors of the Bank, based on our most recent evaluation of internal control over financial reporting:

   (a) All significant deficiencies and material weaknesses in the establishment or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether material or immaterial, in which Management was involved or in which other employees were involved who have a significant role in the Bank's internal control over financial reporting.

The above does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

28 November 2013

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Rakefet Russak-Aminoach
President and Chief Executive Officer

Certification

I, Ron Fainaro, certify that:

1. I have reviewed the Quarterly Report of Bank Leumi le-Israel B.M. (the "Bank") for the quarter ended on 30 September 2013 (the "Report").

2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit the statement of a material fact that is necessary so that the statements included therein, in light of the circumstances under which such statements were included, are not misleading with reference to the period covered by the Report.

3. Based on my knowledge, the quarterly financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and changes in shareholders' equity and cash flows of the Bank for the dates and periods covered by the Report.

4. I and the Bank's other certifying officers are responsible for establishing and maintaining controls and procedures with regard to the Bank's disclosure and internal control of financial reporting (as defined in the Public Reporting Directives concerning "The Directors' Report"), and also:

   (a) We have established such controls and procedures, or caused such controls and procedures to be determined under our supervision, so as to ensure that material information relating to the Bank, including its consolidated corporations, is made known to us by others within the Bank and in those corporations, particularly during the period of preparation of the Report;

   (b) We have established such internal control over financial reporting, or caused such internal control to be established under our supervision, so as to provide a reasonable level of confidence regarding the reliability of financial reporting and so that the financial statements for external purposes are prepared in accordance with accepted accounting principles and the directives of the Supervisor of Banks and his instructions;

   (c) We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report, based on our evaluation; and

   (d) We have disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

5. I and the Bank's other certifying officers have disclosed to the Joint Auditors, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Board of Directors of the Bank, based on our most recent evaluation of internal control over financial reporting:

   (a) All significant deficiencies and material weaknesses in the establishment or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether material or immaterial, in which Management was involved or in which other employees were involved who have a significant role in the Bank's internal control over financial reporting.

The above does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

28 November 2013

Ron Fainaro
Executive Vice President,
Head of Economics and Finance Division

Certification

I, Shlomo Goldfarb, certify that:

1. I have reviewed the Quarterly Report of Bank Leumi le-Israel B.M. (the "Bank") for the quarter ended on 30 September 2013 (the "Report").

2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit the statement of a material fact that is necessary so that the statements included therein, in light of the circumstances under which such statements were included, are not misleading with reference to the period covered by the Report.

3. Based on my knowledge, the quarterly financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and changes in shareholders' equity and cash flows of the Bank for the dates and periods covered by the Report.

4. I and the Bank's other certifying officers are responsible for establishing and maintaining controls and procedures with regard to the Bank's disclosure and internal control of financial reporting (as defined in the Public Reporting Directives concerning "The Directors' Report"), and also:

   (a) We have established such controls and procedures, or caused such controls and procedures to be determined under our supervision, so as to ensure that material information relating to the Bank, including its consolidated corporations, is made known to us by others within the Bank and in those corporations, particularly during the period of preparation of the Report;

   (b) We have established such internal control over financial reporting, or caused such internal control to be established under our supervision, so as to provide a reasonable level of confidence regarding the reliability of financial reporting and so that the financial statements for external purposes are prepared in accordance with accepted accounting principles and the directives of the Supervisor of Banks and his instructions;

   (c) We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report, based on our evaluation; and

   (d) We have disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

5. I and the Bank's other certifying officers have disclosed to the Joint Auditors, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Board of Directors of the Bank, based on our most recent evaluation of internal control over financial reporting:

   (a) All significant deficiencies and material weaknesses in the establishment or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether material or immaterial, in which Management was involved or in which other employees were involved who have a significant role in the Bank's internal control over financial reporting.

The above does not derogate from my responsibility or the responsibility of any other person, pursuant to any law.

28 November 2013

Shlomo Goldfarb
Executive Vice President
Chief Accounting Officer
Head of Accounting Division

Joint Auditors' Review Report to the Shareholders of Bank Leumi le-Israel B.M.

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter: "the Bank"), comprising the condensed consolidated interim balance sheet as of 30 September, 2013 and the related condensed consolidated interim statements of profit and loss, comprehensive income, changes in shareholders' equity and cash flows for the three and nine month periods ending on that date. The Board of Directors and Management are responsible for the preparation and presentation of financial information for these interim periods in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for financial reporting of interim periods and in accordance with directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on financial information on these interim periods based on our review.

We did not review the condensed interim financial information of certain consolidated companies, whose assets included on consolidation constitute approximately 1.9% of total consolidated assets as of 30 September, 2013 and whose net interest income before credit loss expenses included in the consolidated statements of profit and loss constitute some 0.7% and some 0.7% of the total consolidated net interest income before credit loss expenses for the three and nine month periods ending on that date. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts emanating from the financial information of such companies, is based solely on the said review reports of the other auditors.

Scope of review

We conducted our review in accordance with Standard on Review Engagements 1 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel, and a review standard applied in the review of banking institutions according to the instructions and directives of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting periods and in accordance with the directives and guidelines of the Supervisor of Banks.

Without qualifying our above conclusion, we draw attention to:

1. that stated in Note 6.C paragraphs 2 and 3 concerning claims against the Bank, including petitions for their approval as class actions.
2. that stated in Note 6.D paragraphs 1 and 2 concerning matters relating to a company included on equity basis and its investee companies.
3. that stated in Note 6.F concerning the ruling of the Antitrust Commissioner.
4. that stated in Note 6.G. concerning investigations against the Group regarding its activities with US customers.

The Bank is unable to estimate what effect, if any, the said matters will have on the Bank, if any, on its financial condition and on its operating results, and whether or not they will be of a material nature.

Kost Forer Gabbay & Kasierer	**Somekh Chaikin**
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)

28 November 2013

Condensed Consolidated Balance Sheet as at 30 September 2013

	Note	30 September 2013 (Unaudited) (NIS millions)	30 September 2012 (Unaudited)	31 December 2012 (Audited)
Assets				
Cash and deposits with banks		**40,202**	48,340	54,621
Securities	2	**60,984**	56,183	56,408
Securities borrowed or purchased under agreements to resell		**1,098**	1,946	1,435
Credit to the public	3	**244,736**	245,407	245,378
Allowance for credit losses	3	**(3,844)**	(3,943)	(4,114)
Credit to the public, net		**240,892**	241,464	241,264
Credit to governments		**533**	418	442
Investments in companies included on equity basis		**1,944**	2,303	2,129
Buildings and equipment		**3,647**	3,751	3,705
Intangible assets and goodwill		**103**	168	189
Assets in respect of derivative instruments	7	**10,966**	10,494	11,438
Other assets		**5,053**	4,463	4,529
Total assets		**365,422**	369,530	376,160
Liabilities and equity				
Deposits of the public	3A	**279,839**	285,229	289,538
Deposits from banks		**3,805**	2,863	4,073
Deposits from governments		**437**	456	451
Securities lent or sold under agreements to repurchase		**404**	1,248	1,007
Bonds, debentures and subordinated notes		**25,596**	28,189	27,525
Liabilities in respect of derivative instruments	7	**12,078**	11,259	12,762
Other liabilities		**16,851**	14,967	15,576
Total liabilities		**339,010**	344,211	350,932
Non-controlling interests		**331**	301	307
Equity attributable to shareholders of the banking corporation		**26,081**	25,018	24,921
Total equity		**26,412**	25,319	25,228
Total liabilities and equity		**365,422**	369,530	376,160

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

David Brodet
Chairman of the Board of Directors

Rakefet Russak-Aminoach
President and Chief Executive Officer

Ron Fainaro
Executive Vice President, Head of Economics and Finance Division

Shlomo Goldfarb
Executive Vice President, Chief Accounting Officer, Head of Accounting Division

Date of approval of the financial statements: 28 November 2013

Condensed Consolidated Statement of Profit and Loss
for the periods ended 30 September 2013

	Note	For the three months ended 30 September 2013	2012	For the nine months ended 30 September 2013	2012	For the year ended 31 December 2012
		(Unaudited)		(Unaudited)		(Audited)
		(NIS millions)				
Interest income	9	**3,466**	3,615	**9,520**	10,793	13,507
Interest expenses	9	**1,520**	1,743	**3,973**	5,169	6,099
Net interest income		**1,946**	1,872	**5,547**	5,624	7,408
Expenses (income) in respect of credit losses	3	**(44)**	292	**113**	850	1,236
Net interest income, after expenses in respect of credit losses		**1,990**	1,580	**5,434**	4,774	6,172
Non-interest income						
Non-interest financing income	10	**266**	119	**889**	239	444
Commissions		**1,050**	1,050	**3,104**	3,092	4,199
Other income		**66**	39	**104**	49	131
Total non-interest income		**1,382**	1,208	**4,097**	3,380	4,774
Operating and other expenses						
Salaries and related expenses		**1,338**	1,434	**3,835**	3,976	5,290
Maintenance and depreciation of buildings and equipment		**443**	452	**1,381**	1,325	1,819
Amortization of intangible assets and goodwill		**79**	4	**85**	15	23
Other expenses		**583**	404	**1,378**	1,173	1,968
Total operating and other expenses		**2,443**	2,294	**6,679**	6,489	9,100
Profit before taxes		**929**	494	**2,852**	1,665	1,846
Provision for taxes on the profit		**345**	113	**1,092**	578	811
Profit after taxes		**584**	381	**1,760**	1,087	1,035
Share of the banking corporation in (losses) profits after tax of companies included on equity basis		**(17)**	108	**(128)**	132	(67)
Net profit:						
Before attribution to non-controlling interests		**567**	489	**1,632**	1,219	968
Attributable to non-controlling interests		**(12)**	(10)	**(33)**	(29)	(37)
Attributable to shareholders of the banking corporation		**555**	479	**1,599**	1,190	931
Basic and diluted earnings per share (NIS)						
Net profit attributable to shareholders of the banking corporation		**0.38**	0.33	**1.09**	0.81	0.63

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Statement of Comprehensive Income
for the periods ended 30 September 2013

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2013	2012(a)	**2013**	2012(a)	2012(a)
	(Unaudited)				(Audited)
	(NIS millions)				
Net profit before attribution to non-controlling interests	**567**	489	**1,632**	1,219	968
Net profit attributed to non-controlling interests	**12**	10	**33**	29	37
Net profit attributed to shareholders of the Bank	**555**	479	**1,599**	1,190	931
Other comprehensive income (loss) before taxes:	**-**	-	**-**	-	
Adjustments for showing securities available for sale at fair value, net	**(83)**	295	**(535)**	664	1,067
Adjustments for translation of financial statements, net (b), after the effect of tax and hedges (c)	**(42)**	1	**(92)**	(46)	(55)
Share of the banking corporation in other comprehensive loss of companies included on equity basis	**37**	65	**11**	39	-
Other comprehensive income (loss) before taxes	**(88)**	361	**(616)**	657	1,012
Relevant tax effect	**31**	(81)	**146**	(168)	(355)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(57)**	280	**(470)**	489	657
Less other comprehensive income (loss) attributed to non-controlling interests	**1**	1	**(3)**	2	-
Other comprehensive income (loss) attributed to shareholders of the banking corporation, after taxes	**(58)**	279	**(467)**	487	657
Comprehensive income before attribution to non-controlling interests	**510**	769	**1,162**	1,708	1,625
Comprehensive income attributed to non-controlling interests	**13**	11	**30**	31	37
Comprehensive income attributed to shareholders of the Bank	**497**	758	**1,132**	1,677	1,588

(a) On 1 January 2013, the Bank adopted for the first time the directives of the Supervisor of Banks on the statement of comprehensive income. Adoption of the directive was made on a retroactive basis. See Note 1 and Note 12.

(b) Adjustments for translation of financial statements of foreign operations whose functional currency is different from the functional currency of the Bank.

(c) Hedges – profits (losses) net in respect of hedging a net investment in foreign currency.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity
for the periods ended 30 September 2013

For the three months ended 30 September 2013 (Unaudited)

	Share capital	Premium (Capital reserves)	Share-based payment transactions and others (a) (Capital reserves)	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
	(NIS millions)									
Balance at 30 June 2013	**7,059**	**1,129**	**23**	**8,211**	**49**	**17,360**	**(43)**	**25,577**	**318**	**25,895**
Net profit for the period	-	-	-	-	-	**555**	-	**555**	**12**	**567**
Adjustments in respect of companies included on equity basis	-	-	-	-	-	**7**	-	**7**	-	**7**
Other comprehensive loss, net, after effect of taxes (b)	-	-	-	-	**(58)**	-	-	**(58)**	**1**	**(57)**
Balance at the end of the period	**7,059**	**1,129**	**23**	**8,211**	**(9)**	**17,922**	**(43)**	**26,081**	**331**	**26,412**

For the three months ended 30 September 2012 (Unaudited)

	Share capital	Premium (Capital reserves)	Share-based payment transactions and others (a) (Capital reserves)	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
	(NIS millions)									
Balance at 30 June 2012	7,059	1,129	23	8,211	9	16,090	(44)	24,266	267	24,533
Net profit for the period	-	-	-	-	-	479	-	479	10	489
Adjustments in respect of companies included on equity basis	-	-	-	-	-	(4)	-	(4)	-	(4)
Other comprehensive loss, net, after effect of taxes (b)	-	-	-	-	279	-	-	279	1	280
Changes in non-controlling interests	-	-	-	-	-	(2)	-	(2)	23	21
Balance at the end of the period	7,059	1,129	23	8,211	288	16,563	(44)	25,018	301	25,319

(a) Including NIS 10 million of other capital reserves.

(b) On 1 January 2013, the Bank implemented for the first time the directives of the Supervisor of Banks on the statement of comprehensive income. Comparative figures were reclassified to adapt to the new manner of presentation. See also Note 1.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity (cont'd)
for the periods ended 30 September 2013

For the nine months ended 30 September 2013 (Unaudited)

	Share capital	Premium (Capital reserves)	Share-based payment transactions and others (a) (Capital reserves)	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
	(NIS millions)									
Balance at 31 December 2012 (Audited)	**7,059**	**1,129**	**23**	**8,211**	**458**	**16,296**	**(44)**	**24,921**	**307**	**25,228**
Net profit for the period	-	-	-	-	-	**1,599**	-	**1,599**	**33**	**1,632**
Dividend paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	**(6)**	**(6)**
Adjustments in respect of companies included on equity basis	-	-	-	-	-	**23**	-	**23**	-	**23**
Other comprehensive loss, net, after effect of taxes (c)	-	-	-	-	**(467)**	-	-	**(467)**	**(3)**	**(470)**
Changes in non-controlling interests	-	-	-	-	-	**4**	**1**	**5**	-	**5**
Balance at the end of the period	**7,059**	**1,129**	**23**	**8,211**	**(9)**	**17,922**	**(43)**	**26,081**	**331**	**26,412**

For the nine months ended 30 September 2012 (Unaudited)

	Share capital	Premium (Capital reserves)	Share-based payment transactions and others (a) (Capital reserves)	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
	(NIS millions)									
Balance at 31 December 2011 (Audited)	7,059	1,129	23	8,211	(199)	15,406	(44)	23,374	254	23,628
Adjustment of opening balances in respect of first-time implementation of IFRS (b)	-	-	-	-	-	(26)	-	(26)	-	(26)
Net profit for the period	-	-	-	-	-	1,190	-	1,190	29	1,219
Dividend paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	(8)	(8)
Adjustments in respect of companies included on equity basis, net	-	-	-	-	-	(1)	-	(1)	-	(1)
Other comprehensive income, net, after effect of taxes (c)	-	-	-	-	487	-	-	487	2	489
Changes in non-controlling interests	-	-	-	-	-	(6)	-	(6)	24	18
Balance at the end of the period	7,059	1,129	23	8,211	288	16,563	(44)	25,018	301	25,319

See notes on next page.

Condensed Consolidated Statement of Changes in Equity (cont'd)
for the periods ended 30 September 2013

	For the year ended 31 December 2012 (Audited)									
		Capital reserves								
	Share capital	Premium	Share-based payment transactions and others (a)	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
	(NIS millions)									
Balance at 31 December 2011 (Audited)	7,059	1,129	23	8,211	(199)	15,406	(44)	23,374	254	23,628
Adjustment of opening balances in respect of first-time implementation of IFRS (b)	-	-	-	-	-	(26)	-	(26)	-	(26)
Net profit for the period	-	-	-	-	-	931	-	931	37	968
Adjustments in respect of companies included on equity basis, net	-	-	-	-	-	(9)	-	(9)	-	(9)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(8)	(8)
Other comprehensive income, net, after effect of taxes (c)	-	-	-	-	657	-	-	657	-	657
Changes in non-controlling interests	-	-	-	-	-	(6)	-	(6)	24	18
Balance at 31 December 2012 (Audited)	7,059	1,129	23	8,211	458	16,296	(44)	24,921	307	25,228

(a) Including NIS 10 million of other capital reserves.

(b) Mainly in respect of implementation of IAS 12 an amount of NIS 42 million and other adjustments in respect of foreign subsidiaries.

(c) On 1 January 2013, the Bank implemented for the first time the directives of the Supervisor of Banks on the statement of comprehensive income. Comparative figures were reclassified to adapt to the new manner of presentation. See Note 1.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows
for the periods ended 30 September 2013

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2013	2012	**2013**	2012	2012
	(Unaudited)		(Unaudited)		(Audited)
	(NIS millions)				
Cash flows generated by operating activity					
Net profit for the period	**567**	489	**1,632**	1,219	968
Adjustments:					-
Group share in undistributed losses of companies included on equity basis (a)	**24**	(88)	**164**	(26)	181
Depreciation of buildings and equipment (including impairment)	**179**	184	**589**	549	775
Amortization	**79**	4	**85**	15	23
Expenses in respect of credit losses	**(44)**	292	**113**	850	1,236
Provision for impairment in assets transferred to group ownership	**-**	6	**-**	8	9
Net gains on sale of securities available for sale (including impairment)	**(236)**	(146)	**(676)**	(164)	(201)
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	**4**	(55)	**52**	(151)	(239)
Gain on realization of investment in companies included on equity basis	**(1)**	-	**(18)**	(24)	(24)
Loss (gain) on realization of buildings and equipment	**(12)**	1	**(26)**	(1)	(2)
Deferred taxes , net	**(83)**	(235)	**(109)**	(526)	(635)
Severance pay and pension - increase in excess of provision over amount funded	**(21)**	261	**81**	480	568
Interest received in excess of accumulated interest (not yet received) for debentures available for sale	**(24)**	(36)	**(78)**	(17)	(100)
Interest not yet paid for debentures and subordinated notes	**136**	19	**601**	586	356
Exchange-rate differences on balances of cash and cash equivalents	**75**	1	**475**	(190)	131
Other, net	**(2)**	-	**(1)**	1	(2)
Net change in current assets:					-
Deposits in banks for an original period of more than three months	**676**	571	**302**	870	333
Credit to the public	**(2,857)**	(220)	**(582)**	(859)	(1,822)
Credit to the government	**(56)**	(6)	**(92)**	31	7
Securities borrowed or purchased under agreements to resell	**875**	219	**337**	(721)	(210)
Assets in respect of derivative instruments	**934**	1,752	**492**	1,061	135
Securities held for trading	**(1,780)**	980	**33**	(1,610)	(734)
Other assets	**(60)**	5	**(27)**	109	(31)
Net change in current liabilities:					-
Deposits from banks	**(438)**	(1,122)	**(230)**	(2,241)	(984)
Deposits of the public	**4,651**	4,726	**(8,483)**	5,076	10,459
Deposits from governments	**(12)**	(5)	**(2)**	(65)	(62)
Securities lent or sold under agreements to repurchase	**(923)**	(38)	**(601)**	805	566
Liabilities in respect of derivative instruments	**(575)**	(1,322)	**(576)**	(874)	657
Other liabilities	**620**	34	**956**	(348)	92
Net cash generated by operating activity (for operating activity)	**1,696**	6,271	**(5,589)**	3,843	11,450

(a) Less dividend received.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows (cont'd)
for the periods ended 30 September 2013

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2013	2012	2013	2012	2012
	(Unaudited)		(Unaudited)		(Audited)
	(NIS millions)				
Cash flows generated by investment activity					
Acquisition of securities available for sale	**(15,545)**	(11,802)	**(46,754)**	(37,833)	(50,487)
Proceeds from sale of securities available for sale	**10,393**	10,327	**27,427**	21,756	25,727
Proceeds from redemption of securities available for sale	**3,913**	5,108	**14,567**	10,865	18,911
Acquisition of shares in companies included on equity basis	**-**	-	**(66)**	-	(66)
equity basis	**1**	-	**73**	67	64
Acquisition of buildings and equipment	**(192)**	(198)	**(546)**	(585)	(770)
Proceeds from realization of buildings and equipment	**19**	-	**36**	5	9
Proceeds from realization of assets transferred to Group ownership	**-**	13	**3**	14	14
Repayment of shareholders' loan to company included on equity basis	**-**	-	**-**	2	4
Net cash for investment activity	**(1,411)**	3,448	**(5,260)**	(5,709)	(6,594)
Cash flows generated by financing activity	**-**	-	**-**	-	-
Issue of debentures and subordinated notes	**-**	-	**-**	2,410	2,420
Redemption of debentures and subordinated notes	**(2,127)**	(53)	**(2,530)**	(4,806)	(5,250)
Issue of capital in consolidated companies to external shareholders	**-**	21	**-**	21	21
Dividend paid to minority shareholders of consolidated companies	**-**	-	**(6)**	(8)	(8)
Repayment of loans to employees for purchase of the Bank's shares	**-**	-	**1**	-	-
Net cash for financing activity	**(2,127)**	(32)	**(2,535)**	(2,383)	(2,817)
Increase (decrease) in cash and cash equivalents	**(1,842)**	9,687	**(13,384)**	(4,249)	2,039
Balance of cash and cash equivalents at beginning of period	**39,702**	35,991	**51,644**	49,736	49,736
equivalents	**(75)**	(1)	**(475)**	190	(131)
Balance of cash and cash equivalents at end of period	**37,785**	45,677	**37,785**	45,677	51,644

Interest and taxes paid and/or received and dividends received

	For the three months ended 30 September		For the nine months ended 30 September		For the year ended 31 December
	2013	2012	2013	2012	2012
	(Unaudited)		(Unaudited)		(Audited)
	(NIS millions)				
Interest received	**3,126**	3,627	**9,482**	10,606	13,823
Interest paid	**(1,786)**	(1,763) (a)	**(4,360)**	(5,476) (a)	(7,077) (a)
Dividends received	**10**	36	**59**	158	170
Taxes paid on income	**(281)**	(297)	**(826)**	(868)	(1,113)

(a) Restated.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows (cont'd)
for the periods ended 30 September 2013

Appendix A – Investment and financing activities not in cash in the reporting period:

For the three months ended 30 September 2013:
(1) During the period, securities in the amount of NIS 245 million were transferred from credit to the public to the available-for-sale portfolio, due to the conclusion of loaning of securities

For the three months ended 30 September 2012:
(1) During the period, securities in the amount of NIS 99 million were transferred from the available-for-sale portfolio to credit to the public, due to loaning of securities.
(2) During the period, assets were transferred from credit to the public to other assets in the amount of NIS 1 million, in respect of the settlement of loans.

