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

Condensed Financial Statements as at 31 March 2015

(unaudited)

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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 2014, except for the adoption of United States accounting standards regarding employee rights, as detailed in Note 1c1.These reports should be read in conjunction with the Annual Report for 2014.

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 1,235 billion at the end of March 2015, compared with NIS 1,225 billion at the end of 2014, an increase of 0.8%, which derived primarily from an increase in securities portfolios, and an increase in the value of provident funds and supplementary training funds and from an increase in total balance sheet activities.

* 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:

	31 March 2015	31 March 2014	31 December 2014
	NIS millions		
Total assets (total balance sheet)	**399,521**	371,183	397,197
Credit to the public, net	**250,275**	241,273	252,480
Securities	**64,379**	60,481	52,113
Cash and deposits in banks	**51,769**	44,162	60,615
Investment in companies included on equity basis	**896**	1,630	2,216
Deposits of the public	**305,017**	282,732	303,397
Debentures, notes, and subordinated notes	**19,596**	24,484	23,678
Equity attributable to shareholders of the banking corporation	**26,979**	25,784 (a)	26,176 (a)

Below are principal profit and loss data for the periods ended:

	For the three months ended 31 March		For the year ended 31 December
	2015	2014	2014
	NIS millions		
Interest income, net	**1,516**	1,757	7,363
Expenses (income) in respect of credit losses	**81**	(51)	472
Total non-interest income	**2,425**	1,394	5,205
Of which: commissions	**1,051**	1,040	4,167
Total operating and other expenses	**2,254**	2,161	9,371
Of which: salary expenses	**1,403**	1,349 (a)	5,028 (a)
Expenses related to the investigation in respect of overseas customers	**20**	42	1,026
Profit before taxes	**1,606**	1,041	2,725
Provision for taxes	**557**	428	1,335
Net profit for the period attributed to shareholders of the banking corporation	**1,171**	565 (a)	1,420 (a)
Net profit per share attributed to shareholders of the banking corporation (in NIS)	**0.80**	0.38	0.96
Total profit for the period attributed to shareholders of the banking corporation	**809**	583	898

(a) Restated as a result of the retroactive implementation of United States generally accepted accounting principles regarding employee rights. For additional information, see Note 1c.1 to the financial statements.

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

	31 March 2015	31 March 2014 (f)	31 December 2014 (f)
Credit to the public, net, to total balance sheet	**62.6**	65.0	63.6
Securities to total balance sheet	**16.1**	16.3	13.1
Deposits of the public to total balance sheet	**76.3**	76.2	76.4
Deposits of the public to total credit, net	**121.9**	117.2	120.2
Total capital to risk assets (a)	**13.84**	14.31	14.01
Tier I capital to risk assets	**9.37**	9.31	9.21
Capital (excluding non-controlling interests) to balance sheet	**6.8**	6.9	6.6
Net profit to average capital (excluding non-controlling interests) (c)	**18.7**	9.0	5.3
Rate of provision for tax on the profit before taxes	**34.7**	41.1	49.0
Expenses (income) in respect of credit losses to credit to the public, net (c)	**0.13**	(0.08)	0.19
Of which: expenses in respect of collective allowance to net credit to the public (c)	**0.25**	0.04	0.22
Expenses (income) in respect of credit losses to total credit risk to the public (c)	**0.08**	(0.06)	0.12
Net interest income to total balance sheet (c)	**1.53**	1.91	1.85
Total income to total balance sheet (b) (c)	**4.00**	3.44	3.16
Total income to total assets managed by the Group (b) (c) (d)	**1.28**	1.06	1.03
Total operating and other expenses to total balance sheet (c)	**2.28**	2.35	2.36
Total operating and other expenses to total assets managed by the Group (c) (d)	**0.73**	0.73	0.77
Net profit to average total assets (c) (e)	**1.15**	0.61	0.40
Interest margin	**1.74**	2.01	1.87
Operating and other expenses (excluding early retirement) to total income (b)	**57.2**	68.6	74.6
Non-interest income to operating and other expenses (excluding early retirement)	**107.6**	64.5	55.5
Non-interest income to total income (b)	**61.5**	44.2	41.4

(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 activity.
(e) Average assets represent the total of income-bearing balance sheet assets and other assets.
(f) Restated as a result of the retroactive implementation of United States generally accepted accounting principles regarding employee rights. For additional information, see Note 1c.1 to the financial statements.

Since 1 January 2015, the Bank has implemented the United States accounting principles on the subject of employee rights. Accordingly, the comparative figures for prior periods have been adjusted. The main effects of the implementation of these principles are an increase in liabilities for employee rights and a corresponding decrease in the Bank's (net) capital of NIS 2,710 million. This decrease in capital, according to the transitional provisions, also impacted the regulatory capital, but due to the Bank's preliminary assessments (mainly by way of changes in position in the non-bank investments and in the nostro portfolio and the effect of signing the new salary agreement with employees associated in the collective agreement), the Bank's Tier 1 capital ratio increased to 9.37% at the end of the first quarter.

For details of the effect of the various items of the report, see Note 1c.1 to the financial statements.

Net profit attributable to shareholders of the banking corporation (hereinafter: the net profit) in the first quarter of 2015 increased significantly (more than 100%), compared to the net profit reported in the corresponding period last year quarter in 2014.

However, the reported profit in this quarter was materially affected by the profit on the sale of shares in the Israel Corporation amounting to NIS 418 million, net of tax (NIS 522 million before the effect of tax), as follows:

	Three months ended	
	31 March 2015	31 March 2014
	NIS millions	
Net profit reported	**1,171**	565
Return on capital reported	**18.7%**	9.0%
Profit from the sale of shares of the Israel Corporation	**418**	-
Profit, net of the profit from the sale of shares in the Israel Corporation ("proforma net profit")	**753**	565
Return excluding profit from the sale of shares in the Israel Corporation	**11.7%**	9.0%

As may be seen in the above table, the proforma net profit increased by NIS 188 million (33.3%) between the periods. The main factors responsible for the increase in this profit were:

1. A decrease in net interest income amounting to NIS 241 million, before the effect of tax, most of which is the effect of a fall in the average Bank of Israel interest rates between the two periods, which was offset by an increase in quantities, and in respect of the material effect of the negative index recorded in the first quarter of 2015. The estimated impact of the negative index of the first quarter of 2015 is a decrease in income amounting to NIS 250 million, while the change in respect of the negative index was a decrease in income amounting to NIS 180 million.
2. An increase in expenses in respect of credit losses amounting to NIS 132 million, before the effect of tax. It will be recalled that in the first quarter of 2014, the Group had income from credit losses amounting to NIS 51 million. The level of credit losses reported in the first quarter of 2015 was 0.13%.
3. An increase in noninterest financial income (excluding the abovementioned profit in respect of the sale of shares in the Israel Corporation) of NIS 474 million. Most of this increase was due to the profit on the sale of shares in Mobileye (NIS 288 million before tax) and the profits from the sale and/or adjustments to the fair value of debentures.
4. An improvement in the profits of companies included on equity basis amounting to NIS 168 million, which was mainly due to the Company's share in the profits of the Israel Corporation in the first quarter of 2015, compared with a loss in the first quarter of 2014.

For further details, see Chapter "Development of Income, Expenses and Tax Provision".

The net profit per share attributable to shareholders in the banking corporation in the first quarter of 2015 was NIS 0.80, compared with NIS 0.38 in the corresponding period last year.

The return on capital in the first quarter of 2015 was 18.7%, compared with 9.0% in the first quarter of 2014.

Aggregate total income after the effect of tax (in addition to the net profit, including, *inter alia*, adjustments in respect of the presentation of available-for-sale securities at fair value and adjustments from translation of the financial statements) amounted to NIS 809 million in the first quarter of 2015, compared with NIS 583 million in the corresponding period last year. The increase in total profit arose from an increase in net profit and positive adjustments in respect of available-for-sale securities amounting to NIS 549 million before tax in the first quarter of 2015, compared with negative adjustments in respect of available-for-sale shares amounting to NIS 8 million before tax in the first quarter of 2014. The increase was offset by negative adjustments of liabilities in respect of employee benefits amounting to NIS 1,254 million before tax in the first quarter of 2015, compared with positive adjustments amounting to NIS 104 million before tax in the corresponding period last year.

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 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 6 May 2015 (Ref. no.: 2015-01-013779). In addition, see Immediate Report of the Bank, dated 17 May 2015 regarding Changes in Shareholdings of Interested Party (Ref. no.: 2015-01-020556).

Merger between the Bank and Arab Israel Bank

On 4 May 2015, the Board of Directors of the Bank approved the execution of the Bank's merger with Arab Israel Bank. On 4 May 2015, the Board of Directors of Arab Israel Bank approved the execution of the aforesaid merger. The merger is expected to be effected on 1 January 2016. See immediate reports dated 4 May 2015 (Ref. no. 2015-01-011190, 2015-01-011226) and 7 May 2015 (Ref. no. 2015-01-015192).

Pursuant to the merger agreement, Arab Israel Bank, which is an almost wholly-owned subsidiary of the Bank, will be merged within the Bank.

Aims of the merger:

The merger is intended for business and economy purposes, and it will enable Leumi Group to strengthen the group synergy between retail and commercial activity, and to lead, *inter alia*, to savings in expenses and streamlining of the allocation of resources in Leumi Group, saving in administrative time and operating costs, improvement in response times, control and ability to review the activity of the merged company. The expected synergy has the potential to create value in all operating, strategic, organizational and financial aspects.

The process will create an advantage for customers of the Arab Israel Bank, who are among Leumi Group customers, and will enable the abovementioned customers to be granted a value proposal in accordance with all of their needs, *inter alia*, in light of the improvement in the level of products offered to the customer, placing an emphasis on providing the customer with a varied and broad basket of services. In addition, the merger will significantly increase the customers' access to the Bank's branches in view of the wide dispersal of Bank Leumi branches throughout Israel and will improve the level of service which Leumi Group can provide for these customers, while minimizing expenses.

In the context of the merger, the employees of the Arab Israel Bank will be absorbed as employees of the Bank, and all of the liabilities of the Arab Israel Bank in respect of its employees will be transferred to the Bank.

As part of the structural change, all minority shareholders will have the right to receive from Bank Leumi cash payment in new Israeli shekels equivalent to the amount to be approved by the General Meeting of the Arab Israel Bank which will discuss the merger, times the number of shares of the Arab Israel Bank that they hold, less taxes, as required by law ("the proceeds"). In the absence of the approval of the General Meeting of the Arab Israel Bank, it is possible that the proceeds will be determined by the court in an appropriate proceeding pursuant to the Companies Law.

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 31 March 2015 amounted to NIS 26,979 million, compared with NIS 26,176 million at the end of 2014, an increase of 3.1%. The increase is primarily attributable to the profit for the first quarter of the year amounting to NIS 1,171 million, and to an increase in the adjustment reserve in respect of available-for-sale shares amounting to NIS 355 million, which was offset by a negative capital reserve in respect of employee benefits amounting to NIS 781 million.

The capital attributable to shareholders of the banking corporation has been restated in light of the retroactive implementation of United States generally accepted accounting principles on the subject of employee rights.

For further information, see Note 1c1 to the financial statements.

The **capital to total assets ratio** reached 6.8% on 31 March 2015, compared with 6.6% on 31 December 2014.

With regard to changes in the Bank's capital, see Note 4 below.

Implementation of the Basel III provisions in Israel

On 30 May 2013, the Supervisor of Banks published the final directives for implementation of Basel III in Israel, by amending Proper Conduct of Banking Management Regulation 201-211. These regulations came into force on 1 January 2014.

According to the directives, the capital components in the Group for the purpose of calculating capital adequacy are attributed to two tiers:

a. Tier 1, including Tier 1 shareholders' equity and additional Tier 1 capital;

b. Tier 2 capital.

The sum of these tiers is called "capital basis for capital adequacy" or "regulatory capital" or "overall capital".

Tier 1 capital including Tier 1 Shareholders' equity and additional Tier 1 capital:

Tier 1 shareholders' equity includes the capital attributable to the shareholders of the banking corporation, with the addition of the part of the rights not conferring control of capital of consolidated subsidiaries (minority interests), and deducting goodwill, other intangible and other assets and regulatory adjustments and other deductions, all as set forth in Proper Conduct of Banking Business Management Regulation No. 202 "Measurement and Capital Adequacy – Regulatory Capital" and subject to the transitional provisions of Proper Conduct of Banking Business Management Regulation No. 299 "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

Additional Tier 1 capital which comprises capital instruments complying with the criteria determined in Proper Conduct of Banking Business Management Regulation No. 202. There are no capital instruments in this tier in the Leumi Group. If any additional Tier 1 capital instruments are issued in the future, they will be required to comply with all the criteria set forth in Proper Conduct of Banking Business Management Regulation No. 202.

Tier 2 capital:

In the Basel III directives, the distinction between Upper Tier 2 and Lower Tier 2 is cancelled.

Tier 2 capital includes mainly capital instruments and the balance of a collective allowance for credit losses before the effect of the related tax, up to a ceiling of 1.25% of total credit risk assets.

With regard to capital instruments which were included in Tier 2 capital on 31 December 2013, the transitional provisions and the asset recognition ceiling, which was computed to 1 January 2014, were determined according to 80% of the balance of instruments as of 31 December 2013, and at the beginning of each successive year, this ceiling is lowered by 10%. The capital instruments which were part of Tier 2 at 31 December 2013 include compound capital instruments which were, till now, classified to upper Tier 2 capital, and deferred notes, which were classified to lower Tier 2.

A description of the main features of regulatory capital instruments which have been issued is presented on the Bank's website: /http://leumi.co.il/home01/32587 in the chapter regarding >Financial information and meetings> Additional regulatory disclosures.