For the nine months ended 30 September 2013:
(1) During the period, securities in the amount of NIS 36 million were transferred from the available-for-sale portfolio to credit to the public, due to the loaning of securities.

For the nine months ended 30 September 2012:
(1) During the period, securities in the amount of NIS 279 million were transferred from credit to the public to the available-for-sale portfolio, due to the conclusion of loaning of securities.
(2) During the period, fixed assets were acquired against liabilities to suppliers in the amount of NIS 65 million.
(3) During the period, assets were transferred from credit to the public to other assets in the amount of NIS 9 million, in respect of the settlement of loans.

For 2012:
(1) During the year, securities in the amount of NIS 310 million were transferred from credit to the public to the available-for-sale portfolio, due to the conclusion of loaning of securities.
(2) During the year, assets were transferred from credit to the public to other assets in the amount of NIS 9 million, in respect of the settlement of loans.
(3) During the period, fixed assets were acquired against a liability to suppliers in the amount of NIS 66 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - Significant Accounting Policies

A. General

The condensed consolidated interim financial statements as at 30 September 2013 have been prepared in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for financial reporting of interim periods and in accordance with the directives and instructions of the Supervisor of Banks regarding the preparation of quarterly financial statements of a banking corporation. The accounting principles used in preparing the interim reports are consistent with those used in preparing the audited financial statements as at 31 December 2012, except for that stated in paragraph C below. These statements should be read in conjunction with the annual financial statements as at 31 December 2012 and the accompanying notes. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on 28 November 2013.

B. Principles for the preparation of the financial statements:

On subjects that are a core part of the banking business – in accordance with the directives and instructions of the Supervisor of Banks and in accordance with accounting principles generally accepted by US banks that were adopted within the framework of the Public Reporting Directives of the Supervisor of Banks.

On subjects that are not a core part of the banking business –in accordance with accounting principles generally accepted in Israel (Israeli GAAP) and in accordance with certain International Financial Reporting Standards (IFRS) and interpretations of the International Reporting Standards Interpretations Committee (IFRIC) relating to them, as set out in Public Reporting Directives of the Supervisor of Banks.

International standards are implemented as follows:

- In cases where there is no specific reference in the standards or interpretations to material issues, or there are a number of alternatives for the treatment of a material issue, the Bank acts according to specific implementation instructions decided on by the Supervisor.
- In cases where a material issue arises, which is not addressed in the international standards or the Supervisor's implementation instructions, the Bank treats the issue in accordance with generally accepted accounting principles in US banks that are applicable to those issues.
- In those places where an international standard that has been adopted contains a reference to another international standard which has been adopted in the Public Reporting Directives, the Bank acts in accordance with the provisions of the other international standard and the relevant instructions of the Banking Supervision Department.
- In those places where an international standard that has been adopted contains a reference to the definition of a term defined in the Public Reporting Directives, the reference to the definition in the Directives will replace the original reference.
- In those places where an international standard that has been adopted contains a reference to another international standard which has not been adopted in the Public Reporting Directives, the Bank acts in accordance with the Reporting Directives and with generally accepted accounting principles in Israel.

Use of estimates

When preparing the financial statements, in accordance with generally accepted accounting principles in Israel and directives and guidelines of the Supervisor of Banks, management is required

to use estimates, evaluations and their discretion affecting the reported amounts of assets and liabilities, the disclosure relating to contingent assets and liabilities and amounts of income and expenses during the reporting period. It should be made clear that the actual results may differ from such estimates.
The estimates and the assumptions on which they are based are reviewed on a regular basis. Changes in accounting estimates are recognized in the period in which the estimates are amended and for each period affected in the future.
The estimates and the assessments are consistent with those used in preparing the annual financial statements.

Reclassification

Pursuant to the first-time implementation of certain accounting standards and directives of the Banking Supervision Department (see paragraph C below), certain sections in the financial statements and comparative figures have been reclassified to agree with the section headings and the manner of presentation in the current reporting period.

C. First-time Implementation of Accounting Standards, Updates to Accounting Standards, and Directives of the Banking Supervision Department

As of reporting periods commencing 1 January 2013, the Bank implemented for the first time the accounting standards and directives set out below:

1. Directive on "Statement of Comprehensive Income".

2. Directive on "Offsetting Assets and Liabilities".

3. Directive on "Disclosure of Deposits".

4. New system of International Financial Reporting Standards (IFRS) on consolidating financial statements and related issues.

5. Directive on updating the disclosure of credit quality of debts and the allowance for credit losses, adopting Accounting Standard Update ASU 2010-20.

6. Letter of the Supervisor of Banks on "Updated Instructions on Residential Property" .

7. Supplementary provision for doubtful debts.

8. Limitations on indebtedness of a single borrower or a group of borrowers.

Below is a description of the main changes made in accounting policy in these condensed consolidated quarterly financial statements and the effect of their first-time implementation:

1. Directive on statement of comprehensive income

In accordance with the circular of the Banking Supervision Department dated 9 December 2012 on amending the Public Reporting Directives of the Supervisor of Banks regarding the statement of comprehensive income, the Bank adapted the manner of presentation of the statement of comprehensive income to the requirements of generally accepted accounting principles in the U.S. (ASU 2011-05, ASU 2011-12). Pursuant to the directives, items of other comprehensive income are reported in a separate report entitled "Condensed Statement of Comprehensive Income" shown immediately after the statement of profit and loss. Furthermore, the Bank reports details of the composition and movements of "Accumulated Other Comprehensive Income" in a new note on accumulated other comprehensive income.

The Bank implemented the directive retroactively as of 1 January 2013. Initial implementation did not have any material effect on the financial statements other than a change in presentation.

2. Directive on offsetting assets and liabilities

The Bank implements the rules set out in the circular of the Supervisor of Banks dated 12 December 2012, updating the Public Reporting Directives of the Supervisor of Banks regarding offsetting assets and liabilities. The amendments set out in this circular were aimed at adapting Section 15a of the Public Reporting Directives to generally accepted accounting principles in the U.S. Pursuant to the directives, the Bank is to offset assets and liabilities arising from the same counterparty and report their net balance in the balance sheet, if the following cumulative conditions exist:

- In respect of those liabilities, there is a legally enforceable right to offset the liabilities from the assets.

- There is an intention to repay the liabilities and realize the assets on a net basis or simultaneously.

- Both the Bank and the counterparty owe each other determinable amounts.

Pursuant to the directives, a bank is to offset assets and liabilities with two different counterparties, and report a net amount in the balance sheet if the above cumulative conditions exist, and on condition that there is an agreement between the three parties clearly determining the right of the bank in respect of those liabilities for offsetting.

Furthermore, it was determined that a bank is to offset deposits whose repayment to the depositor is contingent on the extent of collection of the loan, and the loan was granted from these deposits, such that the bank does not have any risk of credit loss.

A bank is not to offset either assets or derivative instruments against liabilities in respect of derivative instruments unless all the above cumulative conditions exist. However, it is stated in the directives that under certain conditions a bank may offset fair value amounts recognized in respect of derivative instruments and fair value amounts recognized in respect of the right to claim collateral in cash (receivables) or a commitment to repay collateral in cash (payables) arising from derivative instruments executed with the same counterparty in accordance with a master netting arrangement.

In addition, a bank is to offset "Securities purchased under agreements to resell" and "Securities purchased under agreements to repurchase" under certain conditions set out in generally accepted accounting principles in the U.S. on this matter.

However, the bank is not entitled to offset balance sheet amounts unless it received approval for this in advance from the Supervisor of Banks.

The Bank does not offset balance sheet amounts and continues to show exposures in respect of transactions in a net amount in the financial statements, except for deposits whose repayment to the depositor is contingent on the extent of collection of the loan, and the loan was granted from these deposits, such that the bank does not have any risk of credit loss.

The Bank implements retroactively the rules included in the directives. However, the new disclosure requirements were not applied with regard to comparative figures relating to quarters during 2012, as according to the circular there is no requirement for implementation with regard to these comparative periods. Initial implementation did not have any material effect on the financial statements of the Bank other than updating the disclosure format in Note 7 on activity in derivative instruments – scope, credit risks and repayment dates as required in the directive.

3. Directive on disclosure of deposits

The Bank implements the instructions of the circular of the Banking Supervision Department dated 13 January 2013. Pursuant to the circular, disclosure requirements on deposits were updated and new disclosures were added regarding segmentation of deposits by various parameters, while distinguishing between deposits raised in Israel and abroad.

In the condensed financial statements, the Bank disclosed the balance of deposits of institutional entities that were included in deposits from the public raised in Israel. The remainder of the new disclosure requirements set out in the circular will apply from the report to the public for the year 2013 and thereafter.

The Bank applied the principles in the directive retroactively. However, the disclosure relating to the balance of deposits of institutional entities was not made at the end of each quarter in 2012, since pursuant to the circular there is no requirement for this disclosure.

4. New system of International Financial Reporting Standards (IFRS) on consolidating financial statements and related issues

The Bank applies the new system of International Financial Reporting Standards (IFRS) on consolidating financial statements and related issues as follows:

IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements, and Amendment to IAS 28 – Investments in Associates and Joint Ventures
IFRS 12 – Disclosure of Interest in Other Entities

The Bank applies the system of standards for interim and annual periods commencing on 1 January 2013 and thereafter on a retroactive basis.

The principal rules set out in the new system of International Financial Reporting Standards on the subject of consolidation of financial statements and related matters as implemented by the Supervisor of Banks are detailed in Note 1 to the annual financial statements at 31 December 2012.

Initial implementation of the system of standards did not have any material effect on the financial statements of the Bank.

5. Updating the disclosure of credit quality of debts and of the allowance for credit losses for adoption of Accounting Standards Update ASU 2010-20

The Bank applies the provisions of the circular of the Supervisor of Banks regarding updating the disclosure of credit quality of debts and of the allowance for credit losses for adoption of Accounting Standards Update ASU 2010-20, which requires greater disclosure of debt balances, changes in the balance of the allowance for credit losses, any material purchases and sales of obligations during the reporting period, and disclosures about credit quality.

As of the financial statements at 31 March 2013, first-time disclosure is required for troubled debt restructurings of the number of contracts and the balance before and after the restructuring. In addition, regarding restructuring of debts that failed in the reporting year, disclosure is required of the contractual balance and the recorded balance of debt. This disclosure is required for each of the credit segments as described above.

The new disclosure requirements are implemented by the Bank as of 1 January, 2013. No disclosure is required of comparative figures for the corresponding interim periods in 2012 in relation to these new disclosures.

First-time implementation did not have any material effect on the financial statements of the Bank other than updating the disclosure format in Note 3 – Credit Risk, Credit to the Public, and Allowance for Credit Losses.

6. Letter of the Supervisor of Banks on "Updated Guidelines on Residential Property"

The letter of the Supervisor of Banks on "Updated Guidelines on Residential Property" updated the requirements regarding the collective allowance for credit losses for housing loans and modified the guidelines on capital adequacy as follows:
Collective allowance for credit losses - the Bank has formulated a policy designed to ensure compliance with the new requirements and that the balance of the collective allowance for credit losses in respect of housing loans will not be less than 0.35% of the balance of the loans on the reporting date.
The Bank implemented the guidelines set out in the Supervisor's letter on a prospective basis as of the statements at 31 March 2013, so that the balance of the collective allowance for credit losses in respect of housing loans will not be less than 0.35% of the balance of the said loans. The effect of implementing the directive is an increase in the balance of the provision for housing loans of about NIS 50 million before tax.

Capital adequacy – the risk weighting in respect of housing loans granted from 1 January 2013 increased (LTV less than 45% - a risk weighting of 35%, LTV above 45% but less than 60% - a risk weighting of 50%, LTV above 60% - a risk weighting of 75% or more). The credit conversion coefficient in respect of Sales Law guarantees after the delivery of an apartment was lowered from 20% to 10%. This decrease applies also to the percentage weighting of guarantees.

The Bank has adjusted the capital requirements in respect of housing loans made from 1 January 2013.

7. Supplementary provision for doubtful debts

The Bank implements the provisions of the circular of the Banking Supervision Department from 30 May 2013, amending Proper Conduct of Banking Business Directive 315 on the supplementary provision for doubtful debts. The amendments were aimed *inter alia* at adapting the directive to updates made in Proper Conduct of Banking Business Directive 313 and making additional amendments.
The main amendments to the directive are as follows:

- Adjusting the percentages for weighting sales guarantees to the rates set out in Directive 313. In light of this, an over-limit indebtedness of the construction and real estate sector – a bank guarantee to an apartment purchaser given under the Sales Law, when the apartment has been delivered to the purchaser – will be weighted at 10% and not 20%.

- Updates regarding the calculation of the supplementary allowance by risk characteristics – single borrower and group of borrowers concentrations - adjusting the limitations set out in Directive 313:
  - Updating the percentage of the limit for indebtedness of a group of borrowers from 30% to 25%.
  - Updating the percentage of the limit for indebtedness of large borrowers as defined in Directive 313 – the limit to be applied is 120% for all the large borrowers (borrowers whose indebtedness exceeds 10% relative to the capital of the bank) instead of 135% for the six largest borrowers.

The Bank applied the amendments to the directive as of 30 May 2013.

8. Limitations on indebtedness of a single borrower and a group of borrowers

The Bank implements the provisions of the circular of the Banking Supervision Department from 30 May 2013, amending Proper Conduct of Banking Business Directive 313 on "Limitations on indebtedness of a single borrower and a group of borrowers".
The main amendments to the directive are as follows:

- Adjusting the rate of weighting of Sales Law guarantees when the apartment has been delivered to the purchaser – was reduced from 20% to 10%.
  Retroactive implementation as of 1 January 2013.

- OTC derivatives – the amount of indebtedness in respect of the coefficient of the addition was adapted to Directive 203 so that the requirement to multiply the coefficient of the addition by 3 was cancelled.
  Implementation will apply as of 1 January 2014.

D. New accounting standards and new directives of the Supervisor of Banks in the period before their implementation

1. In June 2009, the Banking Supervision Department published a letter on the subject of "Reporting of Banking Corporations and Credit Card Companies in Israel in accordance with International Financial Reporting Standards (IFRS)", which determines the expected manner of adoption of IFRS by banking corporations.
Pursuant to the circular, the target date for reporting by banking corporations and credit card companies according to IFRS standards is:

Standards on subjects that are a core part of the banking business – as of 1 January 2013.

Standards on subjects that are not a core part of the banking business – gradual adoption during 2011-2012. However, IAS 19 on "Employee Benefits" has not yet come into force, and will be adopted in accordance with the instructions of the Banking Supervision Department.

IAS 19 – Employee benefits

The Supervisor of Banks is examining the change in accounting treatment of employee benefits. At this stage it is not yet known which standard will be adopted, if at all, and what will be the manner of its implementation and the date of its implementation. Implementation of the standard to be adopted by the Supervisor of Banks will have a material effect mainly as a result of the change in discount rates. The amounts of pension and long-service grant liabilities are calculated at present according to actuarial models. The discount rate was fixed by the Supervisor of Banks at 4% linked to the index, reflecting the average rate of long-term interest on government bonds.
In addition, the actuarial calculations take into account the forecast of annual index-adjusted increase in salaries based on past experience that changes according to the age of the employee. The rates of increase range from 0.8% to 7.2%.

2. Directive on the format of the statement of profit and loss of a banking corporation and the adoption of generally accepted accounting principles in U.S. banks on the measurement of interest income.

On December 29, 2011 a circular of the Supervisor of Banks was published, which is designed to adapt the Public Reporting Directives for purposes of adopting the rules established in generally accepted accounting principles in the U.S. on nonrefundable fees and other costs (ASC 310-20). The directive prescribes rules for handling loan origination fees and direct costs in creating loans.

The directive also sets out rules regarding the treatment of changes in the terms of debts that do not constitute restructuring of troubled debt, the treatment of early repayments of debts, and the treatment of other credit-granting transactions such as credit syndication deals.

On 25 July 2012, a circular was published concerning the date of adoption of Codification Topic 310-20 on nonrefundable fees and other costs that postponed implementation to 1 January 2014.

The Group is examining the implications of adopting the directive on the financial statements.

3. Collective allowance for credit losses

On 10 April 2013, a draft was published on the "Collective Allowance for Credit Losses". The draft includes, *inter alia*, a temporary directive on the "Collective Allowance for Credit Losses" that replaces the temporary directive on the "Collective Allowance for Credit Losses in 2011-2012". The new directive will apply to quarterly and annual financial statements from 1 January 2013 and thereafter. The temporary directive clarified the number of years for which the Bank is to calculate loss rates, requirements were added to take environmental factors into account, and requirements were added regarding the documentation that the bank has to retain to support the credit loss allowance made. In addition, the requirement for calculation of the general and supplementary provisions under the Proper Conduct of Banking Business Directive as the minimum amount of the provision was extended until 31 December 2014. The directive included guidelines for examining the adequacy of the allowance for credit losses, which shall apply from 31 December 2013 and thereafter. The Bank is examining the expected effect of implementing the draft directives.

4. Basel III

On 3 June 2013, the Supervisor of Banks published an amendment to Proper Conduct of Banking Business Directives No. 201-211, in which the Basel III directives were adopted, with the following changes to Basel II directives:

- Determining minimum capital requirements of 9% for Tier 1 shareholders' equity and 12.5% for overall capital by 1 January 2015. A bank whose total balance sheet assets on consolidated basis represent at least 20% of the total assets of the banking system will be required to maintain a ratio of 10% for Tier 1 shareholders' equity and 13.5% for overall capital by 1 January 2017.

- The capital base was redefined with a stricter measurement of regulatory capital (focusing on Tier 1 capital, reducing Tier 2, and canceling Tier 3).

- Change in regulatory capital requirements in calculating risk assets.

The directive is in effect from 1 January 2014, subject to transitional provisions. The Group is examining the effect of the directive on the financial statements.

On 29 August 2013, a final circular was published on Basel disclosure requirements relating to the composition of capital. The circular stipulates, inter alia, the disclosure requirements under the Third Pillar and on the internet website of banking corporations of the composition of regulatory capital, and also prescribes disclosure of the expected impact of the adoption of Basel III directives that will be required in the annual report as at 31 December 2013. In the Note on Capital Adequacy according to the directives of the Supervisor of Banks in the quarterly financial statements in 2014, disclosure of audited comparative figures as at 1 January 2014 set out in accordance with Basel III directives will be added to the disclosure of comparative figures for previous periods set out in accordance with Basel II directives.

5. Assets and liabilities by linkage base and by term to maturity

In accordance with the Public Reporting Directives, cash flows in respect of assets and liabilities are to be shown in the Note on Assets and Liabilities by Linkage Base and by Term to Maturity. On 30 September, a circular was issued stating that instead of showing the Note by currency or linkage as is customary today, cash flows will be reported distinguishing between Israeli currency (including shekels linked to foreign currency) and foreign currency. In addition, cash flows in respect of net settled derivative instruments are to be classified as Israeli currency or foreign currency according to the currency in which settlement will be made.
Off-balance sheet amounts of such derivatives shall not be reported.

6. Amounts reclassified outside of Accumulated Other Comprehensive Income

On 30 September 2013, a circular was published by the Supervisor of Banks regarding the reporting of amounts reclassified outside of accumulated other comprehensive income. The circular is intended to adapt disclosure requirements to the usual manner of disclosure of such amounts in the financial statements of banking corporations in the U.S.

The main changes are:

- A requirement was added to the Note on accumulated other comprehensive income for disclosure of items in the statement of profit and loss statement in which were included amounts reclassified from accumulated other comprehensive income to the statement of profit and loss.

- A footnote was added to the Note on non- interest income clarifying which items in the note were reclassified from accumulated other comprehensive income.

The disclosure requirements will take effect as of the report for the first quarter of 2014 and thereafter.

7. Bringing forward the date of publication of statements to the public

On 29 September 2013, a circular was published by the Supervisor of Banks on the presentation and publication of financial statements, according to which these entities will publish their annual financial statements within two months of the year-end and quarterly financial statements within 45 days from the end of the quarter.

The change will be implemented gradually from the report to the public for the year 2013 until the report to the public for the year 2015.

Note 2 - Securities

	As at 30 September 2013 (Unaudited)				
	Balance sheet amount	Amortized cost (in shares - cost)	Accumulated other comprehensive profit (loss) Profits	Losses	Fair value (a)
	(NIS millions)				
1. Securities available for sale:					
Debentures -					
Government of Israel	26,948	26,771	204	(27)	26,948
Foreign governments	3,797	3,793	7	(3)	3,797
Financial institutions in Israel	130	126	6	(2)	130
Financial institutions abroad	5,512	5,451	90	(29)	5,512
Asset-backed securities (ABS) or	-	-	-	-	-
Mortgage-backed securities (MBS)	7,490	7,584	38	(132)	7,490
Others in Israel	831	789	43	(1)	831
Others abroad	2,098	2,087	29	(18)	2,098
	46,806	46,601	417	(212)	46,806
Shares and mutual funds (b)	2,771	2,705	152	(86)	2,771
Total securities available for sale	49,577	49,306	569 (c)	(298) (c)	49,577

	As at 30 September 2013 (Unaudited)				
	Balance sheet amount	Amortized cost (in shares - cost)	Unrealized profits from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value (a)
	(NIS millions)				
2. Securities held for trading:					
Debentures -					
Government of Israel	8,512	8,434	84	(6)	8,512
Foreign governments	435	441	-	(6)	435
Financial institutions in Israel	330	327	3	-	330
Financial institutions abroad	126	125	2	(1)	126
Asset-backed securities (ABS) or	-	-	-	-	-
Mortgage-backed securities (MBS)	398	404	2	(8)	398
Others in Israel	509	497	12	-	509
Others abroad	659	669	3	(13)	659
	10,969	10,897	106	(34)	10,969
Shares and mutual funds	438	407	32	(1)	438
Total securities held for trading	11,407	11,304	138 (d)	(35) (d)	11,407
Total securities (f)	60,984	60,610	707	(333)	60,984

See notes on page 176.