It should be noted that the amount actually recognized to Tier 2 capital is the lower of the amortized amount of the instruments themselves and their recognition ceiling according to the transitional provisions. Capital instruments issued from the beginning of 2014 will be required to comply with the criteria set forth in Proper Conduct of Banking Business Management Regulation No. 202 for the purpose of their inclusion in capital.

The main criteria are that the instrument must include: (1) a mechanism for absorbing the losses of the reserve by conversion to ordinary shares or the amortization of the instrument when the Tier 1 shareholders' equity ratio of the banking corporation falls below 5%; (2) an item determining that on the occurrence of the defining event for non-compliance (as defined in Appendix E to Proper Conduct of Banking Management Regulation no. 202), the instrument will be converted immediately to ordinary shares or will be expunged.

The Bank, like many banks around the world, is prepared for raising these instruments.

Capital Adequacy Target

The capital adequacy ratios are calculated as the ratio of capital to weighted risk assets. The Tier 1 shareholders' equity ratio is calculated as the ratio of Tier 1 share ratio to weighted risk assets, and the overall capital ratio is calculated as the ratio of the amount of overall capital to weighted risk assets.

Capital adequacy targets determined by the Bank of Israel:

According to Proper Conduct of Banking Business Regulation 201 "Measurement and Capital Adequacy - Introduction, Incidence and Calculation of Requirements", all banking corporations will be required to comply with a minimum Tier 1 shareholders' equity ratio of 9% with effect from 1 January 2015. In addition, a large banking corporation, whose total balance sheet assets on a consolidated basis constitute at least 20% of the balance sheet assets in the banking system in Israel, will be required to comply with a minimum Tier 1 shareholders' equity ratio of 10%, with effect from 1 January 2017. This additional provision applies to the Bank. These targets will be achieved gradually. In addition, all banking corporations in Israel will be required to maintain a minimum overall capital ratio of 12.5% from 1 January 2015. A large banking corporation will be required to maintain a minimum overall capital ratio of 13.5% from 1 January 2017. This additional regulation applies to Leumi.

On 28 September 2014, the Supervisor of Banks published a circular for an amendment to Proper Conduct of Banking Business Management Regulation no. 329 "Restrictions on the Grant of Housing Loans". Pursuant to the amended directive, the banking corporation will be required to increase Tier 1 shareholders' equity target at a rate expressing 1% of the balance of housing loans. The effective date for compliance with the capital target determined is 1 January 2017, and banking corporations are to increase the capital target in fixed quarterly rates from 1 April 2015 until 1 January 2017. The estimated effect of the amendment to the regulation on Leumi Group at the final effective date is 0.25% of the capital adequacy ratio, with the effect being spread in accordance with the regulation over eight quarters.

Capital adequacy targets determined by the Bank:

Capital planning in Leumi Group reflects a forward-looking vision of the risk appetite and the capital adequacy required as a consequence. The Group policy approved by the Board of Directors is to strengthen a higher level of capital adequacy than the minimum threshold that will be periodically specified by the Bank of Israel and higher than the rate required for covering risks as estimated in the ICAAP process. In addition, targets that the Group wishes to meet in the event of a stress scenario have been defined.

In future years, implementation of the regulations regarding employee rights is the factor which is expected to have the most significant effect on Leumi's Tier 1 shareholders' equity, mainly due to the fact that the measurement of the liability is in accordance with market interest rates which are at a historic low and to the wild fluctuations that accompany this kind of measurement.

In addition, a decrease in overall capital is expected, as a result of the amortization of capital instruments attributed to Tier 2 capital, which were issued prior to the effective date of the directives for the implementation of Basel III, and a lowering of the ceiling of the amount recognized to capital of these capital instruments.

The main factors affecting the Bank's ability to fulfill the capital adequacy requirements when the new capital requirements come into effect (on 1 January 2017) are the following:

- In view of the transitional provisions, at 1 January 2017, only 80% of the effect of the amortization of certain components of the capital will be reflected.
- The Bank has profits from its current activity, which (net of the rate of increase in risk assets) constitute an accrual of Tier 1 shareholders' equity, i.e., a material addition to the abovementioned capital ratios.
- The implementation of the new standard for dealing with employee rights is the factor that will most significantly impact the capital ratio. An increase in market interest rates will result in a reduction in the required provision and an increase in capital. In light of the low level of market interest rates in historical terms as of 31 March 2015, an increase in interest rates, as actually occurred during the period from March to May 2015, is a reasonable scenario.
- The Bank is taking steps to complete the required capital by adopting management measures, such as:
  - Managing the increase in risk assets, through the improvement of the risk assets (improvement of the collateral, etc.), the selective allocation of capital in the credit, the sale of debts/risk, investment in nostro assets which require the allocation of lower capital.
  - Examining the issuance of share capital and/or additional Tier 1 capital.
  - Selling assets and floating capital, while reducing the volume of risk assets.

The following is an analysis of the sensitivity to the main factors affecting the capital adequacy of Leumi Group:

- A change in the volume of risk assets – The risk assets of Leumi amounted to NIS 298.3 billion at the end of March 2015. Every increase of 1% in the risk assets (approx. NIS 3 billion) in future years will reduce the Tier 1 shareholders' equity capital adequacy ratio by 0.09%, and the overall capital ratio by 0.14%.
- Profit that will accrue or a change in the capital reserve – The Tier 1 shareholders' equity of Leumi amounted to NIS 28.0 billion at the end of March 2015. The overall capital amounted to NIS 41.3 billion. Every accrual of net profit and/or positive change in the capital reserve amounting to NIS 1 billion will improve the Tier 1 shareholders' equity adequacy ratio and the overall capital ratio by 0.34%.

- Accounting standard regarding employee rights – According to these accounting standards, the actuarial liability for employees is discounted according to the market interest rates which is influenced by the Government of Israel debenture curve and by the United States AA corporate debenture margin. An increase of 0.1% in the duration of the interest curve for discounting, under the assumption that the curve falls consistently, means an increase of 0.1% in the Tier 1 shareholders' equity ratio and in the overall capital ratio (under the transitional provisions, the effect is more moderate - only 40% of the impact in 2015, and an additional 20% in each subsequent year).

The above capital adequacy policy refers to future activities of the Bank, and is defined as "forward-looking information". For the meaning of this term, see the chapter, "Description of the Banking Corporation's Business and Forward-Looking Information", below.

Leverage ratio

On 28 April 2015, the Supervisor of Banks published a directive regarding the disclosure of the leverage ratio, which adopts the instruction of the Basel Committee from January 2014, to add a simple leverage ratio, which is not based on risk which will act as a supplementary and reliable measurement to the risk-based capital requirements.

The leverage ratio is defined as the measurement of the capital divided by the measurement of the exposure, with the ratio expressed in percentages. The capital for the purposes of measuring the leverage ratio is Tier 1 capital, as defined in Proper Conduct of Banking Management Regulation no. 202, taking into account the stipulated transitional arrangements. The total measurement of the exposure of a banking corporation is the amount of the balance sheet exposure, exposures to derivatives and to transactions of financing securities and off-balance sheet items.

The leverage ratio is intended to restrict the accumulation of leverage in the banking sector in order to prevent leverage reduction processes which are liable to impair the financial system and the economy, as well as strengthen the risk-based requirements, through a simple non-risk-based measurement.

The disclosure of the leverage ratio will commence on 1 April 2015.

As part of preparations for implementing the requirement, pursuant to a Bank of Israel instruction of 9 November 2014, a survey of the quantitative effect for the assessment of the leverage ratio as of 30 September 2014 was reported to the Bank of Israel.

Pursuant to Proper Conduct of Banking Management Regulation no. 218, which was published on 28 April 2015, all banking corporations will be required to comply with a minimum leverage ratio of not less than 5% on a consolidated basis. In addition, a banking corporation whose total balance sheet assets on a consolidated basis constitutes 20% or more of the total balance sheet assets in the banking system will be required to comply with a leverage ratio of not less than 6%. This directive applies to Leumi.

The requirement will be in effect from 1 January 2018, as follows:

a. A banking corporation which, on the date of publication of the directive, complies with the abovementioned leverage ratio requirement must not fall below the threshold as provided in the directive.

b. A banking corporation which, on the date of the publication of the directive, does not comply with the abovementioned leverage ratio requirement, must increase the ratio in fixed quarterly rates by 1 January 2018.

According to the survey reported to the Bank of Israel, Leumi complies with the requirement.

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

	Basel III	Basel II	Basel III
	31 March 2015	31 March 2014	31 December 2014
	NIS millions		
Tier 1 shareholders' equity (a):			
Share capital	**7,059**	7,059	7,059
Premium	**1,129**	1,129	1,129
Reserves	**20,735**	18,610	19,559
Unrealized profits (losses) from adjustments of available-for-sale securities at fair value	**751**	135	396
Adjustments from translation of financial statements of companies included on equity basis	**53**	(250)	(69)
Capital reserves due to share-based transactions and loans to employees to purchase shares of the Bank	**(29)**	(30)	(29)
Other capital reserves	**(1,094)**	57	48
Noncontrolling interests in capital	**257**	304	303
Amounts reduced from Tier 1 shareholders' equity including goodwill and other intangible assets, deferred taxes and unrealized profits (losses) as a result of changes in the fair value of the liabilities deriving from changes in the Bank's own credit risk	**(901)**	(320)	(266)
Amounts deducted from Tier 1 capital, including goodwill, investments and other intangible assets	**-**	-	-
Total Tier 1 shareholders' equity after deductions	**27,960**	26,694	28,130
Tier 2 capital:			
Eligible capital instruments pursuant to the transitional provisions in Regulation No. 299	**10,180**	11,635	11,635
Non-innovative and innovative compound capital instruments	**-**	-	-
Subordinated notes	**-**	-	-
Noncontrolling interests in capital in subsidiaries pursuant to the transitional provisions in Regulation No. 299	**13**	4	5
Collective allowance for credit losses before the effect of related tax	**3,136**	2,674	3,044
45% of the amount of net profits, before the effect of related tax in respect of adjustments to fair value of available-for-	**-**	-	-
General provision for doubtful debts	**-**	-	-
Amounts reduced from Tier 2 Capital	**-**	-	-
Total Tier 2 capital	**13,329**	14,313	14,684
Total capital base for capital adequacy purposes	**41,289**	41,007	42,814

Capital adequacy structure

Tier 1 shareholders' equity to risk assets ratio was 9.37% compared with 9.21% as of 31 December 2014. The rate of the overall capital to risk assets ratio is 13.84%, compared with 14.01% as at 31 December 2014.

It should be noted that the capital for the purposes of computing the capital adequacy at 31 March 2015 fell in comparison to the comparative data as a result of the initial implementation of the new standard in respect of employee rights.

Capital adequacy - (Table 3 - Basel):

	Basel III		Basel II		Basel III	
	31 March 2015		31 March 2014		31 December 2014	
	Risk assets and capital requirements in respect of credit risk deriving from exposures to:					
	Risk assets	Capital require-ments (c)	Risk assets	Capital require-ments (c)	Risk assets	Capital require-ments (c)
	NIS millions					
Sovereign debts	613	77	751	94	856	107
Debts of public sector entities	**2,463**	**308**	2,152	269	2,564	321
Debts of banking corporations	**4,110**	**514**	4,175	522	5,455	682
Debts of securities	**247**	**31**	103	13	161	20
Debts of corporations	**108,299**	**13,537**	129,965	16,246	110,313	13,789
Debts collateralized by commercial real estate	**48,414**	**6,052**	21,444	2,681	48,529	6,066
Retail exposures to individuals	**31,176**	**3,897**	27,738	3,467	30,488	3,811
Loans to small businesses	**10,859**	**1,357**	10,186	1,273	10,662	1,333
Housing loans	**42,921**	**5,365**	38,438	4,805	42,457	5,307
Securitization	**541**	**68**	662	83	723	90
Other assets	**19,837**	**2,480**	18,080	2,260	19,728	2,466
Risk assets and capital requirements in respect of CVA risk (a)	**2,504**	**313**	2,425	302	2,405	301
Total in respect of credit risk (a)	**271,984**	**33,999**	256,119	32,015	274,341	34,293
Risk assets and capital requirements in respect of market risk (a)	**5,952**	**744**	10,120	1,265	10,839	1,355
Risk assets and capital requirements in respect of operational risk (b)	**20,376**	**2,547**	20,398	2,550	20,317	2,540
Total risk assets and capital requirements (d)	**298,312**	**37,290**	286,637	35,830	305,497	38,188
Total capital base for capital adequacy	**41,289**		41,007		42,814	
Total capital ratio	**13.84%**		14.31%		14.01%	
Tier 1 shareholders' equity ratio	**9.37%**		9.31%		9.21%	

(a) Weighted risk assets according to the standardized approach, First Pillar only.
(b) According to the standardized approach.
(c) According to 12.5% of the minimum ratio required.
(d) Additional capital buffers are calculated in respect of the Second Pillar.

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

	31 March 2015	31 December 2014
	%	
Leumi – on consolidated basis	**13.84**	14.01
Arab-Israel Bank	**12.67**	13.36
Leumi Card	**17.29**	17.36
Bank Leumi USA (a)	**14.58**	14.23
Bank Leumi UK	**19.50**	18.91
Bank Leumi Switzerland	**70.63**	24.00

(a) With effect from 1 January 2015, pursuant to Basel III directives. As of 31 December 2014, pursuant to the Basel I directives.

B. Other Information

Principal Developments in the Economy(*)

In the first quarter of 2015, the GDP of the Israeli economy grew in real terms at 2.5% per annum, compared with the fourth quarter of 2014, and by 2.9%, compared with the corresponding quarter last year.