Note 2 - Securities (cont'd)

	As at 30 September 2012 (Unaudited)				
			Accumulated other comprehensive profit (loss)		
	Balance sheet amount	Amortized cost (in shares - cost)	Profits	Losses	Fair value (a)
	(NIS millions)				
1. Securities available for sale:					
Debentures -					
Government of Israel	25,445	25,276	176	(7)	25,445
Foreign governments	4,763	4,752	12	(1)	4,763
Financial institutions in Israel	331	319	15	(3)	331
Financial institutions abroad	5,644	5,670	101	(127)	5,644
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	4,365	4,311	78	(24)	4,365
Others in Israel	848	849	14	(15)	848
Others abroad	1,308	1,294	27	(13)	1,308
	42,704	42,471	423	(190)	42,704
Shares and mutual funds (b)	1,973	1,681	307	(15)	1,973
Total securities available for sale	44,677	44,152	730 (c)	(205) (c)	44,677

	As at 30 September 2012 (Unaudited)				
	Balance sheet amount	Amortized cost (in shares - cost)	Unrealized profits from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value (a)
	(NIS millions)				
2. Securities held for trading:					
Debentures -					
Government of Israel	8,738	8,634	105	(1)	8,738
Foreign governments	231	225	6	-	231
Financial institutions in Israel	145	143	3	(1)	145
Financial institutions abroad	120	120	2	(2)	120
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	522	521	10	(9)	522
Others in Israel	738	742	6	(10)	738
Others abroad	849	778	71	-	849
	11,343	11,163	203	(23)	11,343
Shares and mutual funds	163	157	7	(1)	163
Total securities held for trading	11,506	11,320	210 (d)	(24) (d)	11,506
Total securities (f)	56,183	55,472	940	(229)	56,183

See notes on page 176.

Note 2 - Securities (cont'd)

	As at 31 December 2012 (Audited)				
		Amortized	Accumulated other comprehensive profit (loss)		
	Balance sheet amount	cost (in shares - cost)	Profits	Losses	Fair value (a)
	(NIS millions)				
1. Securities available for sale:					
Debentures -					
Government of Israel	22,998	22,722	276	-	22,998
Foreign governments	6,454	6,442	13	(1)	6,454
Financial institutions in Israel	323	304	21	(2)	323
Financial institutions abroad	5,281	5,231	128	(78)	5,281
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	5,049	4,993	76	(20)	5,049
Others in Israel	1,039	1,018	26	(5)	1,039
Others abroad	1,583	1,550	36	(3)	1,583
	42,727	42,260	576	(109)	42,727
Shares and mutual funds (b) (e)	2,167	1,726	453	(12)	2,167
Total securities available for sale	44,894	43,986	1,029 (c)	(121) (c)	44,894

	As at 31 December 2012 (Audited)				
	Balance sheet amount	Amortized cost (in shares - cost)	Unrealized profits from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value (a)
	(NIS millions)				
2. Securities held for trading:					
Debentures -					
Government of Israel	8,980	8,829	152	(1)	8,980
Foreign governments	311	311	-	-	311
Financial institutions in Israel	129	127	2	-	129
Financial institutions abroad	88	88	1	(1)	88
Asset-backed securities (ABS) or	-	-	-	-	-
Mortgage-backed securities (MBS)	358	358	8	(8)	358
Others in Israel	707	697	13	(3)	707
Others abroad	742	682	60	-	742
	11,315	11,092	236	(13)	11,315
Shares and mutual funds	199	189	11	(1)	199
Total securities held for trading	11,514	11,281	247 (d)	(14) (d)	11,514
Total securities (f)	56,408	55,267	1,276	(135)	56,408

See notes on next page.

Note 2 - Securities (Cont'd)

Notes:

(a) Fair value amounts are generally based on Stock Exchange prices, which do not necessarily reflect the price which would be received for the sale of a large volume of securities.

(b) The value in the balance sheet includes NIS 1,415 million with respect to shares and funds which have no readily available fair value, which are shown at cost (31 December 2012 - NIS 1,194 million, 30 September 2012 - NIS 1,142 million).

(c) Regarding securities available for sale, other comprehensive income (loss) – unrealized profits (losses) are included in equity under "Other comprehensive income (loss), net, after the effect of taxes", except for securities designated as fair value hedges.

(d) Charged to the profit and loss statement, but not yet realized.

(e) In January and September 2013, the Bank sold part of the shares it held in Migdal Insurance & Financial Holdings Ltd. The balance of the holdings at 30 September 2013 is 0.35% of the share capital of Migdal.

(f) Of which a balance sheet value of NIS 26 million (31 December 2012 – NIS 93 million, 30 September 2012 – NIS 81 million), in respect of bonds of companies included on equity basis.

General notes:

Securities lent in the amount of NIS 507 million (31 December 2012 – NIS 339 million, 30 September 2012 – NIS 369 million) are shown under credit to the public.

Securities pledged to lenders amounted to NIS 1,527 million (31 December 2012 – NIS 1,851 million, 30 September 2012 – NIS 1,888 million).

Details of results of activity in investments in bonds and details of results of activity in investments in shares – see Notes 9 and 10.

The distinction between bonds of Israeli entities and bonds of foreign entities was made in accordance with the policy of domicile of the entity issuing the security, as stated in Exhibit D in the Management Review on "Exposure to Foreign Countries".

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities available for sale

	As at 30 September 2013 (Unaudited)				
	Balance sheet amount	Amortized cost	Accumulated other comprehensive income (loss)* Profits	Losses	Fair value
	(NIS millions)				
1. Debentures available for sale					
Pass-through securities					
Securities guaranteed by GNMA	331	333	1	(3)	331
Securities issued by FNMA and FHLMC	1,662	1,728	-	(66)	1,662
Total	1,993	2,061	1	(69)	1,993
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	3,312	3,350	9	(47)	3,312
Securities secured by mortgage-backed securities	-	-	-	-	-
Other mortgage-backed securities	323	324	-	(1)	323
Total	3,635	3,674	9	(48)	3,635
Asset-backed securities (ABS)					
Credit card receivables	87	87	-	-	87
Lines of credit for any purpose secured by dwelling	2	2	-	-	2
Other credit to private persons	3	3	-	-	3
Credit not to private persons	1	1	-	-	1
CLO-type debentures	1,769	1,756	28	(15)	1,769
Others	-	-	-	-	-
Total	1,862	1,849	28	(15)	1,862
Total mortgage-backed and asset-backed debentures available for sale	7,490	7,584	38	(132)	7,490

* Amounts charged to capital reserve as part of other comprehensive income, net, after effect of taxes.

For details of the terms, see the Note 3 to the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 30 September 2013 (Unaudited)				
	Balance sheet amount	Amortized cost	Unrealized profits from adjustments to fair value*	Unrealized losses from adjustments to fair value*	Fair value
	(NIS millions)				
2. Debentures held for trading					
Pass-through securities					
Other securities	4	4	-	-	4
Total	4	4	-	-	4
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	12	12	0	0	12
Other mortgage-backed securities	53	56	0	(3)	53
Total	65	68	0	(3)	65
Asset-backed securities (ABS)					
Credit card receivables	35	35	-	-	35
Credit for purchase of vehicle	172	171	1	-	172
Other credit to private persons	22	22	-	-	22
CDO-type debentures	-	3	-	(3)	-
Others	100	101	1	(2)	100
Total	329	332	2	(5)	329
Total mortgage-backed and asset-backed debentures held for trading	398	404	2	(8)	398

* These profits (losses) were charged to profit and loss.

For details of the terms, see Note 3 to the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities available for sale (cont'd)

	As at 30 September 2012 (Unaudited)				
	Balance sheet amount	Amortized cost	Accumulated other comprehensive income (loss) *		Fair value
			Profits	Losses	
	(NIS millions)				
1. Debentures available for sale					
Pass-through securities					
Securities guaranteed by GNMA	344	342	3	(1)	344
Securities issued by FNMA and FHLMC	83	80	3	-	83
Total	427	422	6	(1)	427
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	2,380	2,364	16	0	2,380
Other mortgage-backed securities	185	180	6	(1)	185
Total	2,565	2,544	22	(1)	2,565
Asset-backed securities (ABS)					
Credit card receivables	40	41	-	(1)	40
Lines of credit for any purpose secured by dwelling	2	2	-	-	2
Other credit to private persons	5	5	-	-	5
CLO-type debentures	1,322	1,293	50	(21)	1,322
Others	4	4	-	-	4
Total	1,373	1,345	50	(22)	1,373
Total mortgage-backed and asset-backed debentures available for sale	4,365	4,311	78	(24)	4,365

* Amounts charged to capital reserve as part of other comprehensive income, net after effect of taxes.

For details of the terms, see Note 3 to the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 30 September 2012 (Unaudited)				
	Balance sheet amount	Amortized cost	Unrealized profits from adjustments to fair value*	Unrealized losses from adjustments to fair value*	Fair value
	(NIS millions)				
2. Debentures held for trading					
Pass-through securities					
Securities issued by FNMA and FHLMC	208	206	2	-	208
Other securities	6	6	-	-	6
Total	214	212	2	-	214
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	22	20	2	-	22
Other mortgage-backed securities	6	8	0	(2)	6
Total	28	28	2	(2)	28
Asset-backed securities (ABS)					
Credit card receivables	38	38	-	-	38
Lines of credit for any purpose secured by dwelling	3	3	-	-	3
Credit for purchase of vehicle	141	138	3	-	141
Credit not to private persons	2	2	-	-	2
CDO-type debentures	1	7	-	(6)	1
Others	95	93	3	(1)	95
Total	280	281	6	(7)	280
Total mortgage-backed and asset-backed debentures held for trading	522	521	10	(9)	522

* These profits (losses) were charged to profit and loss.

For details of the terms, see Note 3 to the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities available for sale (cont'd)

	As at 31 December 2012 (Audited)				
	Balance sheet amount	Amortized cost	Accumulated other comprehensive income (loss) *		Fair value
			Profits	Losses	
	(NIS millions)				
1. Debentures available for sale					
Pass-through securities					
Securities guaranteed by GNMA	257	257	1	(1)	257
Securities issued by FNMA and FHLMC	511	510	1	-	511
Total	768	767	2	(1)	768
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	2,560	2,544	16	-	2,560
Other mortgage-backed securities	303	300	4	(1)	303
Total	2,863	2,844	20	(1)	2,863
Asset-backed securities (ABS)					
Credit card receivables	38	38	-	-	38
Lines of credit for any purpose secured by dwelling	2	2	-	-	2
Other credit to private persons	4	4	-	-	4
CLO-type debentures	1,371	1,334	54	(17)	1,371
Others	3	4	-	(1)	3
Total	1,418	1,382	54	(18)	1,418
Total mortgage-backed and asset-backed debentures available for sale	5,049	4,993	76	(20)	5,049

* Amounts charged to capital reserve as part of other comprehensive income, net, after effect of taxes.

For details of the terms, see the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on consolidated basis on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 31 December 2012 (Audited)				
	Balance sheet amount	Amortized cost	Unrealized profits from adjustments to fair value*	Unrealized losses from adjustments to fair value*	Fair value
	(NIS millions)				
2. Debentures held for trading					
Pass-through securities					
Other securities	5	5	-	-	5
Total	5	5	-	-	5
Other mortgage-backed securities (including CMO and STRIPPED MBS)					
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	21	19	2	0	21
Other mortgage-backed securities	19	21	0	(2)	19
Total	40	40	2	(2)	40
Asset-backed securities (ABS)					
Credit card receivables	37	37	-	-	37
Lines of credit for any purpose secured by dwelling	3	2	1	-	3
Credit for purchase of vehicle	166	163	3	-	166
Other credit to private persons	16	16	-	-	16
Credit not to private persons	1	1	-	-	1
CDO-type debentures	28	33	-	(5)	28
Others	62	61	2	(1)	62
Total	313	313	6	(6)	313
Total mortgage-backed and asset-backed debentures held for trading	358	358	8	(8)	358

* These profits (losses) were charged to profit and loss.

For details of the terms, see the financial statements as at 31 December 2012.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities that are in an unrealized loss position

	30 September 2013 (Unaudited)					
	Up to 12 months		Over 12 months		Total	
	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value
	(NIS millions)					
Additional details of asset-backed securities available for sale which include unrealized losses from adjustments to fair value						
Mortgage-backed securities (MBS)	**1,785**	**(69)**	**-**	**-**	**1,785**	**(69)**
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	**2,396**	**(47)**	**104**	**(1)**	**2,500**	**(48)**
Asset-backed securities (ABS)	**832**	**(8)**	**218**	**(7)**	**1,050**	**(15)**
Total	**5,013**	**(124)**	**322**	**(8)**	**5,335**	**(132)**

	30 September 2012 (Unaudited)					
	Up to 12 months		Over 12 months		Total	
	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value
	(NIS millions)					
Additional details of asset-backed securities available for sale which include unrealized losses from adjustments to fair value						
Mortgage-backed securities (MBS)	69	(1)	-	-	69	(1)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	202	-	18	(1)	220	(1)
Asset-backed securities (ABS)	-	-	569	(22)	569	(22)
Total	271	(1)	587	(23)	858	(24)

	31 December 2012 (Audited)					
	Up to 12 months		Over 12 months		Total	
	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value	Fair value	Unrealized losses from adjustments to fair value
	(NIS millions)					
Additional details of asset-backed securities available for sale which include unrealized losses from adjustments to fair value						
Mortgage-backed securities (MBS)	351	(1)	-	-	351	(1)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	457	(1)	12	-	469	(1)
Asset-backed securities (ABS)	70	(2)	372	(16)	442	(18)
Total	878	(4)	384	(16)	1,262	(20)

(-) Amounts less than NIS 1 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses
A. Debts* and off-balance sheet credit instruments

Allowance for credit losses

1. Change in balance of allowance for credit losses

	For the three months ended 30 September 2013 (Unaudited)					
	Allowance for credit losses					
	Credit to the public				Banks and govern-ments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Balance of allowance for credit losses at beginning of the reporting period	**3,422**	**511**	**418**	**4,351**	**3**	**4,354**
Expenses in respect of credit losses	**(63)**	**1**	**18**	**(44)**	**-**	**(44)**
Accounting write-offs	**(35)**	**(11)**	**(112)**	**(158)**	**-**	**(158)**
Collection of debts written off in previous years	**17**	**-**	**92**	**109**	**-**	**109**
Net accounting write-offs	**(18)**	**(11)**	**(20)**	**(49)**	**-**	**(49)**
Adjustments from translation of financial statements	**(14)**	**2**	**6**	**(6)**	**-**	**(6)**
Balance of allowance for credit losses at end of the reporting period[1]	**3,327**	**503**	**422**	**4,252**	**3**	**4,255**
[1]Of which: in respect of off-balance sheet credit instruments	**374**	**-**	**34**	**408**	**-**	**408**

	For the three months ended 30 September 2012 (Unaudited) (a)					
	Allowance for credit losses					
	Credit to the public				Banks and govern-ments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Balance of allowance for credit losses at beginning of reporting period	3,377	500	431	4,308	4	4,312
Expenses in respect of credit losses	257	3	32	292	1	293
Accounting write-offs	(175)	(13)	(131)	(319)	-	(319)
Collection of debts written off in previous years	15	-	84	99	-	99
Net accounting write-offs	(160)	(13)	(47)	(220)	-	(220)
Adjustments from translation of financial statements	10	(3)	(7)	-	-	-
Balance of allowance for credit losses at end of the reporting period[1]	3,484	487	409	4,380	5	4,385
[1]Of which: in respect of off-balance sheet credit instruments	413	-	24	437	-	437

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

* Credit to the public, credit to governments, deposits in banks (in 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)
A. Debts* and off-balance sheet credit instruments (cont'd)

Allowance for credit losses (cont'd)

1. Change in balance of allowance for credit losses (cont'd)

	For the nine months ended 30 September 2013 (Unaudited)					
	Allowance for credit losses					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Balance of allowance for credit losses at beginning of the reporting period	**3,691**	**475**	**395**	**4,561**	**4**	**4,565**
Expenses in respect of credit losses	**(27)**	**47**	**89**	**109**	**4**	**113**
Accounting write-offs	**(373)**	**(21)**	**(340)**	**(734)**	**(5)**	**(739)**
Collection of debts written off in previous years	**57**	**-**	**272**	**329**	**-**	**329**
Net accounting write-offs	**(316)**	**(21)**	**(68)**	**(405)**	**(5)**	**(410)**
Adjustments from translation of financial statements	**(21)**	**2**	**6**	**(13)**	**-**	**(13)**
Balance of allowance for credit losses at end of the reporting period[1]	**3,327**	**503**	**422**	**4,252**	**3**	**4,255**
[1]Of which: in respect of off-balance sheet credit instruments	**374**	**-**	**34**	**408**	**-**	**408**

	For the nine months ended 30 September 2012 (Unaudited) (a)					
	Allowance for credit losses					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Balance of allowance for credit losses at beginning of reporting period	3,441	532	462	4,435	5	4,440
Other changes in allowance for credit losses at 1 January 2012	27	3	6	36	-	36
Expenses in respect of credit losses	804	(9)	50	845	1	846
Accounting write-offs	(828)	(34)	(387)	(1,249)	(1)	(1,250)
Collection of debts written off in previous years	31	-	275	306	-	306
Net accounting write-offs	(797)	(34)	(112)	(943)	(1)	(944)
Adjustments from translation of financial statements	9	(5)	3	7	-	7
Balance of allowance for credit losses at end of the reporting period[1]	3,484	487	409	4,380	5	4,385
[1]Of which: in respect of off-balance sheet credit instruments	413	-	24	437	-	437

	31 December 2012 (Audited)					
	Allowance for credit losses					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Balance of allowance for credit losses at beginning of year	3,441	532	462	4,435	5	4,440
Other changes in allowance for credit losses at 1 January 2012	27	3	6	36	-	36
Expenses in respect of credit losses	1,156	(13)	93	1,236	-	1,236
Accounting write-offs	(1,084)	(47)	(430)	(1,561)	(1)	(1,562)
Collection of debts written off in previous years	155	-	264	419	-	419
Net accounting write-offs	(929)	(47)	(166)	(1,142)	(1)	(1,143)
Adjustments from translation of financial statements	(4)	-	-	(4)	-	(4)
Balance of allowance for credit losses at end of year[1]	3,691	475	395	4,561	4	4,565
[1]Of which: in respect of off-balance sheet credit instruments	413	-	34	447	-	447

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

* Credit to the public, credit to governments, deposits in banks (in 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

A. Debts* and off-balance sheet credit instruments (cont'd)

2. Additional information on the method of calculating the credit loss allowance in respect of debts* and on debts* on which it was calculated

	30 September 2013 (Unaudited)					
	Allowance for credit losses					
	Credit to the public				Banks and govern-ments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts*:						
Examined on an individual basis	112,018	50	1,729	113,797	11,167	124,964
Examined on a collective basis[2]	32,468	68,458	30,013	130,939	1,543	132,482
[2]Of which: the allowance was calculated by extent of arrears	-	67,278	-	67,278	-	67,278
Total debts*	144,486	68,508	31,742	244,736	12,710	257,446
Allowance for credit losses for debts*:						
Examined on an individual basis	2,592	16	78	2,686	3	2,689
Examined on a collective basis[3]	361	487	310	1,158	-	1,158
[3]Of which the allowance was calculated by extent of arrears	-	483	-	483	-	483
Total allowance for credit losses	2,953	503	388	3,844	3	3,847

	30 September 2012 (Unaudited) (a)					
	Allowance for credit losses					
	Credit to the public				Banks and govern-ments	Total
	Commercial	Residential (b)	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts*:						
Examined on an individual basis	117,618	-	995	118,613	46,069	164,682
Examined on a collective basis[2]	34,805	62,375	29,614	126,794	-	126,794
[2]Of which: the allowance was calculated by extent of arrears	-	61,048	-	61,048	-	61,048
Total debts*	152,423	62,375	30,609	245,407	46,069	291,476
Allowance for credit losses for debts*:						
Examined on an individual basis	2,899	-	17	2,916	5	2,921
Examined on a collective basis[3]	172	487	368	1,027	-	1,027
[3]Of which the allowance was calculated by extent of arrears	-	362	-	362	-	362
Total allowance for credit losses	3,071	487 **	385	3,943	5	3,948

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(b) Reclassified.

* Credit to the public, credit to governments, deposits in banks (in 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

** Including the balance of the allowance in excess of that required by the extent of arrears method, calculated on a collective basis in the amount of NIS 270 million (30 September 2012 – NIS 213 million).

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

A. Debts* and off-balance sheet credit instruments (cont'd)

2. Additional information on the method of calculating the credit loss allowance in respect of debts* and on debts* on which it was calculated (cont'd)

	31 December 2012 (Audited)					
	Allowance for credit losses					
	Credit to the public				Banks and govern-ments	Total
	Commercial	Residential (a)	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts*:						
Examined on an individual basis	120,006	48	1,991	122,045	45,770	167,815
Examined on a collective basis[2]	31,634	63,355	28,344	123,333	7,158	130,491
[2]Of which: the allowance was calculated by extent of arrears	-	62,423	-	62,423	-	62,423
Total debts*	151,640	63,403	30,335	245,378	52,928	298,306
Allowance for credit losses for debts*:						
Examined on an individual basis	2,943	19	62	3,024	4	3,028
Examined on a collective basis[3]	335	456	299	1,090	-	1,090
[3]Of which the allowance was calculated by extent of arrears	-	450 **	-	450	-	450
Total allowance for credit losses	3,278	475	361	4,114	4	4,118

(a) Reclassified.