The Global Economy

In April 2015, the International Monetary Fund (IMF) revised its forecast of expected development of global growth for 2015. In the advanced countries, there was no change in the forecasts, compared with the revision made in January 2015. However, there are differences in the Fund's forecasts in relation to the various countries: the rate of growth in the American economy was revised downwards (by 0.5%), while the countries in the euro area saw upward revisions in their forecasts of 0.3%. According to the Fund's revised estimates, growth in the United States and in the euro area in 2015 is expected to total 3.1% and 1.5%, respectively. The forecast for growth in world GDP in 2015 was left unchanged at 3.5%.

The State Budget and its Financing

In the first quarter of 2015, the Government operated without an approved budget framework and in accordance with the Economy and State Basic Law, the Government was able to take out 1/12 of the budget for 2014 each month. Between January and March, the Government had a surplus in the budget amounting to NIS 0.7 billion, compared with a deficit of NIS 0.3 billion in the corresponding period last year. As of 25 May 2015, the State budget for 2015 had not yet been approved.

Foreign trade and capital transactions

Israel’s aggregate trade deficit in the first quarter of 2015 amounted to some US$ 0.7 billion, a decrease of some 70.1% compared with the deficit for the corresponding period last year. The reduction in the trade deficit is a significant reduction in the value of imports of energy products (which led to a sharp decrease in total imports), against a backdrop of a fall in prices on the world market, compared with a more moderate fall in exports.

Foreign currency capital outflows in the first quarter of 2015 were higher in volume than capital inflows. Direct investments in Israel, via the banking system, amounted to US$ 3.0 billion, while financial investments amounted to US$ 0.4 billion. However, investments by Israeli residents abroad (direct investments through Israeli banks and the financial investments) amounted to US$ 3.6 billion, most of which consisted of financial investments.

Exchange Rate and Foreign Currency Balances

In the first quarter of 2015, the shekel fell in value against the dollar by 2.3%, while, against the euro, there was an appreciation of 9.5%, a reflection of the euro's weakness against the dollar worldwide.

Foreign currency balances in the Bank of Israel at the end of March 2015 amounted to US$ 85.0 billion, compared with US$ 86.1 billion at the end of 2014. The decrease in balances was attributable, *inter alia*, to the effect of the revaluation of the balances held in various currencies, to dollar terms.

In the first quarter of 2015, foreign currency purchases by the Bank of Israel, part of a program of purchases to offset the effect of gas production on the exchange rate, totaled US$ 1.04 billion.

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

Inflation and Monetary Policy

The Israeli consumer price index fell by 1.3% in the first quarter of 2015, while in the 12 months ended March 2015, the index fell by 1%, a rate which is situated below the lower limit of the Government's target range of the price stability of 1% to 3%. Most of the items in the index fell during the past year, with the exception of three items: housing, health and education, culture and entertainment. The main factors which led to the fall in the index were the decrease in the world price of food and oil products, as well as local factors, such as competition and government initiatives to reduce food prices.

The Bank of Israel interest rate stood at 0.25% in December 2014. The interest decision for March 2015, made on 23 February 2015, lowered the rate to 0.10%, and this level was retained in the interest decisions for April and May. The Monetary Committee took the view that, in light of the increase in the rate of appreciation in the effective exchange rate of the shekel against the basket of currencies (which offset most of the devaluation of the shekel which occurred through the end of 2014), and the potential impact on activity and inflation, the reduction in interest to 0.1% is the most appropriate measure at this point in time, to support the attainment of policy targets.

Capital market in Israel

The shares and convertible securities index rose in the first quarter of 2015 by 10.4%, following an increase of 11.5% in 2014. The price increases are mostly explained by the repercussions of an expansive monetary policy in Israel and around the world on the capital markets of several countries, including Israel. In April 2015, the index increased by 0.3%.

Average daily trading volumes of shares and convertible securities rose by 20.7% during the first quarter of 2015, compared with the average for 2014, amounting to NIS 1,464 million. This was against a background of lively activity on the capital market in Israel and abroad.

The Government bond market was characterized by price increases during the first quarter. The price of index-linked Government bonds rose by 5.1%, despite falls in the prices of short-term bonds (similar to the trend in 2014), resulting from the decrease in the inflationary environment to below the government target. In April 2015, the index increased by 1.7%. Unlinked government bonds rose more moderately by 3.5% (the fixed interest bond indices rose by 4.2%, while the variable interest (*Gilon*) bond index remained unchanged). The background to this, as noted above, was the decline in the inflationary environment which led to a drop in the Bank of Israel interest rate to a record low and to a decrease in yields to maturity of long-term bonds on world markets. In April 2015, the index of unlinked Government bonds increased by 0.1%.

In the index-linked non-government debenture market (corporate bonds), there were price increases of 1.8% over the period from January to March 2015, following price increases of 1.0% in 2014. In April 2015, the index increased by 0.9%.

Financial Assets held by the Public

The value of the portfolio of financial assets held by the public increased in the first three months of 2015 by 5.2%, reaching NIS 3,334 billion at the end of March 2015. This increase in the value of the portfolio derived from an increase in all of its components, particularly in the components of shares in Israel and abroad. The weight of shares (in Israel and abroad) in the financial assets portfolio of the Israeli public reached 25.1% at the end of March 2015, compared with 24.0% in December 2014.

Bank credit

Total bank credit in the economy granted to the private sector, including the corporate and household credit (before allowances for credit losses) increased by 1.3% in the first two months of 2015. This is the result of an increase of 0.7% in credit extended to the corporate sector and of 1.9% in credit extended to households. The development of components of credit to households indicated an increase of 0.7% in housing credit, with non-housing credit (consumer credit) expanding by 5.0%.

The table below shows credit ratings of the State of Israel and of the Bank as at 20 May 2015:

	Rating agency	Long-term	Forecast	Short-term
State of Israel	Moody's	A1	stable	P-1
	S&P	A+	stable	A-1
	Fitch	A	stable	F1
Bank Leumi: foreign currency	Moody's	A2	negative	P-1
	S&P	A-	stable	A-2
	Fitch	A-	stable	F1
Bank Leumi: local currency	Ma'alot	AAA	stable	-
	Midroog	Aaa	stable	P-1

Development in Leumi share price

From the beginning of the year until 31 March 2015, the price of Leumi shares rose from 1,338 points to 1,477 points, an increase of 10.4%. During this time, the Bank's market value increased from NIS 19.7 billion to NIS 21.7 billion.

On 19 May 2015, Leumi's share price stood at 1,525 points, reflecting a 3.2% increase since 31 March 2015. During this time, the Bank's market value increased to NIS 22.5 billion.

The following table sets out the principal representative exchange rates:

	31 March		31 December	
	2015	2014	2014	2013
	In NIS			
U.S. dollar	**3.980**	3.487	3.889	3.471
Euro	**4.273**	4.812	4.725	4.782
Pound sterling	**5.881**	5.806	6.064	5.742
Swiss franc	**4.089**	3.947	3.929	3.897

	2015	2014				
	1st quarter	Year	4th quarter	3rd quarter	2nd quarter	1st quarter
	(in percentages)					
Rate of increase (decrease) in Israeli Consumer Price Index ("known" index)	**(1.6)**	(0.1)	(0.2)	0.3	0.5	(0.7)
Rate of increase (decrease) of the U.S. dollar exchange rate	**2.3**	12.0	5.3	7.5	(1.4)	0.5
Rate of increase (decrease) of the euro exchange rate	**(9.5)**	(1.2)	1.6	(1.0)	(2.5)	0.6
Rate of increase (decrease) of the pound sterling exchange rate	**(3.0)**	5.6	1.4	2.0	0.9	1.1
Rate of increase (decrease) of the Swiss franc exchange rate	**4.1**	0.8	2.0	(0.2)	(2.1)	1.3

General Environment and Effect of External Factors on Activity

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.

Regulation, economy environment and effect of external factors on activity

Some of the information in this chapter is "forward-looking information". For the meaning of this term, see the section, "Description of the Banking Corporation's Business and Forward-Looking Information", below.

See detailed description in the 2014 Financial Report (pages 40-53).

Legislation and regulation relating to the Banking System

Material directives of the Bank of Israel

Regulations as a result of the recommendations of the Committee to Examine Debt Arrangements in Israel (Endoren Committee)

On 28 April 2015, the Banking Supervision Department published regulations implementing the recommendations of the Committee to Examine Debt Arrangements in Israel, relating to setting internal limits on credit to leveraged borrowers, strengthening the standard for the management of leveraged loans, and establishing a format for reporting to the Banking Supervision Department with regard to debt arrangements.

The details of the regulations are as follows:

- **Amendment to the Proper Conduct of Banking Management Regulation no. 311 – Credit Risk Management**

  Pursuant to the amendment, banking corporations are required to set limits on the volume of leveraged loans in their credit portfolio, and restrictions on the provision of credit to borrowers with levels of leverage higher than generally accepted in the sector. Directives are provided in relation to the participation of a banking corporation in a syndication transaction, both as an organizer or a credit provider. In particular, an organizing banking corporation must manage risks carefully because of the fear of absorbing losses as a result of a delay in the process of selling exposures, while the participating banking corporation is required to make an independent risk assessment, as if the banking corporation itself initiates the loan.

When extending credit to a corporation in a material amount (more than NIS 50 million), banking corporations will be required to obtain information on credit which the controlling owner in the borrowing corporation has taken to purchase the controlling shares in the corporation (or in the lien on them) and its past conduct, and to take it into account.

In addition, banking corporations will be required to incorporate in their procedures, appropriate quantitative calculations, which will constitute a basis for the bank's considerations prior to executing a debt arrangement, and a demand for an examination of a number of alternatives, to utilize the debt repayment.

The provisions of the amendment to the directive will apply to credit granted from 1 January 2016.

- **Amendment to the Proper Conduct of Banking Management Regulation no. 323 – Restrictions of the financing of capital transactions**

  The directive, which was, till now, devoted to the purchase of the means of control, was extended to apply all "credit for a capital transaction purpose". A capital transaction is defined as one whose object is the purchase of a capital right in another corporation, self-purchase or capital allocation (for example, a dividend). The definition of capital, from which the percentage of the limit determined in the directive is derived, was reduced from the overall capital base to Tier 1 capital, as defined in Proper Conduct of Banking Management Regulation no. 202.

  The provisions of the amendment to the directive will apply to credit granted from 1 January 2016.

- **Proper Conduct of Banking Management Regulation no. 327 – Management of leveraged loans**

  Pursuant to the directive, the minimum expectations of the Banking Supervision Department from the banking corporations, regarding the risk management of these loans, were heightened. The new directive instructs the banking corporations to define what a leveraged loan is, and provides various standards in relation to these loans, including all matters related to the credit policy, periodic discussion in the board of directors, underwriting and valuation procedures, reporting and quantitative analysis, classification of leveraged loans, credit analysis, credit control and stress tests.

  The provisions of the amendment to the directive will apply to credit granted from 1 January 2016.

- **Reporting Directive for Supervision no. 811 – Report on the reorganization of a problem debt**

  The directive requires banking corporation to furnish detailed quarterly reporting to the Banking Supervision Department on problem debt restructuring.

  This directive is effective for reporting from 30 September 2015.

Licensing process and establishment of Banking Association in Israel

On 5 May 2015, the Banking Supervision Department published a directive relating to the process of licensing and the establishment of banking associations in Israel. A "banking association" is a cooperative financial incorporation, owned and controlled by the members, which does not operate for profit purposes. A banking association is intended to allow its members bank account management services, savings, receipt of loans, and receipt of other basic banking services. The shareholders of the companies in a banking association, being a cooperative financial institution, are the account holders themselves, and they are those who elect the board of directors of the association. In each banking association, rules will be established which will define the rights and conditions for the companies therein, subject to the requirements of the law and based on a common denominator between the members, and only a member of the association will be able to maintain an account therein.

The directive set forth the threshold conditions for setting up banking associations in Israel, and the stages required for their establishment. The directive constitutes an additional measure in the adoption of the team examining the increase of competition in the banking sector.

Banking Order (Service to the Customer) (Supervision of Message or Warning Service), 2015

On 10 May 2015, the Governor of the Bank of Israel signed Banking Order (Service to the Customer) (Supervision of Message or Warning Service), 2015, pursuant to which the service of notices or warning was declared as a service subject to supervision and the maximum amount of commission in respect thereof was set at NIS 5 per notice or warning.

The effective date of this order is 1 July 2015.

Material drafts of the Supervisor of Banks

Draft amendment to Proper Conduct of Banking Management Regulation no. 313 – Restrictions on the Indebtedness of a Single Borrower and of a Group of Borrowers

On 13 May 2015, the Banking Supervision Department published a draft amendment to Proper Conduct of Banking Management Regulation no. 313 on Restrictions on the Indebtedness of a Single Borrower and of a Group of Borrowers.

The draft amendment to Regulation 313, *inter alia*, stipulates that the capital of the Bank, on the basis of which the maximum rates for the indebtedness of a borrower and the indebtedness of various groups of borrowers will be calculated, will be "Tier 1 capital" only, and not the full capital, as noted in the existing regulation. (The transitional provision applies this change gradually over three years.) In addition, the maximum rate of indebtedness of a banking group of borrowers to a banking corporation will be reduced from 25% of the capital to 15%. A number of other terminological amendments were made, mostly in the details of the amounts that could be reduced for the purpose of calculating the various indebtednesses.

The Bank is not expected to be materially affected by this regulation. For information regarding the limits on the indebtedness of a borrower and of a group of borrowers, see the chapter "Description of the Group's Business by Segments and Areas of Activity".