* Credit to the public, credit to governments, deposits in banks (at 30 September 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

** Including the balance of the allowance in excess of that required by the extent of arrears method, calculated on a collective basis in the amount of NIS 209 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1]

1. Credit quality and arrears

	30 September 2013 (Unaudited)					
		Problem debts[2]			Unimpaired debts - additional information	
	Non-problem debts	Not impaired	Impaired[3]	Total	In arrears of 90 days or more[4]	In arrears of 30 to 89 days[5]
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	**13,645**	**557**	**488**	**14,690**	**6**	**29**
Construction & real estate - real estate activities	**21,510**	**143**	**1,456**	**23,109**	**1**	**24**
Financial services	**10,922**	**335**	**325**	**11,582**	**99**	**66**
Commercial - other	**62,610**	**2,023**	**1,855**	**66,488**	**33**	**110**
Total commercial	**108,687**	**3,058**	**4,124**	**115,869**	**139**	**229**
Private individuals - housing loans[6]	**66,468**	**818**	**-**	**67,286**	**806**	**696**
Private individuals - other	**30,393**	**265**	**82**	**30,740**	**96**	**188**
Total public - activity in Israel	**205,548**	**4,141**	**4,206**	**213,895**	**1,041**	**1,113**
Israeli banks	**1,457**	**-**	**-**	**1,457**	**-**	**-**
Government of Israel	**335**	**-**	**-**	**335**	**-**	**-**
Total activity in Israel	**207,340**	**4,141**	**4,206**	**215,687**	**1,041**	**1,113**
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	**7,116**	**181**	**719**	**8,016**	**26**	**125**
Commercial - other	**19,512**	**235**	**854**	**20,601**	**186**	**177**
Total commercial	**26,628**	**416**	**1,573**	**28,617**	**212**	**302**
Private individuals	**2,127**	**3**	**94**	**2,224**	**46**	**38**
Total public - activity abroad	**28,755**	**419**	**1,667**	**30,841**	**258**	**340**
Foreign banks	**10,720**	**-**	**-**	**10,720**	**-**	**-**
Foreign governments	**198**	**-**	**-**	**198**	**-**	**-**
Total activity abroad	**39,673**	**419**	**1,667**	**41,759**	**258**	**340**
Total public	**234,303**	**4,560**	**5,873**	**244,736**	**1,299**	**1,453**
Total banks	**12,177**	**-**	**-**	**12,177**	**-**	**-**
Total governments	**533**	**-**	**-**	**533**	**-**	**-**
Total	**247,013**	**4,560**	**5,873**	**257,446**	**1,299**	**1,453**

	30 September 2012 (Unaudited) (a)				
				Unimpaired debts - additional information	
Credit to the public	Not impaired	Impaired[3]	Total	In arrears of 90 days or more[4]	In arrears of 30 to 89 days[5]
	(NIS millions)				
Examined on individual basis	111,525	7,130	118,655	6	88
Housing loans by extent of arrears[6]	60,526	-	60,526	830	707
Examined on other collective basis	66,220	6	66,226	621	683
Total public	238,271	7,136	245,407	1,457	1,478
Total banks	45,645	6	45,651	-	-
Total governments	418	-	418	-	-
Total	284,334	7,142	291,476	1,457	1,478

See notes on page 190.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

1. Credit quality and arrears (cont'd)

	31 December 2012 (Audited)					
		Problem debts[2]			Unimpaired debts - additional information	
	Non-problem debts	Not impaired	Impaired[3]	Total	In arrears of 90 days or more[4]	In arrears of 30 to 89 days[5]
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	13,333	165	667	14,165	5	35
Construction & real estate - real estate activities	23,308	272	1,847	25,427	-	13
Financial services	12,059	395	716	13,170	-	16
Commercial - other	62,721	2,376	2,369	67,466	33	116
Total commercial	111,421	3,208	5,599	120,228	38	180
Private individuals - housing loans[6]	61,242 (b)	859 (b)	- (b)	62,101	829	593
Private individuals - other	28,593	303	45	28,941	115	174
Total public - activity in Israel	201,256	4,370	5,644	211,270	982	947
Israeli banks	38,478	-	-	38,478	-	-
Government of Israel	282	-	-	282	-	-
Total activity in Israel	240,016	4,370	5,644	250,030	982	947
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	7,296	205	874	8,375	76	68
Commercial - other	22,087	164	786	23,037	68	159
Total commercial	29,383	369	1,660	31,412	144	227
Private individuals	2,597	5	94	2,696	167	28
Total public - activity abroad	31,980	374	1,754	34,108	311	255
Foreign banks	14,003	-	5	14,008	-	-
Foreign governments	160	-	-	160	-	-
Total	46,143	374	1,759	48,276	311	255
Total public	233,236	4,744	7,398	245,378	1,293	1,202
Total banks	52,481	-	5	52,486	-	-
Total governments	442	-	-	442	-	-
Total	286,159	4,744	7,403	298,306	1,293	1,202

See notes on next page.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

1. Credit quality and arrears (cont'd)

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(b) Reclassified.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(2) Impaired, substandard or special mention credit risk, including in respect of housing loans for which there is a provision by extent of arrears, and housing loans for which there is no provision that are in arrears of 90 days or more.
(3) As a rule, impaired debts do not accrue interest income. For information on certain impaired debts under troubled debt restructuring, see Note 3(B)(2)C.
(4) Classified as problem debts that are not impaired, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of NIS 195 million were classified as problem debts that are not impaired (31 December 2012 – NIS 143 million).
(6) Including housing loans in the amount of NIS 204 million (31 December 2012 – NIS 230 million, 30 September 2012 – NIS 236 million) with a provision by extent of arrears, in which an arrangement was signed for the repayment of arrears by the borrower, with a change made to the repayment schedule in respect of the loan balance of which the repayment date has not yet arrived.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts

a. Impaired debts and individual allowance

	30 September 2013 (Unaudited)				
	Balance[2] of impaired debts in respect of which there is an individual allowance[3]	Balance of individual allowance[3]	Balance[2] of impaired debts in respect of which there is no individual allowance[3]	Total balance[2] of impaired debts	Principal contractual balance of impaired debts
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	96	18	392	488	1,692
Construction & real estate - real estate activities	814	208	642	1,456	2,538
Financial services	278	134	47	325	1,012
Commercial - other	971	408	884	1,855	5,208
Total commercial	2,159	768	1,965	4,124	10,450
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	51	33	31	82	1,768
Total public - activity in Israel	2,210	801	1,996	4,206	12,218
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	2,210	801	1,996	4,206	12,218
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	516	302	203	719	896
Commercial - other	620	350	234	854	952
Total commercial	1,136	652	437	1,573	1,848
Private individuals	64	52	30	94	94
Total public - activity abroad	1,200	704	467	1,667	1,942
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	1,200	704	467	1,667	1,942
Total public	3,410	1,505	2,463	5,873	14,160
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	3,410	1,505	2,463	5,873	14,160
Of which:					
Measured by present value of cash flows	2,302	1,153	1,559	3,861	
Debts under troubled debt restructuring	880	131	684	1,564	

See notes on page 193.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

a. Impaired debts and individual allowance (cont'd)

	30 September 2012 (Unaudited) (a)			
	Balance[2] of impaired debts in respect of which there is an individual allowance[3]	Balance of individual allowance[3]	Balance[2] of impaired debts in respect of which there is no individual allowance[3]	Total balance[2] of impaired debts
	(NIS millions)			
Total public	4,236	1,580	2,900	7,136
Total banks	1	-	4	6
Total governments	-	-	-	-
Total	4,237	1,580	2,904	7,142
Of which:				
Measured by present value of cash flows	1,978	820	1,580	3,558
Debts under troubled debt restructuring	898	78	844	1,742

See notes on next page.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

a. Impaired debts and individual allowance (cont'd)

	31 December 2012 (Audited)				
	Balance[2] of impaired debts in respect of which there is an individual allowance[3]	Balance of individual allowance[3]	Balance[2] of impaired debts in respect of which there is no individual allowance[3]	Total balance[2] of impaired debts	Principal contractual balance of impaired debts
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	79	22	588	667	1,910
Construction & real estate - real estate activities	1,406	187	441	1,847	3,125
Financial services	663	422	53	716	1,196
Commercial - other	1,398	584	971	2,369	5,773
Total commercial	3,546	1,215	2,053	5,599	12,004
Private individuals - housing loans (b)	-	-	-	-	-
Private individuals - other (b)	22	22	23	45	1,681
Total public - activity in Israel	3,568	1,237	2,076	5,644	13,685
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	3,568	1,237	2,076	5,644	13,685
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	537	238	337	874	1,101
Commercial - other	558	284	228	786	920
Total commercial	1,095	522	565	1,660	2,021
Private individuals	78	52	16	94	96
Total public - activity abroad	1,173	574	581	1,754	2,117
Foreign banks	-	-	5	5	6
Foreign governments	-	-	-	-	-
Total public - activity abroad	1,173	574	586	1,759	2,123
Total public	4,741	1,811	2,657	7,398	15,802
Total banks	-	-	5	5	6
Total governments	-	-	-	-	-
Total	4,741	1,811	2,662	7,403	15,808
Of which:					
Measured by present value of cash flows	3,257	1,452	1,778	5,035	
Debts under troubled debt restructuring	1,132	87	584	1,716	

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(b) Reclassified.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, except for deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Recorded balance of debt.

(3) Individual allowance for credit losses.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

b. Average balance and interest income

	For the three months ended 30 September 2013			For the nine months ended 30 September 2013		
	(Unaudited)					
	Average balance of impaired debts[2]	Interest income recorded[3]	Of which: recorded on cash basis	Average balance of impaired debts[2]	Interest income recorded[3]	Of which: recorded on cash basis
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	581	2	-	567	4	2
Construction & real estate - real estate activities	1,662	-	-	1,633	-	-
Financial services	593	-	-	554	-	-
Commercial - other	2,131	16	16	2,092	20	19
Total commercial	4,967	18	16	4,846	24	21
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - other	313	2	2	575	4	4
Total public - activity in Israel	5,280	20	18	5,421	28	25
Israeli banks	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total activity in Israel	5,280	20	18	5,421	28	25
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	824	3	1	812	6	3
Commercial - other	776	3	3	798	8	7
Total commercial	1,600	6	4	1,610	14	10
Private individuals	93	-	-	93	1	1
Total public - activity abroad	1,693	6	4	1,703	15	11
Foreign banks	3	-	-	2	-	-
Foreign governments	-	-	-	-	-	-
Total activity abroad	1,696	6	4	1,705	15	11
Total	6,976	26 (4)	22	7,126	43 (4)	36

(1) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Average recorded balance of debt of impaired debts during the reporting period.

(3) Interest income recorded in the reporting period, in respect of the average balance of impaired debts, at the time the debts were classified as impaired.

(4) If the impaired debts had accumulated interest according to the original terms, interest income would have been recorded in the amount of NIS 399 million and NIS 116 million for the nine month and three month period ended 30 September 2013.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

b. Average balance and interest income (cont'd)

	Three months ended 30 September 2012 (a)	Nine months ended 30 September 2012 (a)	Year ended 30 December 2012 (a)
	(Unaudited)		(Audited)
	(NIS millions)		
Average recorded debt balance of impaired credit to the public in the reporting period	6,945	6,984	7,255 (b)
Total interest income recorded in the reporting period in respect of these debts in the period they were classified as impaired	3	11	62
Total interest income that would have been recorded in the reporting period if these debts had accrued interest under their original terms	146	434	616
Of which: interest income recorded under the cash-basis accounting method	3	11	53

(a) Pursuant to the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses, disclosures are to be included of troubled debt restructuring as of the financial statements at 31 March 2013 on a prospective basis. See Note 1.C.5.

(b) Restated.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring

	30 September 2013 (Unaudited)				
	Not accruing interest income	Accruing[2] in arrears of 90 days or more	Accruing[2] in arrears of 30 to 89 days	Accruing[2] not in arrears	Total[3]
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	130	-	-	-	130
Construction & real estate - real estate activities	570	-	-	-	570
Financial services	51	-	-	-	51
Commercial - other	254	-	-	37	291
Total commercial	1,005	-	-	37	1,042
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	43	-	-	2	45
Total public - activity in Israel	1,048	-	-	39	1,087
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,048	-	-	39	1,087
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	120	-	-	73	193
Commercial - other	126	-	-	116	242
Total commercial	246	-	-	189	435
Private individuals	31	-	-	11	42
Total public - activity abroad	277	-	-	200	477
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	277	-	-	200	477
Total public	1,325	-	-	239	1,564
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	1,325	-	-	239	1,564

	30 September 2012 (Unaudited) (a)				
	Not accruing interest income	Accruing[2] in arrears of 90 days or more	Accruing[2] in arrears of 30 to 89 days	Accruing[2] not in arrears	Total[3]
	(NIS millions)				
Total public	1,577	-	-	165	1,742
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	1,577	-	-	165	1,742

See notes on next page.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)
2. Additional information on impaired debts (cont'd)
c. Problem debts under restructuring (cont'd)

	31 December 2012 (Audited)				
	Not accruing interest income	Accruing[2] in arrears of 90 days or more	Accruing[2] in arrears of 30 to 89 days	Accruing[2] not in arrears	Total[3]
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	114	-	-	-	114
Construction & real estate - real estate activities	782	-	-	38	820
Financial services	93	-	-	-	93
Commercial - other	256	-	-	30	286
Total commercial	1,245	-	-	68	1,313
Private individuals - housing loans (b)	-	-	-	-	-
Private individuals - other (b)	24	-	-	3	27
Total public - activity in Israel	1,269	-	-	71	1,340
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,269	-	-	71	1,340
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	132	-	-	75	207
Commercial - other	68	-	-	74	142
Total commercial	200	-	-	149	349
Private individuals	11	-	-	12	23
Total public - activity abroad	211	-	-	161	372
Foreign banks	-	-	-	4	4
Foreign governments	-	-	-	-	-
Total activity abroad	211	-	-	165	376
Total public	1,480	-	-	232	1,712
Total banks	-	-	-	4	4
Total governments	-	-	-	-	-
Total	1,480	-	-	236	1,716

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(b) Reclassified.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(2) Accumulating interest income.

(3) Included in impaired debts.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)
2. Additional information on impaired debts (cont'd)
c. Problem debts under restructuring (cont'd)

Restructurings carried out	For the three months ended 30 September 2013			For the nine months ended 30 September 2013		
	(Unaudited) (a)					
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	1	12	-	13	14	2
Construction & real estate - real estate activities	1	11	11	10	79	79
Financial services	-	-	-	-	-	-
Commercial - other	16	1	1	49	3	3
Total commercial	18	24	12	72	96	84
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - other	160	1	1	625	5	5
Total public - activity in Israel	178	25	13	697	101	89
Israeli banks	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total activity in Israel	178	25	13	697	101	89
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	5	39	38	10	78	77
Commercial - other	19	60	60	47	197	195
Total commercial	24	99	98	57	275	272
Private individuals	2	-	-	44	6	6
Total public - activity abroad	26	99	98	101	281	278
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total activity abroad	26	99	98	101	281	278
Total	204	124	111	798	382	367

(a) Pursuant to the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses, disclosures are to be included of troubled debt restructuring as of the financial statements at 31 March 2013 on a prospective basis. See Note 1.C.5.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[1] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring (cont'd)

Failed restructurings[2]	For the three months ended 30 September 2013 (Unaudited) (a)		For the nine months ended 30 September 2013	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
	(NIS millions)			
Activity of borrowers in Israel				
Public - commercial				
Construction & real estate - construction	11	5	14	6
Construction & real estate - real estate activities	5	2	11	7
Financial services	-	-	1	-
Commercial - other	33	27	62	41
Total commercial	49	34	88	54
Private individuals - housing loans	2	6	2	6
Private individuals - other	170	4	504	6
Total public - activity in Israel	221	44	595	66
Israeli banks	-	-	-	-
Government of Israel	-	-	-	-
Total activity in Israel	221	44	595	66
Activity of borrowers abroad				
Public - commercial				
Construction & real estate	2	6	4	8
Commercial - other	5	68	19	78
Total commercial	7	74	23	86
Private individuals	5	-	11	2
Total public - activity abroad	12	74	34	88
Foreign banks	-	-	-	-
Foreign governments	-	-	-	-
Total activity abroad	12	74	34	88
Total	233	118	629	154

(a) Pursuant to the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses, disclosures are to be included of troubled debt restructuring as of the financial statements at 31 March 2013 on a prospective basis. See Note 1.C.5.

(1) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(2) Debts that during the reporting year went into arrears of 30 days or more and underwent a troubled debt restructuring during the 12 months preceding the date they became debts in arrears.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts* (cont'd)

3. Additional information on housing loans
Balances at the end of the period by loan to value ratio (LTV), type of repayment and type of interest**

Balance of housing loans		30 September 2013 (Unaudited)			
		Total**	**Of which: bullet and balloon	**Of which: variable interest	Off-balance sheet credit risk total
		(NIS millions)			
First charge: rate of financing	Up to 60%	**35,772**	**2,999**	**27,734**	**3,163**
	Above 60%	**30,703**	**1,677**	**24,379**	**883**
Second or without charge		**689**	**37**	**559**	**274**
Total		**67,164**	**4,713**	**52,672**	**4,320**

Balance of housing loans		30 September 2012 (Unaudited) (a)			
		Total**	**Of which: bullet and balloon	**Of which: variable interest	Off-balance sheet credit risk total
		(NIS millions)			
Total		61,298	4,926	47,618	1,661

Balance of housing loans		31 December 2012 (Audited)			
		Total**	**Of which: bullet and balloon	**Of which: variable interest	Off-balance sheet credit risk total
		(NIS millions)			
First charge: rate of financing	Up to 60%	32,413	2,901	25,351	2,265
	Above 60%	30,108	1,900	23,649	1,646
Second or without charge		834	61	659	23
Total		63,355	4,862	49,659	3,934

(a) As of the report for the year 2012, the Bank implemented for the first time the directives of the Supervisor of Banks on updating the disclosure of credit quality of debts and the allowance for credit losses. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(*) Credit to the public, credit to governments, deposits in banks (in 2013, excluding deposits in the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(**) The ratio of the approved facility at the time the facility was granted to the value of the property, as approved by the Bank at the time the facility was granted.

Note 3A – Deposits of the Public

	30 September 2013	30 September 2012	31 December 2012
	(Unaudited)	(Unaudited)	(Audited)
	(NIS millions)		
Demand deposits	**89,805**	70,572	75,355
Time and other deposits	**187,627**	211,794	211,506
Deposits in savings plans	**2,407**	2,863	2,677
Total deposits of the public	**279,839**	285,229	289,538
Of which: deposits of institutional entities raised in Israel	**27,633**	18,000	22,059

Note 4 – Capital and Capital Adequacy

Regulatory capital and capital adequacy are calculated pursuant to Proper Conduct of Banking Business Directives Nos. 201-211 on "Capital Measurement and Adequacy"

	30 September 2013	30 September 2012	31 December 2012
	(Unaudited)	(Unaudited)	(Audited)
	(NIS millions)		
A. Data			
Capital for purposes of calculating capital ratio			
Tier 1 capital, after deductions	**25,928**	24,689	24,312
Tier 2 capital, after deductions	**15,564**	18,437	17,978
Total capital	**41,492**	43,126	42,290
Weighted balances of risk assets			
Credit risk	**247,412**	256,663	253,838
Market risk	**11,279**	9,310	9,710
Operational risk	**20,711**	21,095	20,841
Total weighted balances of risk assets	**279,402**	287,068	284,389
Ratio of capital to risk components (%)			
Ratio of Tier 1 capital to risk components	**9.28%**	8.60%	8.55%
Ratio of total capital to risk components	**14.85%**	15.02%	14.87%
Minimum total capital ratio required by the Supervisor of Banks	**9.00%**	9.00%	9.00%
B. Principal subsidiary companies			
Arab Israel Bank			
Ratio of Tier 1 capital to risk components	**11.60%**	12.45%	10.84%
Ratio of total capital to risk components	**15.13%**	16.43%	14.76%
Minimum total capital ratio required by the Supervisor of Banks	**9.00%**	9.00%	9.00%
Leumi Card Ltd.			
Ratio of Tier 1 capital to risk components	**16.40%**	15.50%	16.00%
Ratio of total capital to risk components	**16.40%**	15.50%	16.00%
Minimum total capital ratio required by the Supervisor of Banks	**9.00%**	9.00%	9.00%
Bank Leumi USA (a)			
Ratio of Tier 1 capital to risk components	**11.29%**	11.33%	11.56%
Ratio of total capital to risk components	**14.09%**	14.26%	14.47%
Minimum total capital ratio required by the local authorities	**10.00%**	10.00%	10.00%

(a) The U.S. office is not obliged to calculate the capital adequacy ratio according to Basel II, and so the ratios reported are according to Basel I.

Note 4 – Capital and Capital Adequacy (cont'd)

Regulatory capital and capital adequacy are calculated pursuant to Proper Conduct of Banking Business Directives Nos. 201-211 on "Capital Measurement and Adequacy".

Basel III

On 28 March 2012, the Supervisor of Banks issued a directive to all banking corporations stating that all banking corporations will be required to maintain a minimum core capital ratio of 9% by 1 January 2015.

Furthermore, a large banking corporation, with total balance sheet assets on a consolidated basis constituting at least 20% of the total balance sheet assets in the banking system in Israel, will be required to maintain a minimum core capital ratio of 10% by 1 January 2017. This additional directive applies to Leumi.

On 30 May 2013, the Supervisor of Banks issued final directives for the adoption of the Basel III recommendations in Israel, including an amendment to Proper Conduct of Banking Business Directive No. 201 "Measurement and Capital Adequacy – Introduction, Incidence and Calculation of Requirements".

Pursuant to this directive, all banking corporations in Israel will be required to maintain an overall capital ratio of 12.5% by 1 January 2015.

A large banking corporation will be required to maintain an overall capital ratio of 13.5% by 1 January 2017.

The Tier 1 shareholders' equity targets stipulated in the directive are identical to those stipulated in the directive of March 2012.
It should be noted that the definitions of core capital and total capital and the regulatory adjustments (deductions from capital) to be determined by the Supervisor of Banks as part of the adoption of Basel III, are likely to differ from the definitions included in the Basel II framework.

Following an analysis of the ICAAP risk map, the Board of Directors of the Bank decided to determine the Leumi Group's overall capital adequacy target to be not less than 13.5% over the long term. This target is higher than the overall capital adequacy ratio required, in order to comply with the regulatory directives, including the ICAAP, and identical to the regulatory overall capital adequacy ratio which will apply to Leumi from 1 January 2017, in accordance with an amendment to the Proper Conduct of Banking Business Directive No. 201 of 30 May 2013.