Draft Proper Conduct of Banking Management Regulation no. 450 – Procedures for Debt Collection

On 18 May 2015, the Banking Supervision Department published a new draft regulation on the subject of procedures for debt collection, which is intended to organize the steps, which, in the opinion of the Banking Supervision Department, should be taken in order to increase fairness and transparency when collecting the debts of customers who are individuals and small businesses, who do not repay their debts when due. The main subjects dealt with in the draft are: the determination of policy and procedures for dealing with debt collection, the involvement of senior management and the board of directors in the subject, the establishment of a designated function for dealing with the collection of debts, the provision of an interest ceiling for a loan in arrears, fair disclosure of the rate of arrears interest on a loan, the method for transferring customers' payments to reduce a debt, the duty to send a detailed notice to customers, continuity in access to information to customers using electronic means, the provision of information to customers directly by the banking corporation, supervision and control of the banking corporation, on its agent, regulations regarding the fee of the agent of the banking corporation, etc.

Draft Proper Conduct of Banking Management Regulation no. 454 regarding early repayment of non-housing loan

On 18 May 2015, the Banking Supervision Department published a draft amendment to Proper Conduct of Banking Management Regulation no. 454 "Early Repayment of Non-housing loan". The purpose of the amendment, according to the provisions of the circular which was published, is to expand the incidence of the existing arrangement in the directive, to establish a consistent and transparent mechanism for determining the interest rate according to which the capitalization component in non-housing loans is computed, and, as far as is feasible, to create uniformity between early repayment of a housing loan and early repayment of non-housing credit.

Pursuant to the proposed draft, the incidence of the provision will be expanded and will apply to a loan which is not subject to the Banking Order (Early Repayment of a Housing Loan), 2002, and which is extended to individuals or businesses whose activity turnover is less than NIS 10 million. In relation to the other loans, an early repayment will apply according to reasonable principles which will reflect the damage incurred by the bank as a result of the early repayment and which will be set in advance for these cases. In addition, the draft amendment to the directive, considers, *inter alia*, the rate of commission due to the failure to give early notice of at least 10 days, the method for calculating the capitalization component on early repayment, the method for furnishing the early repayment notice and the timing of the delivery of the explanatory notes and their content.

Additional regulations

Uniform Structure Circular for the Transfer of Information and Data in the Pension Savings Market

On 6 May 2015, the Capital Markets, Insurance and Savings Commissioner in the Ministry of Finance published a circular regarding a uniform structure for furnishing information and data in the pension savings market. The circular provides a structure of a "Uniform Entry" for use by the various factors in the pension savings market in the context of the various business transactions carried out among them, guaranteeing the following principles:

a. The complete, precise, reliable and available receipt and transfer of information, which is retrievable and replicable sufficiently quickly and effectively to comply with the provisions of the law.

b. The organization of the structure and content of the details of the information and data which is transferred between the various information producers and consumers in the pension savings field.

In addition, the circular provides the circumstances in which a license holder and an institutional entity are obliged to transfer the information required with regard to one of the interfaces dealt with in the circular.

The effective date of the circular will be on 1 November 2015, with the exception of a number of topics which come into force gradually at later dates, up to 1 January 2017.

Amendment to consolidated circular directive – Chapter 4 – Management of Investment Assets (Conditions for Participation in a Consortium Transaction)

In 2014, the Committee for the Review of the Method of Investing by Institutional Entities in adapted loans ("Goldschmidt Committee") published its report. In May 2015, the Capital Market, Insurance and Savings Commissioner in the Finance Ministry published the following various circulars to implement the Committee's recommendations. Among other things, a circular was published on 11 May 2015, setting forth the principles for the participation of an institutional entity in consortium and syndicate transactions. The circular relates to a number of issues characterizing these transactions, including the possibility of the existence of conflicts of interest between the organizer of a transaction and the other lenders in the transaction, a requirement from the institutional entity to receive information prior to entering into a transaction, and minimum requirements from the organizer of the transaction, such as: setting compulsory conditions in an agreement between the organizer and the lenders and between the lender and themselves, the definition of compulsory duties to the organizer and information on which it should furnish to the other lenders, the determination of the organizer's responsibility, a determination that the organizer will hold at any time at least 10% of the value of the loan, etc.

The effective date of the circular is 1 August 2015.

Interim Report of the Committee for Improving the System for Sharing Credit Data

On 18 May 2015, the Interim Report of the Committee for Improving the System for Sharing Credit Data was published. The report recommends two major changes in the Credit Data Service Law. The first is the inclusion of positive information in the credit databases, in addition to the negative information which is being gathered currently. The second is a change in the default position as regards the transfer of the information. Currently, in order for the information of a customer (who has no negative information) to be transferred, he is required to make an active application for the information to be gathered. The committee believes that the default position regarding the collection of positive information should be altered so that the information will be transferred, unless the customer actively opts for the positive information not to be transferred. In addition, it is proposed that the Israel Electric Company should be added to the list of the public entities which are currently required to furnish information to the database (the Bank of Israel, the Execution Office, the Official Receiver and the courts). In future, the possibility of augmenting the list, to also include local authorities and water corporations, will be examined. As regards the period of holding the data, the committee recommends curtailing it to five years only. With regard to all matters relating to customer privacy and rights, the committee recommends that a credit provider who wishes to access a credit report which contains no negative information will be required to obtain the customer's consent.

With regard to the purposes for the use of the information, the committee recommends that, in addition to the purposes relating to the provision of credit, three additional purposes for use should be added: financial education, mediation of credit products and research. However, in all matters relating to the employment market, the committee believes that the purpose for use relating to engagement in a contract of employment should be removed from the law. With regard to the rental market, the committee recommends examining the use of the information for encouraging a long-term rental market.

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 2014.

In the first quarter of 2015, an accounting standard regarding employee rights was implemented for the first time.

For further details, see Note 1b – Significant Accounting Policies, below.

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 assessments.

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

The principal critical accounting subjects referred to in the Annual Report as at 31 December 2014 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.

Intangible assets

In the context of Public Reporting Directive no. 662 of the Banking Supervision Department, the provisions for the implementation of Accounting Standard no. 38 – "Intangible Assets" was provided regarding the cost of software for self use. On 31 March 2015, the Supervisor of Banks sent a draft letter to the Bank stating that audits that had been conducted in a number of banking corporations had revealed defects in the internal control over financial reporting on the process of capitalizing software costs.

Accordingly, the Bank was requested, *inter alia*, that in the report of 30 June 2015 and thereafter:

(1) a materiality threshold would be set for each software development project in respect of which software costs are capitalized, in a range between NIS 750 thousand and NIS 1 million (with each software development project in respect of whose total software development costs which may be capitalized are lower than the materiality threshold to be set being transferred to expenses in the statement of profit and loss, and the abovementioned software developments being recorded as assets until now being recorded as an expense in the statement of profit and loss);

(2) the estimate of the life of the software costs that have been capitalized will be revised such that it does not exceed five years, and;

(3) various regulations were provided regarding software development projects whose total costs that may be capitalized in respect thereof are not lower than the abovementioned materiality threshold. According to the draft, the Bank may treat these requirements as a change in accounting policy, including the retroactive implementation of the accounting policy for the comparative period.

The Bank is examining the implications of this draft and is not able at this stage to assess the quantitative effect on the Bank of the provisions of the Supervisor's letter.