Update of the instructions of the Supervisor of Banks regarding housing loans

For details on the instructions of the Supervisor of Banks regarding housing loans, see Note 1.c.6.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis at 30 September 2013 (Unaudited)

	Israeli currency		Foreign currency (a)				
	Unlinked	Linked to the CPI	In U.S. dollars	In euro	In other currencies	Non-monetary items (b)	Total
	(NIS millions)						
Assets							
Cash and deposits with banks	28,649	269	5,308	1,410	4,497	69	40,202
Securities	30,948	4,503	16,704	4,016	1,604	3,209	60,984
Securities borrowed or purchased under agreements to resell	1,098	-	-	-	-	-	1,098
Credit to the public, net (c)	144,290	53,709	28,773	6,278	7,526	316	240,892
Credit to governments	65	270	157	41	-	-	533
Investments in companies included on equity basis	-	-	-	-	-	1,944	1,944
Buildings and equipment	-	-	-	-	-	3,647	3,647
Assets in respect of derivative instruments	7,542	296	603	166	1,978	381	10,966
Other assets, intangible assets and goodwill	3,666	4	828	8	191	459	5,156
Total assets	216,258	59,051	52,373	11,919	15,796	10,025	365,422
Liabilities							
Deposits of the public	147,669	27,948	76,539	16,594	10,691	398	279,839
Deposits from banks	1,876	126	1,278	467	58	-	3,805
Deposits from governments	20	48	364	5	-	-	437
Securities lent or sold under agreements to repurchase	404	-	-	-	-	-	404
Debentures, bonds and subordinated notes	4,525	21,061	-	-	10	-	25,596
Liabilities in respect of derivative instruments	7,770	593	375	527	2,439	374	12,078
Other liabilities	9,909	5,534	547	28	264	569	16,851
Total liabilities	172,173	55,310	79,103	17,621	13,462	1,341	339,010
Difference (d)	44,085	3,741	(26,730)	(5,702)	2,334	8,684	26,412
Effect of hedging derivative instruments:							
Derivative instruments (excluding options)	707	-	-	-	(707)	-	-
Options in the money, net (in terms of underlying asset)	-	-	-	-	-	-	-
Options out of the money, net (in terms of underlying asset)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(26,823)	(3,681)	26,922	6,064	(2,515)	33	-
Options in the money, net (in terms of underlying asset)	831	-	(641)	(366)	300	(124)	-
Options out of the money, net (in terms of underlying asset)	1,265	-	(1,191)	257	(331)	-	-
Total	20,065	60	(1,640)	253	(919)	8,593	26,412
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	-	-	-	-	-	-	-
Options out of the money, net (discounted par value)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	1,051	-	(420)	(440)	(14)	(177)	-
Options out of the money, net (discounted par value)	4,587	-	(3,370)	(694)	(523)	-	-

(a) Including linked to foreign currency.
(b) Including derivative instruments whose basis refers to a non-monetary item.
(c) After deducting the credit loss allowance attributed to the linkage basis.
(d) Shareholders' equity including non-controlling interests.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis (cont'd) as at 30 September 2012 (Unaudited)

	Israeli currency		Foreign currency (a)				
	Unlinked	Linked to the CPI	In U.S. dollars	In euro	In other currencies	Non-monetary items (b)	Total
	(NIS millions)						
Assets							
Cash and deposits with banks	33,281	277	9,495	1,302	3,954	31	48,340
Securities	29,133	4,797	14,492	3,752	1,873	2,136	56,183
Securities borrowed or purchased under agreements to resell	1,946	-	-	-	-	-	1,946
Credit to the public, net (c)	133,098	55,991	35,268	6,766	10,323	18	241,464
Credit to governments	6	268	114	30	-	-	418
Investments in companies included on equity basis	2	-	-	-	-	2,301	2,303
Buildings and equipment	-	-	-	-	-	3,751	3,751
Assets in respect of derivative instruments	5,248	184	3,855	401	292	514	10,494
Other assets, intangible assets and goodwill	2,925	3	916	15	88	684	4,631
Total assets	205,639	61,520	64,140	12,266	16,530	9,435	369,530
Liabilities							
Deposits of the public	144,919	29,280	80,566	18,826	11,567	71	285,229
Deposits from banks	1,334	176	979	178	196	-	2,863
Deposits from governments	37	130	278	11	-	-	456
Securities lent or sold under agreements to repurchase	1,189	-	59	-	-	-	1,248
Debentures, bonds and subordinated notes	6,245	21,496	437	-	11	-	28,189
Liabilities in respect of derivative instruments	5,178	676	4,056	541	319	489	11,259
Other liabilities	8,201	5,400	605	32	180	549	14,967
Total liabilities	167,103	57,158	86,980	19,588	12,273	1,109	344,211
Difference (d)	38,536	4,362	(22,840)	(7,322)	4,257	8,326	25,319
Effect of hedging derivative instruments:							
Derivative instruments (excluding options) (e)	760	-	19	-	(779)	-	-
Effect of non-hedging derivative instruments:	-	-	-	-	-	-	-
Derivative instruments (excluding options) (e)	(21,204)	(5,304)	23,351	7,317	(4,160)	-	-
Options in the money, net (in terms of underlying asset)	1,353	-	(1,589)	79	157	-	-
Options out of the money, net (in terms of underlying asset)	(109)	-	(224)	277	56	-	-
Grand total	19,336	(942)	(1,283)	351	(469)	8,326	25,319
Effect of hedging derivative instruments:							
Options in the money, net (discounted par value)	-	-	-	-	-	-	-
Options out of the money, net (discounted par value)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	2,227	-	(2,583)	154	202	-	-
Options out of the money, net (discounted par value)	(2,894)	-	1,909	888	97	-	-

(a) Including linked to foreign currency.
(b) Including derivative instruments whose basis refers to a non-monetary item.
(c) After deducting the credit loss allowance attributed to the linkage basis.
(d) Shareholders' equity including minority interests.
(e) Reclassified.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis (cont'd) as at 31 December 2012 (Audited)

	Israeli currency		Foreign currency (a)				
	Unlinked	Linked to the CPI	In U.S. dollars	In euro	In other currencies	Non-monetary items (b)	Total
	(NIS millions)						
Assets							
Cash and deposits with banks	39,306	277	8,971	1,686	4,154	227	54,621
Securities	27,179	4,761	16,249	3,976	1,877	2,366	56,408
Securities borrowed or purchased under agreements to resell	1,435	-	-	-	-	-	1,435
Credit to the public, net (c)	137,700	54,847	32,924	6,622	9,077	94	241,264
Credit to governments	13	269	124	36	-	-	442
Investments in companies included on equity basis	-	-	-	-	-	2,129	2,129
Buildings and equipment	-	-	-	-	-	3,705	3,705
Assets in respect of derivative instruments	7,538	184	2,938	260	168	350	11,438
Other assets, intangible assets and goodwill	2,849	3	893	8	178	787	4,718
Total assets	216,020	60,341	62,099	12,588	15,454	9,658	376,160
Liabilities							
Deposits of the public	151,962	28,467	79,894	17,620	11,257	338	289,538
Deposits from banks	1,694	166	1,765	318	130	-	4,073
Deposits from governments	15	109	319	8	-	-	451
Securities lent or sold under agreements to repurchase	951	-	56	-	-	-	1,007
Debentures, bonds and subordinated notes	6,301	21,214	-	-	10	-	27,525
Liabilities in respect of derivative instruments	7,973	561	3,091	593	230	314	12,762
Other liabilities	8,553	5,330	629	28	285	751	15,576
Total liabilities	177,449	55,847	85,754	18,567	11,912	1,403	350,932
Difference (d)	38,571	4,494	(23,655)	(5,979)	3,542	8,255	25,228
Effect of hedging derivative instruments:							
Derivative instruments (excluding options) (e)	746	-	-	-	(746)	-	-
Options in the money, net (in terms of underlying asset)	-	-	-	-	-	-	-
Options out of the money, net (in terms of underlying asset)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options) (e)	(19,170)	(6,280)	22,507	6,687	(3,744)	-	-
Options in the money, net (in terms of underlying asset)	(431)	-	231	5	195	-	-
Options out of the money, net (in terms of underlying asset)	(133)	-	284	(146)	(5)	-	-
Total	19,583	(1,786)	(633)	567	(758)	8,255	25,228
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	(575)	-	273	(20)	322	-	-
Options out of the money, net (discounted par value)	(1,630)	-	2,042	(436)	24	-	-

(a) Including linked to foreign currency.
(b) Including derivative instruments whose basis refers to a non-monetary item.
(c) After deducting the credit loss allowance attributed to the linkage basis.
(d) Shareholders' equity including minority interests.
(e) Reclassified

Note 6 - Contingent Liabilities and Special Commitments

	30 September 2013		30 September 2012		31 December 2012	
	Balances of contracts	Balance of allowance for credit losses	Balances of contracts	Balance of allowance for credit losses	Balances of contracts	Balance of allowance for credit losses
	(Unaudited)		(Unaudited)		(Audited)	
	(NIS millions)					
A. Off-balance sheet financial instruments						
Balances of contracts or their stated amounts as at the end of the period						
Transactions in which the balance reflects a credit risk:						
Documentary credits	**1,772**	**5**	2,194	3	1,823	5
Credit guarantees	**6,075**	**81**	6,516	73	5,793	76
Guarantees to apartment purchasers	**15,394**	**20**	13,160	18	13,538	18
Other guarantees and liabilities	**14,874**	**181**	16,813	207	16,504	221
Unutilized credit facilities for credit cards	**24,319**	**22**	23,469	22	22,582	21
Current loan account facilities and other credit facilities on demand not utilized	**13,071**	**25**	14,380	30	14,434	31
Irrevocable commitments to provide credit which has been approved and not yet granted (a)	**20,626**	**61**	24,613	70	20,892	60
Commitments to issue guarantees	**11,349**	**14**	10,746	15	10,818	15
Unutilized facilities for activity in derivative instruments	**5,791**	**-**	5,661	-	6,129	-
Approval in principle to maintain interest rate	**2,429**	**-**	2,668	-	3,689	-

(a) Of which: credit exposures in respect of commitments to supply liquidity to securitization structures under the auspices of other parties not utilized in the amount of NIS 212 million (30 September 2012 - NIS 235 million, 31 December 2012 - NIS 224 million).
The above commitments represent a relatively small part of the obligations of those securitizing entities.

	30 September 2013	30 September 2012	31 December 2012
B. Other contingent liabilities and special commitments:			
(1) Long-term rental contracts - Rental of buildings, equipment and vehicles and maintenance fees regarding commitments payable in the following years:			
First year	**210**	215	270
Second year	**190**	183	198
Third year	**168**	166	182
Fourth year	**157**	144	165
Fifth year	**131**	113	132
After five years	**829**	593	846
Total	**1,685**	1,414	1,793
(2) Commitments to purchase securities	**991**	323	531
(3) Commitments to invest in buildings, equipment and others	**169**	233	217
(4) Commitments to underwriting of securities	**-**	-	-
(5) Future deposits: Transactions with depositors for receipt of large deposits at future dates and at fixed rates of interest determined in advance as of the date of the agreement			
Details of future deposits and deposit dates as determined by the terms of the transactions:			
First year	**17**	17	17
Second year	**12**	17	17
Third year	**6**	12	12
Fourth year and thereafter	**-**	3	3
Total future deposits	**35**	49	49

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

C. In the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including petitions for approval of class actions.

In the opinion of the Management of the Bank and the managements of the consolidated companies, based on legal opinions regarding the chances of the claims succeeding, including the petitions for approval of class actions, appropriate provisions have been recorded in the Financial Statements, insofar as required, to cover damages resulting from the said claims.

In the opinion of the Management of the Bank and the managements of the consolidated companies, the total additional exposure arising from legal claims filed against the Bank and against the consolidated companies on various subjects, the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to some NIS 63 million.

(1) The following are details of claims in amounts in excess of 0.5% of the equity of the Bank at 30 September 2013 (about NIS 131 million) and in which developments and changes occurred in relation to that described in the financial statements for the year 2012:

A. On 12 September 2006, a petition to approve a class action was filed in the Tel Aviv-Jaffa District Court against the Bank, Bank Hapoalim B.M. and Israel Discount Bank Ltd. The amount claimed in the class action, for which approval has been requested, is NIS 7 billion, while in the body of the claim, it is contended that the damage to the claimant group amounts to NIS 10 billion. No specific sum of the amount of the claim has been clearly attributed to any of the respondents. According to the petitioner, the respondent banks charged their customers with interest for unlinked shekel credit, a commission for credit allotment and fixed management fees with regard to debitory current accounts at identical rates and amounts, as a result of a prohibited restrictive arrangement. On 21 January 2008, the Tel Aviv District Court approved the pursuance of the claim as a class action. The Banks submitted an appeal against the ruling in the Supreme Court. In the context of the hearing of the appeal, the Attorney General submitted, on 21 November 2011, his position dealing with the implications of the decision by the Anti-Trust Commissioner dated 26 April 2009, under the heading "Restrictive Arrangements between Bank Hapoalim, Bank Leumi, Bank Discount, Bank Mizrahi, and the First International Bank, concerning the Transfer of Information relating to Commissions" ("the decision"). The essence of this position is that in the view of the Attorney General the decision justifies the approval of a class action. It should be noted that in the appeal proceedings the Attorney General also referred to the decision in his previous position of May 2010, where it stated that this decision refers to commissions, whereas the decision of the District Court deals with interest rates. On 28 July 2013, the Supreme Court decided to accept the appeal and the decision of the District Court to approve a class action was canceled. The Supreme Court also decided that in view of the fact that the decision may have significant implications on the approval of the class action, there is no alternative than to return the proceedings to the District Court for a further hearing on the petition for approval.

B. On 6 May 2008, a claim and a petition to approve it as a class action were filed in the Tel Aviv-Jaffa District Court. According to the plaintiff, the Bank charges its customers' accounts with the legal expenses incurred in handling said customers' debts, without obtaining the approval of any legal tribunal, and in violation of the directives of the Supervisor of Banks – "Proper Banking Management Directives – Charging Customers for Attorneys' Fees." Additionally, when the Bank charges its customers' accounts with legal expenses (both those approved by a legal tribunal and those that have not been so approved), the Bank collects interest on such expenses at the interest rate applicable to the account (which in many cases is excess interest on arrears) and not at the interest and linkage rates which the Bank is permitted to collect in accordance with the Adjudication of Interest and Linkage Law, 1961. The requested remedy is the reimbursement of all excess amounts charged by the Bank, without an indication of the amount, although it is alleged that "this is a vast amount" and that the lawsuit is filed in the name of all the Bank's customers whose accounts were charged with legal expenses during the

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

seven years preceding the filing of the petition to approve the class action. The Bank has submitted its response to the petition for approval of the claim as a class action. On 18 October 2009, the District Court approved the claim as a class action. On 15 November 2009, the District Court gave an order postponing the execution of its decision for approval of the claim as a class action, until the decision of the Supreme Court in the petition for leave of appeal against the said decision, filed by the Bank on 18 November 2009. On 27 July 2011, the Bank's petition to grant leave of appeal against the decision of the District Court approving the claim as a class action was dismissed in the Supreme Court, and hearings in the claim were returned to the District Court. After the signing of an arrangement between the parties to resolve the claim, the Court, on 9 June 2013, appointed an examiner for the compromise arrangement and ordered publication of a notice regarding the arrangement.

C. On 29 October 2009, a claim for declaratory judgments was filed in the Central District Court to the effect, *inter alia*, that the seven respondent banks (the Bank, Bank Hapoalim, Israel Discount Bank, the First International Bank of Israel, Mizrahi Bank, Mercantile Discount Bank and Union Bank) are not entitled to charge the petitioners with “default” interest differentials, as defined in the claim, and that the amount of the default interest differentials must be reduced from an amount of NIS 841 million to an amount of NIS 37 million. Alternatively, they request a ruling that the banks are entitled to charge the petitioners with interest differentials in accordance with the Adjudication of Interest and Linkage Law, 1961 only, this being with regard to the petitioners’ debt that had accrued from 12 May 2003 and thereafter. The petitioners claim is, *inter alia,* that the “default interest” is nothing other than “agreed compensation” as defined in Section 15(A) of the Contracts Law (Remedies), 1970, which a court may reduce “if it finds that the compensation was determined without any reasonable relation to the damage that had been foreseeable as being the reasonable result of a breach at the time the contract was made”; that the reduction of the default interest amounts is also required in accordance with the interpretation of the loan agreement and according to the intention of the parties; that the charging of the petitioners with default interest will constitute unjustified enforcement of the loan agreement; that the banks’ insistence on charging the petitioners with default interest constitutes a lack of good faith; and that the banks’ charging of default interest will constitute unjust enrichment on their part. The claim does not make a monetary attribution of a specific claimed share of each of the banks in the amount of the default interest differentials, but details are provided of each bank’s participation in the financing, with the Bank’s share being claimed to be 24%. On 11 February 2010, a monetary claim of NIS 829 million was submitted, to replace the claim for declaratory judgments that was dismissed. A statement of defense has been submitted; preliminary statements of testimony have been submitted; evidence was heard in the claim and summaries submitted. On 21 July 2013, a verdict was handed down accepting the claim on a partial basis only. Within 30 days of the handing down of the verdict, an interest calculation will be made in accordance with the rate decided in the verdict. The plaintiffs submitted their own calculation to the court and the banks submitted their response to the calculation. The parties are awaiting a final verdict. On 7 November 2013, a temporary order was granted deferring the carrying out of the verdict.

D. On 7 March 2012, a petition was filed in the Tel-Aviv District Court for approval of a class action against Automatic Bank Services Ltd. ("ABS") and its shareholders: Poalim, Leumi, First International, Israel Discount and Mizrahi (Mizrahi transferred its ownership and remained as a holder of rights), and against Casponet Co. Ltd. and its shareholders Visa-CAL, Tamir Fishman Trust Services, and Verifone. ABS and Casponet are service companies operating an independent network of automatic banking machines for withdrawing cash (ATM). The petition for approval is based on the claim that the plaintiffs charge excessive withdrawal commissions by restricting withdrawal amounts in ATM's not located in a branch of a bank (a limit of NIS 2,000 at an ATM of ABS, and NIS 500 at an ATM of Casponet), so that a customer wanting to withdraw a sum exceeding the maximum for withdrawal is forced to carry out a number of withdrawals, for each of which they have to pay a large commission. With regard to

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

the plaintiff banks, the petitioners claim that they are responsible for all the failings of ABS and Casponet by virtue of their being shareholders and controlling owners of them. The total amount claimed in the class action, in the opinion of the petitioners, is about NIS 2.2 billion. There are no details of the distribution between the defendants.

E. On October 11, 2012, a claim and petition for approval of a class action was filed in the Tel Aviv District Court against Leumi, First International, Mizrahi-Tefahot and Israel Discount Bank. The plaintiffs claim that the bank accounts of the Bank's customers against whom collection proceedings are being conducted, and who made payments directly to files in the Execution Office, were updated at a date later than the date of payment. Due to the delay in updating payments in the bank account, the plaintiffs were charged excessive interest charges. The plaintiffs claim that the entry in the bank account is important for the client, and it should not be made with value two days later. The remedies requested in the claim and petition are: the refund of excess amounts paid by customers, injunctions and declarative orders for updating payments in the accounts, from now on, with value of the date the amounts were actually made to the Execution Office, and the amendment of accounts still under proceedings, in accordance with the correct value dates. According to the plaintiffs, the amount of the class action cannot be estimated at this time.

F. On 3 May 2010, a petition for approval of a class action was filed in the Central District Court claiming an amount of some NIS 209 million as of the date the claim was filed. The plaintiff is interested in representing all those holding debentures of Heftziba Hofim Ltd. ("Heftziba Hofim"), prior to the suspension of their trading at the beginning of August 2007. The petitioner claims that during the years 2006-2007, prior to the end of each quarter, the Bank granted loans in amounts of tens of millions of shekels to a company wholly owned by Mr. Boaz Yonah. According to the petitioner's claim, these funds were transferred for a short period of time to the account of Heftziba Hofim, and helped it to make momentary false presentations to the public regarding its true financial condition. The petitioner claims that as a result of cooperation by the Bank and the false representations made to the public, the investments of those holding debentures of Heftziba Hofim were eventually written off. The Bank's response has been filed to the petition for approval of the claim as a class action. On 20 October 2013, the parties filed a petition with the court for approval of a compromise agreement in the case.

(2) In addition, there are legal claims pending against the Bank, including petitions for the approval of class actions, as detailed below. In the opinion of the Management of the Bank, based on legal opinions with regard to the chances of these legal proceedings, it is not possible, at this stage, to estimate the chances of the claims, and therefore no provision has been recorded in respect thereof.

A. On 30 June, 2008, a petition to approve a class action was filed in the Tel Aviv-Jaffa District Court against the Bank, Israel Discount Bank and Bank Hapoalim, (hereinafter: “the banks”). It is claimed that the banks had an illegal restrictive arrangement regarding the rates of the commissions they collect from their customers, that they abused their monopolistic power (the banks constituting, it is argued, an oligopoly), and that they unlawfully enriched themselves at the expense of their customers. It is claimed, as an estimate, that had the rates not been coordinated between the banks, the commissions would have been significantly lower, by at least 25%. The total aggregate amount of the damage is estimated at NIS 3.5 billion, with the heading of the petition indicating the amount of the claim to be NIS 3 billion. No specific attribution has been made of the damage claimed from each of the banks, but the petition mentions that the Bank’s relative share of banking activity in Israel is estimated at some 30%. The Bank submitted its response to the petition for approval of the claim as a class action. The hearing in this file was incorporated with a later claim (see description of the same in paragraph B. below). On 29 November 2009, the Court decided to stay proceedings in the claim for two years (subject to the provisions set out in that decision) in view of the respondents' intention to submit a petition for leave to appeal the Commissioner’s determination of 26 April 2009 in the Restrictive Practices Court.

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

On 23 February 2012, the Court decided to continue the stay of proceedings until the decision of the Restrictive Practices Court on the appeal filed against the Commissioner's determination.

B. On 27 April 2009, a petition to approve a class action was filed in the Tel Aviv-Jaffa District Court against the Bank, Bank Hapoalim, Israel Discount Bank, Mizrahi Tefahot Bank and the First International Bank. The petition is based on the Antitrust Commissioner’s determination of 26 April 2009. The petitioners allege that in accordance with the determination, the banks made restrictive arrangements for the exchange of information on commissions, to the detriment of competition between them, and which caused damage to the members of the group whose representation is sought in the petition, and that such was reflected in overpayments of commissions. The petitioners estimate the amount of the class action against all the respondents at NIS 1 billion. The petition does not make any clear attribution of a specific claimed amount to each of the respondents. Proceedings in the petition for approval have been stayed for two years, as stated in the decision of 29 November 2009, described in paragraph A. above. On 23 February 2012, the Court decided to continue the stay of proceedings until the decision of the Restrictive Practices Court on the appeal filed against the Commissioner's determination.

C. On 6 February 2013, a petition for approval of a class action was filed in the Tel Aviv District Court against the Bank in the amount of about NIS 12 billion. The petitioners claim that the Bank charged a high rate of over-limit interest, in contradiction with the *Heter Iska* (loan agreement under Jewish law) received from the Rabbinical Court for Monetary Affairs, which caused damages to all customers who took loans from the Bank while relying on the *Heter Iska*. Using interest charges as a "punishment" against the borrower is outside the purview of the *Heter Iska* and accordingly all over-limit interest charges should be refunded to customers retrospectively for 7 years. A further claim of the petitioners is that the Bank misled customers by concealing the existence of the *Heter Iska*.

D. On 28 August 2013, a petition was filed with the Tel Aviv District Court to approve a class action against Bank Hapoalim, Bank Leumi, Bank Mizrahi-Tefahot, Israel Discount Bank, First International Bank, and the CEO's of these banks. The Supervisor of Banks, the Governor of the Bank of Israel, and the Antitrust Commissioner were joined as formal respondents. The subject of the petition is the unlawful charging of commissions regarding activities of conversion and delivery of foreign currency, without fair disclosure. According to the petitioners, the banks are concealing from the customers that, when selling / buying foreign currency, they are also charged in excess of exchange commission, as defined by them, a "price increase" or "price reduction" commission – i.e. exchange rate differences. They argue that the disclosure made by the banks at the time of the transaction refers only to exchange commission and not to exchange rate differences. They argue that since the bank is a Forex "intermediary" and not a "market maker", it should charge customers the price it was charged for the foreign currency, perhaps with a miniscule addition, and in any case it should disclose this to the customer. As claimed by the petitioners, the direct damage caused to customers is at least NIS 10.5 billion over the last seven years, subject to documents and information they will receive as part of the claim. Following submission of the petition for approval, the petitioners filed a motion for dismissal of the petition for approval against the CEO's, leaving only the banks.

(3) In addition, there are claims and petitions for the approval of class actions pending against the subsidiaries, as detailed below. In the opinion of the management of the Bank, based on the opinion of the management of each of the subsidiaries that are based on the opinion of legal counsel with regard to the chances of these legal proceedings, it is not possible, at this stage, to estimate their chances, and therefore no provision has been recorded in respect thereof:

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

A. On 7 October 2013, Leumi Card was served with a petition to approve a class action and a claim that was filed with Tel Aviv District Court, on the utilizing of a credit facility for refueling (j5) and the charging of additional amounts for actual refueling, in advance. The claim was filed against all the fuel companies and all the credit card companies. According to the claim, the fuel companies have an arrangement that is hidden from consumers with the credit card companies, under which credit card companies collect different amounts from consumers ranging from NIS 150 to NIS 600 per refueling, in addition to the refueling cost. The total amount of the claim is defined as "the rate of interest the consumer has to pay for the period his account was charged the extra amount or for the period that he could not make use of his full credit facility for a number of days, and is estimated as 1 shekel for each occurrence…" The amount of the claim was not specified.

D. Israel Corporation Ltd. – company included on equity basis

(1) A company included on equity basis of the Israel Corporation Ltd. has negative working capital as of 30 September 2013, negative cash flows from operating activities for the three months ended on that date, and other matters related to the company's state of business. The management of the above company has plans for increasing its positive cash flows and improving profitability including an outline plan of agreements in principle reached, after the reporting date, with the banks providing finance subject to terms set out therein. The management of the above company believes that the conditions precedent set out therein are expected to be met with a high level of probability.

In additions, there are legal proceedings taking place against the above company, claims have been filed, and there are other contingencies.

The management of the above company, based on the opinions of their legal advisors, is unable to estimate the effect of the above legal proceedings, claims and contingencies, if any, and therefore no provisions have been included in this regard in the financial statements of the Israel Corporation Ltd. and the above company.

(2) A consolidated company of the Israel Corporation is dependent on an overall debt arrangement being reached with lenders to finance its obligations and negative working capital, which raise significant doubts as to the company's continuing as a going concern. The financial statements of the above consolidated company do not include any adjustments that might be required if it cannot continue as a going concern.

(3) The Israel Corporation has announced an examination of the split of its holdings, such that the Israel Corporation will continue to hold Israel Chemicals Ltd. and Oil Refineries Ltd., while its remaining holdings will be transferred and held by all the shareholders in the company by means of a new company. The program for the split, in the final format to be determined, may not be realized, wholly or in part, or may be realized in a format differing from that being examined, over a time-frame other than that foreseen. The Bank is examining the impact of the split.

(4) At the end of July 2013, the Russian potassium producer, Uralkali, announced its withdrawal from the potassium marketing company, jointly owned by it and Belaruskali (BPC), through which the two producers, Uralkali and Belaruskali, will export their product outside of their countries. At the same time as the withdrawal notice, Uralkali also announced a change in its sales strategy and a switch to a policy of favoring quantity over price, taking full advantage of the company's production capacity. This announcement triggered a process of reduction in potassium prices in the markets and led to a deferral in the purchase of potassium by customers in expectation of further price decreases.

For further information on these matters, see the financial statements of the Israel Corporation Ltd. at 30 September 2013.

E. On 25 August 2013, the Antitrust Commissioner ("the Commissioner") granted the exemption regarding the joint holdings of Bank Leumi, Bank Hapoalim, Discount Bank, First International Bank and Bank Mizrahi-Tefahot (hereinafter, together – "the Banks") in Automatic Bank Services Ltd. (hereinafter "ABS"), for a period of three years. Pursuant to the exemption, further terms were stipulated in addition to those provided in previous exemptions granted by the Commissioner, including some concerning the

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

resilience of the technological interface for providing gathering and approval services and interface services that will be developed and assimilated in ABS systems under various conditions determined by the Commissioner in the exemption, the principal of which is the provision of a possibility for rapid connection under equitable conditions and at a low cost of various entities that are entitled under the law to connect to ABS, with effect from 1 October 2015. On 7 August 2013, ABS signed an agreement to sell its automated cash-dispensing activity, subject to fulfillment of the conditions precedent in the agreement, pursuant to the decision of the Commissioner on this matter.

F. On 26 April 2009, a ruling of the Antitrust General Director was received by the Bank pursuant to Section 43(A)(1) of the Antitrust Law, 1988, according to which restrictive trade agreements, relating to the transfer of information regarding commissions, had existed between the Bank, Bank Hapoalim B.M., Israel Discount Bank Ltd., Mizrahi Tefahot Bank Ltd. and the First International Bank of Israel Ltd., during the period from the beginning of the 1990s until the commencement of the Antitrust Authority's investigation of the matter, in November 2004. This is a civil ruling, which constitutes *prima facie* evidence of the matters therein determined in any legal proceedings. The Bank appealed this ruling.
On 22 February 2011, the response of the Commissioner to the appeal was submitted. On 29 July 2012, the Bank received a letter from the Antitrust Authority according to which the Antitrust Commissioner is considering publishing a supplementary ruling in relation to the transfers of information set forth in the response of the Commissioner to the appeal, but that was deleted from it at the request of the banks, according to which the transfers of information are restrictive trade arrangements. The Bank was given the opportunity to present its position to the Commissioner before the Commissioner makes a decision to publish the said supplementary ruling. At this stage, the implications of the ruling cannot be assessed.

G. The United States authorities (the “U.S. authorities”) are conducting an investigation against the Bank Leumi Group ("the Group") in connection with activities of the Group with customers who are U.S. taxpayers ("U.S. customers"), on suspicion of a breach of U.S. law. In the context of the investigation proceedings, authorities, including the tax authorities, submitted subpoenas to the Group, including the Bank, for information and documents concerning the U.S. customers and have summoned customers and employees of the Group to testify and provide documents in connection with the U.S. customers and the banking services given to them by the Group. The Group is cooperating with the authorities, in providing information, answering the subpoenas submitted to the Bank and the Group, and in the procedural steps required, as allowed by law. At the same time, the Group continues to conduct an investigation of the Group's activities in the subject. The examination is being performed by outside parties hired by it for this purpose. The Bank has recently received from the above external parties data from the examination that they carried out.
The Bank made a provision in the financial statements for 2012 of approximately NIS 340 million. The provision is intended to cover the expense that might be caused to the Group due to the investigations that are being conducted by the U.S. authorities with regard to the U.S. customers. In light of the data received by the Bank resulting from the examination, the Bank decided to increase the provision in its financial statements for the third quarter of 2013 by about NIS 190 million, to a total amount of some NIS 530 million. This provision also includes expenses for advisors and external service providers in connection with carrying out the investigations.

In light of the fact that there is no certainty regarding the level of expense that might be caused to the Group in this connection, it is possible that the final expense will be significantly higher. It should also be noted that the provision does not constitute any acknowledgement to any claim that might be raised against the Group by the U.S. Authorities.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates

A. Scope of activity on consolidated basis

	30 September 2013 (Unaudited)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(1) Nominal amount of derivative instruments						
a) Hedging derivatives (1)						
Forward contracts	-	-	1,437	-	-	1,437
Swaps	-	2,461	-	-	-	2,461
Total	-	2,461	1,437	-	-	3,898
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,401	-	-	-	2,401
b) ALM derivatives (1)(2)						
Futures contracts	-	9,859	19	34,237	5,308	49,423
Forward contracts	13,582	9,393	123,433	61	211	146,680
Exchange-traded options						
Options written	-	2,665	5,706	6,617	2,436	17,424
Options purchased	-	2,665	5,881	6,617	2,436	17,599
Other options						
Options written	-	12,691	21,348	994	284	35,317
Options purchased	-	9,245	20,959	823	289	31,316
Swaps	436	275,310	24,125	10,175	212	310,258
Total	14,018	321,828	201,471	59,524	11,176	608,017
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	152,723	-	-	-	152,723
c) Other derivatives (1)						
Swaps	-	-	-	-	-	-
Total	-	-	-	-	-	-
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spot contracts						
Credit derivatives in which the banking institution is a beneficiary	-	-	-	-	-	-
Spot foreign exchange contracts	-	-	10,084	-	-	10,084
Total	-	-	10,084	-	-	10,084
Grand total	14,018	324,289	212,992	59,524	11,176	621,999

(1) Except credit derivatives and foreign exchange spot contracts.
(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity on consolidated basis (cont'd)

	30 September 2013 (Unaudited)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(2) Gross fair value of derivative instruments						
a) Hedging derivatives (1)						
Gross positive fair value	-	18	22	-	-	40
Gross negative fair value	-	127	18	-	-	145
b) ALM derivatives (1)(2)						
Gross positive fair value	131	7,612	2,411	568	204	10,926
Gross negative fair value	292	7,307	3,585	580	182	11,946
c) Other derivatives (1)						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the banking institution is a guarantor						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
Credit derivatives in which the banking institution is a beneficiary						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
e) Total						
Gross positive fair value	131	7,630	2,433	568	204	10,966
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of assets in respect of derivative instruments	131	7,630	2,433	568	204	10,966
Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	22	57	275	77	25	456
Gross negative fair value (3)	292	7,434	3,603	580	182	12,091
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of liabilities in respect of derivative instruments	292	7,434	3,603	580	182	12,091
Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	227	31	620	48	26	952

(1) Except credit derivatives and foreign exchange spot contracts.
(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.
(3) Of which: gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 13 million.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity on consolidated basis (cont'd)

	30 September 2012 (Unaudited)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(1) Nominal amount of derivative instruments						
a) Hedging derivatives (1)						
Forward contracts	-	-	1,554	-	-	1,554
Swaps	-	3,095	-	-	-	3,095
Total	-	3,095	1,554	-	-	4,649
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	3,032	-	-	-	3,032
b) ALM derivatives (1)(2)						
Futures contracts	-	1,899	9	22,550	3,065	27,523
Forward contracts	11,385	14,282	121,045	-	611	147,323
Exchange-traded options						
Options written	-	490	5,889	12,163	592	19,134
Options purchased	-	490	5,889	12,163	592	19,134
Other options						
Options written	15	15,280	24,820	1,168	339	41,622
Options purchased	-	14,691	24,329	1,231	326	40,577
Swaps	876	207,506	23,011	6,261	437	238,091
Total	12,276	254,638	204,992	55,536	5,962	533,404
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	103,332	-	-	-	103,332
c) Other derivatives (1)						
Swaps	-	-	-	-	-	-
Total	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spot contracts						
Credit derivatives in which the banking institution is a guarantor	-	-	-	-	-	-
Credit derivatives in which the banking institution is a beneficiary	-	-	-	-	196	196
Spot foreign exchange contracts	-	-	14,279	-	-	14,279
Total	-	-	14,279	-	196	14,475
Grand total	12,276	257,733	220,825	55,536	6,158	552,528

(1) Except credit derivatives and foreign exchange spot contracts.
(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity on consolidated basis (cont'd)

	30 September 2012 (Unaudited)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(2) Gross fair value of derivative instruments						
a) Hedging derivatives (1)						
Gross positive fair value	-	2	3	-	-	5
Gross negative fair value	1	240	28	-	-	269
b) ALM derivatives (1)(2)						
Gross positive fair value	93	7,284	2,467	533	107	10,484
Gross negative fair value (3)	374	7,079	2,920	541	104	11,018
c) Other derivatives (1)						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the banking institution is a guarantor						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
Credit derivatives in which the banking institution is a beneficiary						
Gross positive fair value	-	-	-	-	5	5
Gross negative fair value	-	-	-	-	-	-

(1) Except credit derivatives and foreign exchange spot contracts.
(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.
(3) Of which: gross negative fair value of liabilities in respect of embedded derivative instruments in amount of NIS 28 million.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity on consolidated basis (cont'd)

	31 December 2012 (Audited)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(1) Nominal amount of derivative instruments						
a) Hedging instruments (1)						
Forward contracts	-	-	1,525	-	-	1,525
Swaps	-	2,659	-	-	-	2,659
Total	-	2,659	1,525	-	-	4,184
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,613	-	-	-	2,613
b) ALM derivatives (1)(2)						
Futures contracts	-	6,740	232	23,393	2,075	32,440
Forward contracts	14,535	21,450	119,241	-	624	155,850
Exchange-traded options						
Options written	-	2,470	7,048	7,038	614	17,170
Options purchased	-	2,470	7,048	7,038	614	17,170
Other options						
Options written	-	17,589	18,802	1,366	503	38,260
Options purchased	-	17,751	19,038	1,475	526	38,790
Swaps	704	224,499	22,405	6,509	427	254,544
Total	15,239	292,969	193,814	46,819	5,383	554,224
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	129,033	-	-	-	129,033
c) Other derivatives (1)						
Swaps	-	-	-	-	-	-
Total	-	-	-	-	-	-
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spot contracts						
Credit derivatives in which the banking institution is a guarantor	-	-	-	-	-	-
Credit derivatives in which the banking institution is a beneficiary	-	-	-	-	187	187
Spot foreign exchange contracts	-	-	8,219	-	-	8,219
Total	-	-	8,219	-	187	8,406
Overall total	15,239	295,628	203,558	46,819	5,570	566,814

(1) Except credit derivatives and foreign exchange spot contracts.

(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity on consolidated basis (cont'd)

	31 December 2012 (Audited) (a)					
	Interest contracts		Foreign currency contracts	Contracts in respect of shares	Commodities and other contracts	Total
	Shekel – index	Other				
	(NIS millions)					
(2) Gross fair value of derivative instruments						
a) Hedging derivatives (1)						
Gross positive fair value	-	1	30	-	-	31
Gross negative fair value	-	225	22	-	-	247
b) ALM derivatives (1)(2)						
Gross positive fair value	133	8,196	2,493	473	110	11,405
Gross negative fair value	297	7,926	3,726	481	105	12,535
c) Other derivatives (1)						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the banking institution is a guarantor						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
Credit derivatives in which the banking institution is a beneficiary						
Gross positive fair value	-	-	-	-	2	2
Gross negative fair value	-	-	-	-	-	-
e) Total						
Gross positive fair value	133	8,197	2,523	473	112	11,438
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of assets in respect of derivative instruments	133	8,197	2,523	473	112	11,438
Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	26	95	296	75	19	511
Gross negative fair value (3)	297	8,151	3,748	481	105	12,782
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of liabilities in respect of derivative financial instruments	297	8,151	3,748	481	105	12,782
Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	226	28	600	54	18	926

(a) As of 1 January 2013, the Bank implemented for the first time the directives of the Supervisor of Banks on offsetting assets and liabilities. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(1) Except credit derivatives and foreign exchange spot contracts.
(2) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.
(3) Of which: gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 20 million.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

B. Credit risk in respect of derivative instruments by counterparty to the contract on consolidated basis

	30 September 2013 (Unaudited)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Book balance of assets in respect of derivative instruments (1)	**103**	**7,456**	**1,609**	**28**	**1,770**	**10,966**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	**-**	**6,565**	**1,547**	**-**	**742**	**8,854**
Mitigation of credit risk in respect of cash collateral received	**-**	**612**	**8**	**-**	**26**	**646**
Net amount of assets in respect of derivative instruments	**103**	**279**	**54**	**28**	**1,002**	**1,466**
Off-balance sheet credit risk in respect of derivative instruments	**-**	**10,422**	**1,674**	**207**	**10,154**	**22,457**
Mitigation of off-balance sheet credit risk	**-**	**3,049**	**110**	**-**	**2,632**	**5,791**
Net off-balance sheet credit risk in respect of derivative instruments	**-**	**7,373**	**1,564**	**207**	**7,522**	**16,666**
Total credit risk in respect of derivative instruments	**103**	**7,652**	**1,618**	**235**	**8,524**	**18,132**
Book balance of liabilities in respect of derivative instruments (1)(2)	**135**	**7,535**	**1,655**	**-**	**2,766**	**12,091**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**6,565**	**1,547**	**-**	**742**	**8,854**
Cash collateral pledged	**-**	**685**	**25**	**-**	**-**	**710**
Net amount of liabilities in respect of derivative instruments	**135**	**285**	**83**	**-**	**2,024**	**2,527**

	30 September 2012 (Unaudited)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Off-balance sheet credit risk in respect of derivative instruments (1) (2)	156	7,357	621	-	2,360	10,494
Off-balance sheet credit risk in respect of derivative instruments	-	669	5	80	4,578	5,332
Total credit risk in respect of derivative instruments	156	8,026	626	80	6,938	15,826

See notes on next page.

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Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

B. Credit risk in respect of derivative instruments by counterparty to the contract on consolidated basis (cont'd)

	31 December 2012 (Audited) (a)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Book balance of assets in respect of derivative instruments (1)	143	8,621	738	1	1,935	11,438
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	6,981	694	1	500	8,176
Mitigation of credit risk in respect of cash collateral received	-	601	-	-	-	601
Net amount of assets in respect of derivative instruments	143	1,039	44	-	1,435	2,661
Off-balance sheet credit risk in respect of derivative instruments	-	9,378	780	201	8,489	18,848
Mitigation of off-balance sheet credit risk	-	1,867	82	121	1,925	3,995
Net off-balance sheet credit risk in respect of derivative instruments	-	7,511	698	80	6,564	14,853
Total credit risk in respect of derivative instruments	143	8,550	742	80	7,999	17,514
Book balance of liabilities in respect of derivative instruments (1)(2)	159	9,073	933	54	2,563	12,782
Gross amounts not offset in the balance sheet:						
Financial instruments	-	6,981	694	1	500	8,176
Cash collateral pledged	-	964	156	22	-	1,142
Net amount of liabilities in respect of derivative instruments	159	1,128	83	31	2,063	3,464

(a) As of 1 January 2013, the Bank implemented for the first time the directives of the Supervisor of Banks on offsetting assets and liabilities. Comparative figures for the previous year have been reclassified as far as possible to adapt them to the format required under the said directives.

(1) The Bank did not offset master netting arrangements.
(2) Of which a book balance of standalone derivative instruments in the amount of NIS 12,078 million at 30 September 2013 (30 September 2012 - NIS 10,494 million, 31 December 2012 - NIS 12,762 million).

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

C. Repayment Dates – Nominal Amounts: Balances on Consolidated Basis

	30 September 2013 (Unaudited)				
	Up to three months	From three months to one year	From one to five years	Over five years	Total
	(NIS millions)				
Interest contracts:					
Shekel – index	**3,784**	**5,424**	**3,383**	**1,427**	**14,018**
Other	**24,365**	**60,435**	**148,982**	**90,507**	**324,289**
Foreign currency contracts	**123,059**	**59,070**	**11,700**	**19,163**	**212,992**
Contracts in respect of shares	**49,743**	**9,259**	**522**	**-**	**59,524**
Commodities and other contracts	**7,845**	**2,035**	**1,296**	**-**	**11,176**
Total	**208,796**	**136,223**	**165,883**	**111,097**	**621,999**
Total for September 2012 (Unaudited)	201,910	130,082	121,128	99,408	552,528
Total for December 2012 (Audited)	195,403	131,258	141,588	98,565	566,814

Note 8 – Balances and fair value assessments of financial instruments on consolidated basis

	30 September 2013 (Unaudited)				
	Book	Fair value			
	value	Level 1 (1)	Level 2 (1)	Level 3 (1)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks	40,202	29,907	9,334	993	40,234
Securities (2)	60,984	41,406	16,245	3,333	60,984
Securities borrowed or purchased under agreements to resell	1,098	1,098	-	-	1,098
Credit to the public, net	240,892	1,992	68,967	171,911	242,870
Credit to governments	533	-	53	504	557
Assets in respect of derivative instruments	10,966	502	9,039	1,425	10,966
Other financial assets	1,160	83	-	1,077	1,160
Total financial assets	355,835 (3)	74,988	103,638	179,243	357,869
Financial liabilities					
Deposits of the public	279,839	1,484	140,793	139,407	281,684
Deposits from banks	3,805	-	3,551	241	3,792
Deposits from governments	437	-	327	130	457
Securities lent or sold under agreements to repurchase	404	404	-	-	404
Debentures, notes and subordinated notes	25,596	22,985	388	4,857	28,230
Liabilities in respect of derivative instruments	12,078	496	11,099	483	12,078
Other financial liabilities	7,416	83	-	7,320	7,403
Total financial liabilitiies	329,575 (3)	25,452	156,158	152,438	334,048
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	279	-	-	279	279

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details on the book value and fair value of securities, see Note 2 - Securities.

(3) Of which: assets and liabilities in the amounts of NIS 106,198 million and NIS 87,393 million, respectively, whose book value is the same as the fair value (instruments shown in the balance sheet at fair value) or is an approximation of fair value (instruments for an original term of up to 3 months for which the book value is used as an approximation of fair value). For further details of instruments measured for fair value on a recurring basis and on a non-recurring basis, see Notes 8A - 8C.

Note 8 – Balances and fair value assessments of financial instruments (cont'd)
on consolidated basis

	30 September 2012 (Unaudited)				
	Book	Fair value			
	value	Level 1 (1)	Level 2 (1)	Level 3(1)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks (*)	48,340	33,228	13,075	2,025	48,328
Securities (2)	56,183	40,689	12,735	2,759	56,183
Securities borrowed or purchased under agreements to resell (*)	1,946	1,946	-	-	1,946
Credit to the public, net (*)	241,464	2,447	53,797	186,882	243,126
Credit to governments	418	-	6	448	454
Assets in respect of derivative instruments	10,494	555	8,574	1,365	10,494
Other financial assets (*)	982	207	-	775	982
Total financial assets	359,827 (3)	79,072	88,187	194,254	361,513
Financial liabilities					
Deposits of the public (*)	285,229	2,538	121,143	163,309	286,990
Deposits from banks (*)	2,863	-	226	2,559	2,785
Deposits from governments	456	-	65	427	492
Securities lent or sold under agreements to repurchase (*)	1,248	1,189	59	-	1,248
Debentures, notes and subordinated notes	28,189	21,504	5,346	3,763	30,613
Liabilities in respect of derivative instruments	11,259	555	10,193	511	11,259
Other financial liabilities	7,462	207	-	7,232	7,439
Total financial liabilitiies	336,706 (3)	25,993	137,032	177,801	340,826
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	259	-	-	259	259

(*) Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

(2) For further details on the book value and fair value of securities, see Note 2 - Securities.

(3) Of which: Assets and liabilities in the amounts of NIS 97,991 million and NIS 94,274 million, respectively, whose book value is the same as the fair value (instruments shown in the balance sheet at fair value) or is an approximation of fair value (instruments for an original term of up to 3 months for which the book value is used as an approximation of fair value).

Note 8 – Balances and fair value assessments of financial instruments (cont'd)
on consolidated basis

	31 December 2012 (Audited)				
	Book	Fair value			
	value	Level 1 (1)	Level 2 (1)	Level 3(1)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks (*)	54,621	40,671	12,925	1,017	54,613
Securities (2)	56,408	40,458	13,102	2,848	56,408
Securities borrowed or purchased under agreements to resell (*)	1,435	1,435	-	-	1,435
Credit to the public, net	241,264	2,018	62,894	177,556	242,468
Credit to governments	442	-	30	450	480
Assets in respect of derivative instruments	11,438	523	9,580	1,335	11,438
Other financial assets	1,244	399	-	845	1,244
Total financial assets	366,852 (3)	85,504	98,531	184,051	368,086
Financial liabilities					
Deposits of the public	289,538	1,957	126,146	163,335	291,438
Deposits from banks	4,073	-	3,172	829	4,001
Deposits from governments	451	-	272	211	483
Securities lent or sold under agreements to repurchase (*)	1,007	951	56	-	1,007
Debentures, notes and subordinated notes	27,525	22,616	390	7,330	30,336
Liabilities in respect of derivative instruments	12,762	503	11,787	472	12,762
Other financial liabilities	7,451	399	-	7,026	7,425
Total financial liabilitiies	342,807 (3)	26,426	141,823	179,203	347,452
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	283	-	-	283	283

(*) Reclassified.
(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.
(2) For further details on the book value and fair value of securities, see Note 2 - Securities.
(3) Of which: Assets and liabilities in the amounts of NIS 99,196 million and NIS 86,777 million, respectively, whose book value is the same as the fair value (instruments shown in the balance sheet at fair value) or is an approximation of fair value (instruments for an original term of up to 3 months for which the book value is used as an approximation of fair value). For further details of instruments measured for fair value on a recurring basis and on a non-recurring basis, see Notes 8A - 8C.

Note 8A – Items measured for fair value

A. Items measured for fair value on a recurring basis on consolidated basis

	As at 30 September 2013 (Unaudited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Assets				
Securities available for sale:				
Israeli government bonds	25,381	1,567	-	26,948
Foreign government bonds	3,041	750	6	3,797
Bonds of Israeli financial institutions	68	62	-	130
Bonds of overseas financial institutions	405	4,987	120	5,512
Asset-backed (ABS) or mortgage-backed (MBS) bonds	137	5,570	1,783	7,490
Other bonds in Israel	450	372	9	831
Other bonds abroad	629	1,469	-	2,098
Shares and mutual funds available for sale	1,356	-	-	1,356
Total securities available for sale	31,467	14,777	1,918	48,162
Securities held for trading:				
Government of Israel bonds	8,442	70	-	8,512
Foreign government bonds	206	229	-	435
Bonds of financial institutions in Israel	330	-	-	330
Bonds of financial institutions abroad	-	126	-	126
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	398	-	398
Other bonds in Israel	509	-	-	509
Other bonds abroad	14	645	-	659
Shares and mutual funds held for trading	438	-	-	438
Total securities held for trading	9,939	1,468	-	11,407
Assets in respect of derivative instruments:				
Interest contracts	27	7,225	509	7,761
Foreign currency contracts	7	1,427	897	2,331
Share contracts	158	281	17	456
Commodities and other contracts	96	106	2	204
Activity in Maof market	214	-	-	214
Total assets in respect of derivative instruments:	502	9,039	1,425	10,966
Others:				
Credit and deposits in respect of lending of securites	1,992	-	-	1,992
Securities borrowed or purchased under agreements to resell	1,098	-	-	1,098
Other	83	-	-	83
Total others	3,173	-	-	3,173
Total assets	45,081	25,284	3,343	73,708

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis on consolidated basis (cont'd)

	As at 30 September 2013 (Unaudited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Liabilities				
Liabilities in respect of derivative instruments:				
Interest contracts	27	7,559	140	7,726
Foreign currency contracts	1	3,144	343	3,488
Share contracts	158	310	-	468
Commodities and other contracts	96	86	-	182
Activity in Maof market	214	-	-	214
Total liabilities in respect of derivative instruments	496	11,099	483	12,078
Others:				
Deposits in respect of lending of securites	1,483	13	-	1,496
Securities lent or sold under agreements to repurchase	404	-	-	404
Others	83	-	-	83
Total others	1,970	13	-	1,983
Total liabilities	2,466	11,112	483	14,061

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis on consolidated basis (cont'd)

	As at 30 September 2012 (Unaudited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Assets				
Securities available for sale:				
Israeli government bonds	23,339	2,106	-	25,445
Foreign government bonds	4,565	187	11	4,763
Bonds of Israeli financial institutions	267	64	-	331
Bonds of overseas financial institutions	658	4,861	125	5,644
Asset-backed (ABS) or mortgage-backed (MBS) bonds	135	2,825	1,405	4,365
Other bonds in Israel	447	401	-	848
Other bonds abroad	559	673	76	1,308
Shares and mutual funds available for sale	831	-	-	831
Total securities available for sale	30,801	11,117	1,617	43,535
Securities held for trading:				-
Government of Israel bonds	8,624	114	-	8,738
Foreign government bonds	231	-	-	231
Bonds of financial institutions in Israel	145	-	-	145
Bonds of financial institutions abroad	-	120	-	120
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	522	-	522
Other bonds in Israel	738	-	-	738
Other bonds abroad	-	849	-	849
Shares and mutual funds held for trading	150	13	-	163
Total securities held for trading	9,888	1,618	-	11,506
Assets in respect of derivative instruments:				
Interest contracts	192	6,455	732	7,379
Foreign currency contracts	3	1,775	608	2,386
Share contracts	67	233	24	324
Commodities and other contracts	-	111	1	112
Activity in Maof market	293	-	-	293
Total assets in respect of derivative instruments	555	8,574	1,365	10,494
Others:				
Credit and deposits in respect of lending of securites	2,447	5	-	2,452
Securities borrowed or purchased under agreements to resell (a)	1,946	-	-	1,946
Other	207	-	-	207
Total others	4,600	5	-	4,605
Total assets	45,844	21,314	2,982	70,140

(a) Restated.

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis on consolidated basis (cont'd)

	As at 30 September 2012 (Unaudited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Liabilities				
Liabilities in respect of derivative instruments:				
Interest contracts	193	7,288	213	7,694
Foreign currency contracts	2	2,536	298	2,836
Share contracts	67	265	-	332
Commodities and other contracts	-	104	-	104
Activity in Maof market	293	-	-	293
Total liabilities in respect of derivative instruments	555	10,193	511	11,259
Others:				
Deposits in respect of lending of securites	2,538	181	-	2,719
Securities lent or sold under agreements to repurchase (a)	1,189	59	-	1,248
Others	207	29	-	236
Total others	3,934	269	-	4,203
Total liabilities	4,489	10,462	511	15,462

(a) Restated.

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis on consolidated basis (cont'd)

	As at 31 December 2012 (Audited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Assets				
Securities available for sale:				
Israeli government bonds	20,965	2,033	-	22,998
Foreign government bonds	6,261	182	11	6,454
Bonds of Israeli financial institutions	260	63	-	323
Bonds of overseas financial institutions	610	4,548	123	5,281
Asset-backed (ABS) or mortgage-backed (MBS) bonds	113	3,535	1,401	5,049
Other bonds in Israel	645	394	-	1,039
Other bonds abroad	564	945	74	1,583
Shares and mutual funds available for sale	972	-	-	972
Total securities available for sale	30,390	11,700	1,609	43,699
Securities held for trading:				
Government of Israel bonds	8,844	136	-	8,980
Foreign government bonds	190	121	-	311
Bonds of financial institutions in Israel	129	-	-	129
Bonds of financial institutions abroad	-	88	-	88
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	330	-	330
Other bonds in Israel	707	-	-	707
Other bonds abroad	15	727	-	742
Shares and mutual funds held for trading	183	-	-	183
Total securities held for trading	10,068	1,402	-	11,470
Assets in respect of derivative instruments:				
Interest contracts	27	7,613	690	8,330
Foreign currency contracts	31	1,795	619	2,445
Share contracts	209	131	14	354
Commodities and other contracts	60	41	12	113
Activity in Maof market	196	-	-	196
Total assets in respect of derivative instruments	523	9,580	1,335	11,438
Others:				
Credit and deposits in respect of lending of securites	2,244	4	-	2,248
Securities borrowed or purchased under agreements to resell (a)	1,435	-	-	1,435
Other	399	-	-	399
Total others	4,078	4	-	4,082
Total assets	45,059	22,686	2,944	70,689

(a) Restated.

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis on consolidated basis (cont'd)

	As at 31 December 2012 (Audited)			
	Fair value measurements using:			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	(NIS millions)			
Liabilities				
Liabilities in respect of derivative instruments:				
Interest contracts	27	8,267	154	8,448
Foreign currency contracts	10	3,322	318	3,650
Share contracts	209	153	-	362
Commodities and other contracts	60	45	-	105
Activity in Maof market	197	-	-	197
Total liabilities in respect of derivative instruments:	503	11,787	472	12,762
Others:				
Deposits in respect of lending of securites (b)	1,957	163	-	2,120
Securities lent or sold under agreements to repurchase (a)	951	56	-	1,007
Others (b)	399	-	-	399
Total others	3,307	219	-	3,526
Total liabilities	3,810	12,006	472	16,288

(a) Restated.
(b) Reclassified.

Note 8A – Items measured for fair value (cont'd)
B. Items measured for fair value on a non-recurring basis on consolidated basis

	As at 30 September 2013 (Unaudited)				
	Fair value measurements using:				
	Prices quoted in an active market (Level 1)	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Total profit (loss) from changes in value for period**
	(NIS millions)				
Collateral-dependent impaired credit	**-**	**-**	**1,661**	**1,661**	**(125)**
Other assets	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**1,661**	**1,661**	**(125)**

	As at 30 September 2012 (Unaudited)				
	Fair value measurements using:				
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value for period
	(NIS millions)				
Collateral-dependent impaired credit	-	-	2,034	2,034	(485)
Other assets	-	-	-	-	-
Total	-	-	2,034	2,034	(485)

	As at 31 December 2012 (Audited)				
	Fair value measurements using:				
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value for period
	(NIS millions)				
Collateral-dependent impaired credit	-	-	2,012	2,012	(549)
Other assets	-	-	-	-	-
Total	-	-	2,012	2,012	(549)

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 on consolidated basis

	For the three months ended 30 September 2013 (Unaudited)								
		Realized and unrealized profits (losses), net, included							
	Fair value at beginning of the year	In profit and loss statement	In other comprehensive income in equity	Acqui-sitions and issues	Sales	Extinguish-ments	Transfers to or from Level 3	Fair value at 30 September 2013	Unrealized profits (losses) in respect of instruments held at 30 September 2013
	(NIS millions)								
Assets									
Bonds available for sale:									
Foreign governments	6	-	-	-	-	-	-	6	1
Financial institutions abroad	119	1	-	-	-	-	-	120	-
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,692	(2)	(8)	277	(151)	(25)	-	1,783	(5)
Others in Israel	9	-	-	-	-	-	-	9	-
Total bonds available for sale	1,826	(1)	(8)	277	(151)	(25)	-	1,918	(4)
Shares available for sale	-	-	-	-	-	-	-	-	-
Total bonds for trading	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:									
Interest contracts	732	(217)	-	-	-	(13)	7	509	(280)
Foreign currency contracts	992	(173)	-	78	-	-	-	897	371
Share contracts	20	(3)	-	-	-	-	-	17	4
Commodities and other contracts	12	(10)	-	-	-	-	-	2	(6)
Total assets in respect of derivative instruments	1,756	(403)	-	78	-	(13)	7	1,425	89
Total assets	3,582	(404)	(8)	355	(151)	(38)	7	3,343	85
Liabilities									
Liabilities in respect of derivative instruments:									
Interest contracts	139	(4)	-	-	-	-	5	140	21
Foreign currency contracts	335	8	-	-	-	-	-	343	11
Total liabilities in respect of derivative instruments	474	4	-	-	-	-	5	483	32
Total liabilities	474	4	-	-	-	-	5	483	32

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd) on consolidated basis

	For the three months ended 30 September 2012 (Unaudited) (a)								
		Realized and unrealized profits (losses), net, included							Unrealized profits (losses)
	Fair value at beginning of the year	In profit and loss statement	In other comprehensive income in equity	Acquisitions and issues	Sales	Extinguishments	Transfers to or from Level 3	Fair value at 30 September 2012	instruments held at 30 September 2012
	(NIS millions)								
Assets									
Bonds available for sale:									
Foreign government bonds	11	-	-	-	-	-	-	11	-
Israeli financial institutions	-	-	-	-	-	-	-	-	-
Financial institutions abroad	118	3	4	-	-	-	-	125	4
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,320	78	45	191	(214)	(15)	-	1,405	63
Others abroad	74	2	-	-	-	-	-	76	-
Total bonds available for sale	1,523	83	49	191	(214)	(15)	-	1,617	67
Shares available for sale	-	-	-	-	-	-	-	-	-
Total bonds for trading	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:									
Interest contracts	1,274	(356)	-	-	-	11	(197)	732	(125)
Foreign currency contracts	1,452	(136)	-	17	-	-	(557)	608	225
Share contracts	177	(145)	-	-	-	-	(8)	24	(41)
Commodity and other contracts	28	(23)	-	-	-	-	(4)	1	(10)
Total assets in respect of derivative instruments	2,931	(660)	-	17	-	11	(766)	1,365	49
Total assets	4,454	(577)	49	208	(214)	(4)	(766)	2,982	116
Liabilities									
Liabilities in respect of derivative instruments:									
Interest contracts	180	33	-	-	-	-	-	213	38
Foreign currency contracts	284	14	-	-	-	-	-	298	14
Total liabilities in respect of derivative instruments	464	47	-	-	-	-	-	511	52
Total liabilities	464	47	-	-	-	-	-	511	52

(a) Reclassified

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd) on consolidated basis

	For the nine months ended 30 September 2013 (Unaudited)								
		Realized and unrealized profits (losses), net, included							
	Fair value at beginning of the year	In profit and loss statement	In other comprehensive income in equity	Acquisitions and issues	Sales	Extinguishments	Transfers to or from Level 3	Fair value at 30 September 2013	Unrealized profits (losses) in respect of instruments held at 30 September 2013
	(NIS millions)								
Assets									
Bonds available for sale:									
Foreign government bonds	11	-	-	-	(5)	-	-	6	1
Financial institutions abroad	123	(2)	-	-	-	(1)	-	120	-
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,401	(31)	(21)	945	(419)	(92)	-	1,783	-
Others in Israel	-	(9)	-	-	-	(1)	19	9	-
Others abroad	74	(1)	-	-	-	(73)	-	-	-
Total bonds available for sale	1,609	(43)	(21)	945	(424)	(167)	19	1,918	1
Shares available for sale	-	-	-	-	-	-	-	-	-
Total bonds for trading	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:									
Interest contracts	690	(144)	-	-	-	(58)	21	509	(212)
Foreign currency contracts	619	(406)	-	684	-	-	-	897	(61)
Share contracts	14	3	-	-	-	-	-	17	5
Commodities and other contracts	12	(10)	-	-	-	-	-	2	(7)
Total assets in respect of derivative instruments	1,335	(557)	-	684	-	(58)	21	1,425	(275)
Total assets	2,944	(600)	(21)	1,629	(424)	(225)	40	3,343	(274)
Liabilities									
Liabilities in respect of derivative instruments:									
Interest contracts	154	(12)	-	-	-	-	(2)	140	3
Foreign currency contracts	318	25	-	-	-	-	-	343	30
Total liabilities in respect of derivative instruments	472	13	-	-	-	-	(2)	483	33
Total liabilities	472	13	-	-	-	-	(2)	483	33

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd) on consolidated basis

	For the nine months ended 30 September 2012 (Unaudited) (a)								
		Realized and unrealized profits (losses), net, included							Unrealized profits (losses)
	Fair value at beginning of the year	In profit and loss statement	In other comprehensive income in equity	Acquisitions and issues	Sales	Extinguishments	Transfers to or from Level 3	Fair value at 30 September 2012	instruments held at 30 September 2012
	(NIS millions)								
Assets									
Bonds available for sale:									
Foreign government bonds	10	1	-	-	-	-	-	11	1
Financial institutions abroad	113	3	9	-	-	-	-	125	9
Asset-backed (ABS) or mortgage-backed (MBS) bonds	737	116	90	728	# #	(48)	-	1,405	109
Others abroad	72	2	2	-	-	-	-	76	3
Total bonds available for sale	932	122	101	728	#	(48)	-	1,617	122
Total shares available for sale	-	-	-	-	-	-	-	-	-
Bonds for trading	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments: (a)									
Interest contracts	1,759	(788)	-	-	-	(43)	(196)	732	(296)
Foreign currency contracts	1,790	(793)	-	168	-	-	(557)	608	360
Share contracts	14	18	-	-	-	-	(8)	24	24
Commodity and other contracts	2	3	-	-	-	-	(4)	1	1
Total assets in respect of derivative instruments	3,565	(1,560)	-	168	-	(43)	(765)	1,365	89
Total others	-	-	-	-	-	-	-	-	-
Total assets	4,497	(1,438)	101	896	#	(91)	(765)	2,982	211
Liabilities									
Liabilities in respect of derivative instruments:									
Interest contracts	298	(85)	-	-	-	-	-	213	(67)
Foreign currency contracts	361	(63)	-	-	-	-	-	298	(63)
Total liabilities in respect of derivative instruments	659	(148)	-	-	-	-	-	511	(130)
Total others	-	-	-	-	-	-	-	-	-
Total liabilities	659	(148)	-	-	-	-	-	511	(130)

(a) Reclassified

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd) on consolidated basis

	31 December 2012 (Audited)								
		Realized and unrealized profits (losses), net, included							Unrealized profits (losses)
	Fair value at beginning of the year	In profit and loss statement	In other comprehensive income in equity	Acqui-sitions and issues	Sales	Extinguish-ments	Transfers to or from Level 3	Fair value at 31 December 2012	in respect of instruments held at 31 December 2012
	(NIS millions)								
Assets									
Bonds available for sale:									
Foreign government bonds	10	-	-	1	-	-	-	11	-
Financial institutions abroad	113	2	10	-	-	(2)	-	123	10
Asset-backed (ABS) or mortgage-backed (MBS) bonds	737	81	96	873	# #	(90)	-	1,401	160
Others abroad	72	1	2	-	-	(1)	-	74	3
Total bonds available for sale	932	84	108	874	#	(93)	-	1,609	173
Total shares available for sale	-	-	-	-	-	-	-	-	-
Bonds for trading	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:									
Interest contracts	1,759	(1,047)	-	-	-	(58)	36	690	(384)
Foreign currency contracts	1,790	(1,347)	-	176	-	-	-	619	407
Share contracts	14	-	-	-	-	-	-	14	14
Commodity and other contracts	2	10	-	-	-	-	-	12	12
Total assets in respect of derivative instruments	3,565	(2,384)	-	176	-	(58)	36	1,335	49
Total others	-	-	-	-	-	-	-	-	-
Total assets	4,497	(2,300)	108	#	#	(151)	36	2,944	222
Liabilities									
Liabilities in respect of derivative instruments:									
Interest contracts	298	(168)	-	-	-	-	24	154	(91)
Foreign currency contracts	361	(43)	-	-	-	-	-	318	(43)
Total liabilities in respect of derivative instruments	659	(211)	-	-	-	-	24	472	(134)
Total others	-	-	-	-	-	-	-	-	-
Total liabilities	659	(211)	-	-	-	-	24	472	(134)

Note 8C – Quantitative information on items measured at fair value and included in Level 3 (in consolidated)
on consolidated basis

At 30 September 2013 (Unaudited)

A. Quantitative information regarding Level 3 fair value measurement (in NIS millions)

	Fair value	Assessment technique	Unobservable inputs	Range	Average (3)
A. Items measured st fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	1,783	Discounting cash flows	Margin	115-532 bp	239 bp
			Probability of default	2%-6%	4.50%
			Rate of early repayment	20%	20%
			Loss rate	40%-80%	60%
Assets in respect of derivative instruments (2)					
Interest contracts	100	Discounting cash flows	Inflationary expectations	0.09%-1.66%	0.88%
Interest contracts	409	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.95%
Foreign currency contracts	222	Discounting cash flows	Inflationary expectations	0.09%-1.66%	0.88%
Foreign currency contracts	675	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.95%
Share contracts	17	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.95%
Commodities and other contracts	2	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.95%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Interest contracts	140	Discounting cash flows	Inflationary expectations	0.09%-1.66%	0.88%
Foreign currency contracts	343	Discounting cash flows	Inflationary expectations	0.09%-1.66%	0.88%
B. Items measured at fair value on a recurring basis					
Collateral-contingent credit	1,661	Fair value of the collateral			

(*) In respect of a failed counterparty.

B. Qualitative information regarding Level 3 fair value measurement

1. Unobservable inputs used for the fair value measurement of asset-backed or mortgage-backed securities are margin rates, probability of default, early repayment rate, and the severity of a loss in the event of default.
   Any significant increase/decrease in unobservable parameters will be reflected in a significantly lower/higher fair value.

2. Unobservable inputs used for the fair value measurement of derivatives are the credit risk of the counterparty to the transaction and the forecast rate of inflation. The higher/lower the credit risk of the counterparty to the transaction, the lower/higher will be the fair value of the transaction.
   Any change in the forecast rate of inflation will affect the fair value of transactions in accordance with the indexation position of the Bank for these transactions. The more the inflation forecast increases (decreases), and the Bank is committed to pay the amount linked to the index, the fair value of the transactions will decrease (increase). The more the inflation forecast increases (decreases), and the counterparty to the transaction is committed to pay the Bank the amount linked to the index, the fair value of the transactions will increase (decrease).

3. The average figure referring to the unobservable parameter of "Transaction counterparty risk" reflects a weighted average.

Note 8C – Quantitative information on items measured at fair value and included in Level 3 (in consolidated) (cont'd)
on consolidated basis

At 30 September 2012 (Unaudited)

A. Quantitative information regarding Level 3 fair value measurement (in NIS millions)

	Fair value	Assessment technique	Unobservable inputs	Range	Average
A. Items measured at fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	1,405	Discounting cash flows	Margin	107-892 bp	303 bp
			Probability of default	4%-6%	5.60%
			Rate of early repayment	15%	15%
			Loss rate	40%-80%	60%
Assets in respect of derivative instruments (2)					
Interest contracts	63	Discounting cash flows	Inflationary expectations	0.66%-2.45%	1.55%
Interest contracts	669	Discounting cash flows	Transaction counterparty risk	0.36%-4.07%	2.22%
Foreign currency contracts	84	Discounting cash flows	Inflationary expectations	0.66%-2.45%	1.55%
Foreign currency contracts	524	Discounting cash flows	Transaction counterparty risk	0.36%-4.07%	2.22%
Contracts in respect of shares	24	Discounting cash flows	Transaction counterparty risk	0.36%-4.07%	2.22%
Commodities and other contracts	1	Discounting cash flows	Transaction counterparty risk	0.36%-4.07%	2.22%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Interest contracts	213	Discounting cash flows	Inflationary expectations	0.66%-2.45%	1.55%
Foreign currency contracts	298	Discounting cash flows	Inflationary expectations	0.66%-2.45%	1.55%
B. Items measured at fair value on a recurring basis					
Collateral-contingent credit	2,034	Fair value of the collateral			

B. Qualitative information regarding Level 3 fair value measurement

1. Unobservable inputs used for the fair value measurement of asset-backed or mortgage-backed securities are margin rates, probability of default, early repayment rate, and the severity of a loss in the event of default.
   Any significant increase/decrease in unobservable parameters will be reflected in a significantly lower/higher fair value.

2. The unobservable input used for the fair value measurement of derivatives is the forecast rate of inflation. Any change in the forecast rate of inflation will affect the fair value of transactions in accordance with the indexation position of the Bank for these transactions. The more the inflation forecast increases (decreases), and the Bank is committed to pay the amount linked to the index, the fair value of the transactions will decrease (increase). The more the inflation forecast increases (decreases), and the counterparty to the transaction is committed to pay the Bank the amount linked to the index, the fair value of the transactions will increase (decrease).

Note 8C – Quantitative information on items measured at fair value and included in Level 3 (in consolidated) (cont'd)
on consolidated basis

At 31 December 2012

A. Quantitative information regarding Level 3 fair value measurement (in NIS millions)

	Fair value	Assessment technique	Unobservable inputs	Range	Average
A. Items measured at fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	1,401	Discounting cash flows	Margin	95-778 bp	229 bp
			Probability of default	2%-6%	4.50%
			Rate of early repayment	20%	20%
			Loss rate	40%-80%	60%
Assets in respect of derivative instruments (2)					
Interest contracts	117	Discounting cash flows	Inflationary expectations	0%-1.8%	0.9%
Interest contracts	573	Discounting cash flows	Transaction counterparty risk	0.22%-6.99%	3.61%
Foreign currency contracts	139	Discounting cash flows	Inflationary expectations	0%-1.8%	0.9%
Foreign currency contracts	480	Discounting cash flows	Transaction counterparty risk	0.22%-6.99%	3.61%
Share contracts	14	Discounting cash flows	Transaction counterparty risk	0.22%-6.99%	3.61%
Commodities and other contracts	12	Discounting cash flows	Transaction counterparty risk	0.22%-6.99%	3.61%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Interest contracts	154	Discounting cash flows	Inflationary expectations	0%-1.8%	0.9%
Foreign currency contracts	318	Discounting cash flows	Inflationary expectations	0%-1.8%	0.9%
B. Items measured at fair value on a recurring basis					
Collateral-contingent credit	2,012	The fair value of the collateral			

B. Qualitative information regarding Level 3 fair value measurement

1. Unobservable inputs used for the fair value measurement of asset-backed or mortgage-backed securities are margin rates, probability of default, early repayment rate, and the severity of a loss in the event of default.
   Any significant increase/decrease in unobservable parameters will be reflected in a significantly lower/higher fair value.

2. The unobservable input used for the fair value measurement of derivatives is the forecast rate of inflation. Any change in the forecast rate of inflation will affect the fair value of transactions in accordance with the indexation position of the Bank for these transactions. The more the inflation forecast increases (decreases), and the Bank is committed to pay the amount linked to the index, the fair value of the transactions will decrease (increase). The more the inflation forecast increases (decreases), and the counterparty to the transaction is committed to pay the Bank the amount linked to the index, the fair value of the transactions will increase (decrease).

Note 9 – Interest income and expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)			
	(NIS millions)			
A. Interest income (b)				
From credit to the public	**3,065**	3,126	**8,366**	9,261
From credit to governments	**8**	7	**19**	19
From deposits with Bank of Israel and cash	**56**	96	**270**	377
From deposits with banks	**27**	32	**64**	77
From securities borrowed or purchased under agreement to resell	**6**	13	**16**	35
From debentures (c)	**304**	341	**785**	1,024
Total interest income	**3,466**	3,615	**9,520**	10,793
B. Interest expenses (b)				
On deposits of the public	**(946)**	(1,218)	**(2,606)**	(3,694)
On deposits from governments	**(2)**	(4)	**(7)**	(12)
On deposits from banks	**(10)**	(20)	**(30)**	(54)
On securities lent or sold under agreement to repurchase	**(4)**	(9)	**(12)**	(23)
On debentures, bonds and subordinated notes	**(558)**	(492)	**(1,318)**	(1,386)
Total interest expenses	**(1,520)**	(1,743)	**(3,973)**	(5,169)
Total interest income, net	**1,946**	1,872	**5,547**	5,624
C. Details of the net effect of derivative instruments hedging interest income and expenses				
Interest income	**(11)**	(10) (a)	**(38)**	(40) (a)
Interest expenses	**1**	(4)	**-**	(3)
D. Details of accumulated interest income from bonds				
Available for sale	**230**	273	**609**	786
For trading	**74**	68	**176**	238
Total included in interest income	**304**	341	**785**	1,024

(a) Restated.
(b) Including the effective component of hedging relationships.
(c) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 95 million and NIS 50 million for the nine month periods ended on 30 September 2013 and 2012, respectively, and NIS 38 million and NIS 13 million for the three month periods ended on 30 September 2013 and 2012, respectively.

Note 10 – Non-interest financing income

	For the three months ended 30 September		For the nine months 30 September	
	2013	2012	**2013**	2012
	(Unaudited)			
	(NIS millions)			
A. Non-interest financing income in respect of activities for purposes other than trading				
A.1. From activity in derivative instruments				
Ineffective portion of hedging relationships (a)	**1**	1	**10**	1
Net income (expense) from ALM derivative instruments (b)	**(313)**	(60)	**(1,094)**	396
Total from activity in derivative instruments	**(312)**	(59)	**(1,084)**	397
A.2. From investment in bonds				
Profits from sale of bonds available for sale	**35**	137	**170**	284
Losses from sale of bonds available for sale (f)	**(1)**	-	**(13)**	(21)
Total from investment in bonds	**34**	137	**157**	263
A.3. Exchange rate differentials, net	**352**	(32)	**1,228**	(529)
A.4. Profits (losses) from investment in shares				
Profits from sale of shares available for sale (e)	**215**	10	**559**	64
Losses from sale of shares available for sale (c)	**(13)**	(1)	**(40)**	(163)
Profit from sale of shares in companies included on equity basis	**1**	-	**18**	24
Dividend from shares available for sale	**3**	16	**23**	50
Total from investment in shares	**206**	25	**560**	(25)
A.5. Profits in respect of loans sold (d)	**16**	-	**93**	-
Total non-interest financing income in respect of activities for purposes other than trading	**296**	71	**954**	106
B. Non-interest financing income in respect of activities for trading purposes				
Income (expenses) net in respect of other derivative instruments	**(26)**	(7)	**(13)**	(20)
Realized and unrealized profits (losses) from fair value adjustments of bonds held for trading, net	**(17)**	48	**(94)**	148
Realized and unrealized profits (losses) from fair value adjustments of shares held for trading, net	**13**	7	**42**	3
Dividends received from shares held for trading	**-**	-	**-**	2
Total from trading activities	**(30)**	48	**(65)**	133
Total	**266**	119	**889**	239

(a) Excluding the effective part of hedging relationships.
(b) Derivative instruments comprising part of the Bank's asset and liability management not designated for hedging relationships.
(c) Including provisions for impairment in the amount of NIS 10 million and NIS 0 million for the three month periods ended on 30 September 2013 and 2012, respectively, and NIS 26 million and NIS 160 million for the nine month periods ended on 30 September 2013 and 2012, respectively.
(d) Including loans sold in the amount of NIS 100 million and NIS 450 million for the three month period and nine month period ended 30 September 2013.
(e) Including profit on sale of shares in Migdal in the amount of NIS 163 million and NIS 343 million for the three month period and nine month period ended 30 September 2013, and profit on sale of Caesarstone in the amount of NIS 86 million for the nine month period ended 30 September 2013.
(f) Including provisions for impairment in the amount of NIS 0.9 million and NIS 10.3 million for the period of three months and nine months ended 30 September 2013.

(g) Of which part of the profits for the periods of three and nine months ended 30 September 2013, related to bonds held for trading still held at the balance sheet date of NIS 61 million and NIS 75 million, respectively; NIS 189 million and NIS 155 million for the periods of three and nine months ended 30 September 2012, respectively.

(h) Of which part of the profits for the periods of three and nine months ended 30 September 2013, related to shares held for trading still held at the balance sheet date of NIS 25 million and NIS 31 million, respectively; NIS 7 million and NIS 3 million for the periods of three and nine months ended 30 September 2012, respectively.

Note 11 - Operating Segments

	For the three months ending 30 September 2013 (Unaudited)							
	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	(NIS millions)							
Interest income (expenses), net - from outside entities	**907**	**287**	**703**	**438**	**(18)**	**(371)**	**-**	**1,946**
Non-interest income - from outside entities	**414**	**148**	**201**	**125**	**103**	**387**	**4**	**1,382**
Intersegmental income (expenses)	**(200)**	**(59)**	**(413)**	**(73)**	**96**	**630**	**19**	**-**
Total income	**1,121**	**376**	**491**	**490**	**181**	**646**	**23**	**3,328**
Expenses (income) in respect of credit losses	**13**	**19**	**(84)**	**7**	**-**	**1**	**-**	**(44)**
Net profit (loss) attributable to shareholders of the banking corporation	**16**	**79**	**255**	**139**	**(93)**	**142**	**17**	**555**

	For the three months ending 30 September 2012 (Unaudited) (a)							
	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	(NIS millions)							
Interest income (expenses), net - from outside entities	538	280	712	412	(42)	(28)	-	1,872
Non-interest income - from outside entities	425	137	59	192	127	235	33	1,208
Intersegmental income (expenses)	230	(60)	(246)	(118)	131	98	(35)	-
Total income (expenses)	1,193	357	525	486	216	305	(2)	3,080
Expenses (income) in respect of credit losses	40	(5)	248	3	(1)	7	-	292
Net profit (loss) attributable to shareholders of the banking corporation	107	99	75	142	(13)	28	41	479

(a) Reclassified.

Note 11 - Operating Segments (cont'd)

	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	For the nine months ended 30 September 2013 (Unaudited)							
	(NIS millions)							
Interest income (expenses), net - from outside entities	**2,253**	**843**	**1,999**	**1,239**	**(72)**	**(716)**	**1**	**5,547**
Non-interest income - from outside entities	**1,214**	**431**	**527**	**370**	**375**	**1,049**	**131**	**4,097**
Intersegmental income (expenses)	**(134)**	**(173)**	**(999)**	**(157)**	**356**	**1,200**	**(93)**	**-**
Total income	**3,333**	**1,101**	**1,527**	**1,452**	**659**	**1,533**	**39**	**9,644**
Expenses (income) in respect of credit losses	**140**	**77**	**(212)**	**152**	**3**	**(47)**	**-**	**113**
Net profit (loss) attributable to shareholders of the banking corporation	**86**	**205**	**788**	**304**	**(34)**	**291**	**(41)**	**1,599**

	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	For the nine months ended 30 September 2012 (Unaudited) (a)							
	(NIS millions)							
Interest income (expenses), net - from outside entities	1,481	830	2,156	1,230	(105)	31	1	5,624
Non-interest income (expenses) - from outside entities	1,265	410	429	385	425	492	(26)	3,380
Intersegmental income (expenses)	759	(178)	(993)	(157)	393	170	6	-
Total income (expenses)	3,505	1,062	1,592	1,458	713	693	(19)	9,004
Expenses in respect of credit losses	39	49	675	86	-	1	-	850
Net profit (loss) attributable to shareholders of the banking corporation	369	249	288	382	13	(112)	1	1,190

Note 11 - Operating Segments (cont'd)

	For the year ended 31 December 2012 (Audited) (a)							
	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	(NIS millions)							
Interest income (expenses), net - from outside entities	1,884	1,097	2,744	1,620	(122)	184	1	7,408
Non-interest income - from outside entities	1,622	551	613	517	606	845	20	4,774
Intersegmental income (expenses)	1,145	(217)	(1,172)	(190)	523	(47)	(42)	-
Total income (expenses)	4,651	1,431	2,185	1,947	1,007	982	(21)	12,182
Expenses (income) in respect of credit losses	71	84	933	176	1	(29)	-	1,236
Net profit (loss) attributable to shareholders of the banking corporation	447	319	392	434	77	(613)	(125)	931

Note 12 – Accumulated Other Comprehensive Income (Loss)
A. Changes in accumulated other comprehensive income (loss), after effect of tax

	For the three months ended 30 September 2013 (Unaudited)					
	Other comprehensive income before attribution to non-controlling interests					
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments *, net after effect of hedges **	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)					
Balance at 30 June 2013	**202**	**(243)**	**86**	**45**	**(4)**	**49**
Net change in the period	**(39)**	**(55)**	**37**	**(57)**	**1**	**(58)**
Balance at 30 September 2013	**163**	**(298)**	**123**	**(12)**	**(3)**	**(9)**

	For the three months ended 30 September 2012 (Unaudited)					
	Other comprehensive income before attribution to non-controlling interests					
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments *, net after effect of hedges **	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)					
Balance at 30 June 2012	20	(96)	86	10	1	9
Net change in the period	211	4	65	280	1	279
Balance at 30 September 2012	231	(92)	151	290	2	288

* Adjustments from translation of financial statements of foreign operations whose functional currency differs from the functional currency of the banking corporation, including adjustments for companies included on equity basis.

** Profits (losses), net in respect of a net hedge of investment in foreign currency.

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

A. Changes in accumulated other comprehensive income (loss), after effect of tax (cont'd)

	For the nine months ended 30 September 2013 (Unaudited)					
	Other comprehensive income before attribution to non-controlling interests					
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments *, net after effect of hedges **	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)					
Balance at 31 December 2012	**495**	**(149)**	**112**	**458**	**-**	**458**
Net change in the period	**(332)**	**(149)**	**11**	**(470)**	**(3)**	**(467)**
Balance at 30 September 2013	**163**	**(298)**	**123**	**(12)**	**(3)**	**(9)**

	For the nine months ended 30 September 2012 (Unaudited)					
	Other comprehensive income before attribution to non-controlling interests					
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments *, net after effect of hedges **	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)					
Balance at 31 December 2011	(218)	(93)	112	(199)	-	(199)
Net change in the period	449	1	39	489	2	487
Balance at 30 September 2012	231	(92)	151	290	2	288

	For the year ended 31 December 2012 (Audited)					
	Other comprehensive income before attribution to non-controlling interests					
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments *, net after effect of hedges **	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)					
Balance at 31 December 2011	(218)	(93)	112	(199)	-	(199)
Net change in the period	713	(56)	-	657	-	657
Balance at 31 December 2012	495	(149)	112	458	-	458

* Adjustments from translation of financial statements of foreign operations whose functional currency differs from the functional currency of the banking corporation, including adjustments for companies included on equity basis.

** Profits (losses), net in respect of a net hedge of investment in foreign currency.

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

B. Changes in accumulated other comprehensive income (loss), before and after effect of tax

	For the three months ended 30 September					
	2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)					
	(NIS millions)					
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests:						
Adjustments for presentation of securities available for sale at fair value						
Unrealized profits (losses) from adjustments to fair value	**153**	**(45)**	**108**	441	(136)	305
(Profits) losses in respect of securities available for sale reclassified to the statement of profit and loss	**(236)**	**89**	**(147)**	(146)	52	(94)
Net change in the period	**(83)**	**44**	**(39)**	295	(84)	211
Translation adjustments *						
Adjustments for translation of financial statements	**(77)**	**-**	**(77)**	10	-	10
Hedges **	**35**	**(13)**	**22**	(9)	3	(6)
Net change in the period	**(42)**	**(13)**	**(55)**	1	3	4
Banking corporation's share in other comprehensive income of investee companies dealt with under the equity base method	**37**	**-**	**37**	65	-	65
Net change in the period	**37**	**-**	**37**	65	-	65
Total net change in the period	**(88)**	**31**	**(57)**	361	(81)	280
Changes in components of other comprehensive income attributed to non-controlling interests:						
Total net change in the period	**1**	**-**	**1**	1	-	1
Changes in components of other comprehensive income (loss) attributed to shareholders of the banking corporation:						
Total net change in the period	**(89)**	**31**	**(58)**	360	(81)	279

* Adjustments from translation of financial statements of foreign operations whose functional currency differs from the functional currency of the banking corporation, including adjustments for companies included on equity basis. If material, disclosure will be given separately from the amount of adjustments in respect of companies included on equity basis.

** Profits (losses), net in respect of a net hedge of investment in foreign currency.

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

B. Changes in accumulated other comprehensive income (loss), before and after effect of tax (cont'd)

	For the nine months ended 30 September						For the year ended 31 December		
	2013			2012			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)						(Audited)		
	(NIS millions)								
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests:									
Adjustments for presentation of securities available for sale at fair value									
Unrealized profits (losses) from adjustments to fair value	**141**	**(52)**	**89**	828	(274)	554	1,267	(425)	842
(Profits) losses in respect of securities available for sale reclassified to the statement of profit and loss	**(676)**	**255**	**(421)**	(164)	59	(105)	(201)	72	(129)
Net change in the period	**(535)**	**203**	**(332)**	664	(215)	449	1,066	(353)	713
Translation adjustments *									
Adjustments for translation of financial statements	**(248)**	**-**	**(248)**	86	-	86	(59)	-	(59)
Hedges **	**156**	**(57)**	**99**	(133)	47	(86)	4	(1)	3
Net change in the period	**(92)**	**(57)**	**(149)**	(47)	47	-	(55)	(1)	(56)
Banking corporation's share in other comprehensive income of investee companies dealt with under the equity base method	**11**	**-**	**11**	40	-	40	-	-	-
Net change in the period	**11**	**-**	**11**	40	-	40	-	-	-
Total net change in the period	**(616)**	**146**	**(470)**	657	(168)	489	1,011	(354)	657
Changes in components of other comprehensive income (loss) attributed to non-controlling interests:									
Total net change in the period	**(3)**	**-**	**(3)**	2	-	2	1	(1)	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the banking corporation:									
Total net change in the period	**(613)**	**146**	**(467)**	655	(168)	487	1,010	(353)	657

* Adjustments from translation of financial statements of foreign operations whose functional currency differs from the functional currency of the banking corporation, including adjustments for companies included on equity basis. If material, disclosure will be given separately from the amount of adjustments in respect of companies included on equity basis.

** Profits (losses), net in respect of a net hedge of investment in foreign currency.

Note 13 – Events after the Reporting Date

A. Remuneration policy and bonus plan

On 2 September 2013, the Bank received a letter from the Supervisor of Banks, requiring the Bank to postpone discussion regarding the remuneration of senior officers, pursuant to the requirements of Amendment 20 to the Companies Law, 1999, which was due to be held in the General Meeting called for 12 September 2013, and to hold it after the Supervisor of Banks completes the regulation of the new directive regarding the remuneration in a banking corporation. This postponement was intended, according to the Supervisor of Banks, to ensure that the Bank's remuneration policy would comply with the requirements which were to appear in the abovementioned new directive, including international standards on the subject which the Supervisor of Banks wishes to implement in the Israeli banking system.

In view of the Supervisor's demand mentioned above, on 3 September 2013, the Board of Directors decided to postpone the General Meeting which was called as mentioned above, and the Bank will continue to publish appropriate reports with regard to the convening of a meeting or meetings to discuss the topics that were on the agenda of the said meeting, including the subject of remuneration.

Attached to the letter of the Supervisor of Banks was an interpretation from the Israel Securities Authority (ISA) dated 28 August 2013, which stated that the ISA would not intervene in the postponement of general meetings for the approval of remuneration policy in accordance with Amendment 20 of the Companies Law beyond the last date determined for this in the said amendment, with companies being required to act, with regard to the approval of the terms of office and employment of all their officers, until the approval of the remuneration policy as companies that have yet to approve their remuneration policy.

Also attached to the letter of the Supervisor of Banks was the letter from the Deputy Attorney-General dated 29 August 2013, reiterating the ISA's position outline above, and further clarified, among other things, that the postponement of the general meetings for a short period as required by the Supervisor does not adversely affect the interests of the shareholders or cause them any tangible damage.

B. Company tax

On 30 July 2013, the Economic Plan for 2013-2014 (The Budget Law) was approved in the Knesset plenum, including, *inter alia*, an increase in the company tax rate from 25% to 26.5% with effect from 1 January 2014.

The change in the company tax rate in the Budget Law, as aforesaid, will raise the statutory tax rate which applies to financial institutions from 36.21% in 2013 to 37.71% in 2014 and thereafter.

The change in the company tax rate led to an increase in the net deferred taxes balances receivable at the beginning of the quarter of some NIS 103 million. The effect of this change was recorded in the third quarter of 2013.

C. Value Added Tax and National Insurance

On 28 May 2013, the Minister of Finance signed an order raising the rate of value added tax in respect of a transaction and the import of goods from 17% to 18%, with effect from 2 June 2013.

On 2 June 2013, the Value Added Tax Order (Rate of Tax on Non-Profit Associations and Financial Institutions) (Amendment), 2013 was published, updating the rate of profit tax and salary tax imposed on financial institutions from 17% to 18%. As a result of the said change, the statutory rate of tax applicable to financial institutions increased in 2013 from 35.59% to 36.21%. Furthermore, the rate of salary tax applicable to financial institutions increased from 17% to 18% with respect to the salary payable for work in June 2013 and thereafter.

The change in the rate of profit tax has led to an increase in net balances of deferred tax receivables in the Bank amounting to NIS 30 million in the second quarter of 2013.

The effect of the increase in salary tax on the balance of liabilities to employees at 30 June 2013 is NIS 53 million before tax and NIS 34 million after tax.

The change in salary tax resulted in an increase of NIS 38 million in current salary expenses and operating expenses in the first nine months of 2013, compared to the first nine months of 2012.

On 13 August 2012, the Deficit Reduction and Change in Tax Burden Law (Legislative Amendments), 2012 (hereinafter "the Law"), was published. Pursuant to the Law, with effect January 2013, the rate of national insurance contributions collected from employers in respect of the portion of the salary exceeding 60% of the average salary in the economy increased from 5.9% to 6.5%. Furthermore, this rate will increase in January 2014 and January 2015 to 7% and 7.5%, respectively.