Obligations for employees' rights

On 9 April 2014, the Supervisor of Banks published a circular regarding the adoption of the accounting rules in the United States on the subject of employee rights. The circular updates the recognition, measurement and disclosure requirements regarding benefits to employees in the Public Reporting Directives in accordance with the generally accepted accounting principles in banks in the United States.

The circular provides that the amendments to the Public Reporting Directives will apply from 1 January 2015, with the Bank, on initial implementation, correcting with retroactive effect the comparative figures for periods commencing 1 January 2013 and onwards, in order to comply with the requirement of the rules as aforesaid.

On 11 January 2015, the Supervisor of Banks published a supplementary circular, which was published on 9 April 2014, which includes a format of disclosure on the subject of employee rights and on the subject of share-based payments. In addition, the circular updates other subjects, including: discount rates, transitional provisions, requirements for disclosure in the report of other comprehensive income, in the note on accumulated other comprehensive income and the requirements for disclosure in the report of the Board of Directors.

It is noted in the circular that the Bank of Israel had come to the conclusion that Israel did not have a solid market for high-quality corporate debentures. Accordingly, the discount rate for employee benefits should be computed on the basis of the yield from government debentures in Israel with the addition of an average margin of international corporate debentures rated AA and above. For practical reasons, it was provided that the margin should be based on the margins of corporate debentures in the United States. A bank which believes that the changes in the margin obtained in a certain period are derived from irregular fluctuations in markets in such a way that the margins obtained thereby are not appropriate for use in discounting as aforesaid, should apply to receive a pre-ruling from the Banking Supervision Department. Examples of these situations may include, *inter alia*, changes in respect of which the margin obtained is higher than the margin on AA-rated (local) corporate debentures in Israel.

The Bank is required to retroactively amend the comparative figures for periods commencing 1 January 2013 and thereafter. As regards the accounting treatment of actuarial gains and losses arising from the changes in discount rates, it was provided as follows:

- The actuarial loss as of 1 January 2013 arising from the gap between the discount rate for computing reserves for covering index-linked employee rights provided according to the temporary provisions of the Public Reporting Directives (4%) and the discount rates at this date determined according to the new rules as explained above will be included in accumulated other comprehensive income.
- Actuarial gains recorded from 1 January 2013 and thereafter, as a result of current changes in the discount rates during the reporting year, will be recorded in accumulated other comprehensive income and will reduce the balance of the loss recorded as stated above until this balance is reduced to zero.
- Actuarial gains arising from current changes in discount rates during the reporting year after the recorded balance of the loss has been reduced to zero, as stated above, and actuarial losses, will be amortized using the straight-line method over the average period of service remaining of the employees who are expected to receive benefits under the plan.
- Other actuarial gains and losses (which do not arise as a result of a change in discount rates) as of 1 January 2013 and, in the subsequent period, will be included within accumulated other comprehensive income and will be amortized on a straight-line basis over the average period of service of the employees who are expected to receive benefits under the plan.
- The effect of the initial implementation on other employee benefits, all of the changes in which are carried to the profit and loss on a current basis (such as a jubilee bonus) will be carried to retained earnings.

In addition, the circular updates the disclosure requirements regarding employee rights and share-based payments in accordance with generally accepted accounting principles in banks in the United States.

On 12 January 2015, an FAQ was published regarding employees, including examples of the treatment of common benefits in the banking system, in accordance with generally accepted accounting principles in banks in the United States.

The cumulative effect of the initial adoption of the United States generally accepted accounting principles regarding employee rights as of 1 January 2013 is as follows: a decrease in capital amounting to NIS 712 million, of which a negative capital reserve of NIS 725 million which is recorded in accumulated other comprehensive income within "adjustments in respect of employee benefits". This benefit is in respect of an actuarial loss deriving from the gap between the discount rate for computing reserves to cover employee rights linked to the consumer price index determined according to the temporary provision in the Public Reporting Directives (4%), and the discount rates at this date of index-linked obligations to employees, which were determined by the Supervisor of Banks. As of 31 March 2015, the balance of the fund of adjustments in respect of employee benefits amounted to NIS 2,709 million, after the effect of tax.
From the end of the first quarter till immediately prior to the publication date of the quarterly report, the discount rate increased as expected, according to a preliminary estimate, to increase the capital by NIS 470 million.

For further information regarding the effect of the standard as of 31 December 2014 and 31 March 2015, see Note 1c.1 to the financial statements.

The computation of the capital requirements pursuant to the Basel III provisions will be made in accordance with the transitional provisions established in Proper Conduct of Banking Management Regulation no. 299, which provides that the balance of other comprehensive income or loss arising from adjustments in respect of employee benefits, and the amount carried directly to retained earnings as of 1 January 2013 in respect of the effect of initial adoption will not be brought into account immediately, but will be subject to the transitional provisions, so that their effect will be spread as follows: 40% from 1 January 2015, and a further 20% on 1 January of each year, until full implementation commencing 1 January 2018.

For further details, see the 2014 Annual Report (pages 52 to 60).

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 quarter of 2015 was NIS 1,171 million, compared with NIS 565 million in the corresponding period in 2014, an increase of 107.3%.

Excluding the profit from the sales of shares in the Israel Corporation, the profit for the first quarter of 2015 was NIS 753 million, compared with NIS 565 million in the corresponding period last year, an increase of 33.3%

The change in the net profit in the first quarter of 2015 compared with the corresponding period in 2014 is as follows:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS millions	%
Net income interest	**1,516**	1,757	(241)	(13.7)
Income (expenses) in respect of credit losses	**(81)**	51	(132)	-
Non-interest income	**2,425**	1,394	1,031	74.0
Other operating expenses	**2,254**	2,161	93	4.3
Profit before taxes	**1,606**	1,041	565	54.3
Provision for tax	**557**	428	129	30.1
Profit after taxes	**1,049**	613	436	71.1
The Bank's share in profits (losses) of companies included on equity basis	**131**	(37)	168	+
Net profit attributed to non-controlling interests	**(9)**	(11)	2	18.2
Net profit attributed to shareholders in the banking corporation	**1,171**	565	606	107.3

Net interest income of Leumi Group amounted in the first quarter of 2015 to NIS 1,516 million, compared with NIS 1,757 million in the corresponding period last year, a decrease of NIS 241 million or 13.7%. The decrease is mainly due to a fall in market interest rates and the impact of the exceptional negative index in the reported quarter.

The ratio of net interest income to the average balance of income-bearing assets is 1.74% (in annual terms), compared with 2.15% in the corresponding period in 2014.

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

	For the three months ended		
	31 March 2015	31 March 2014	Change
	NIS millions		%
Households	**626**	652	(4.0)
Small businesses	**261**	257	1.6
Private banking	**61**	75	(18.7)
Commercial banking	**359**	342	5.0
Corporate banking	**290**	315	(7.9)
Financial management	**(82)**	113	-
Other	**1**	3	(66.7)
Total	**1,516**	1,757	(13.7)

Total interest margin in the first quarter of 2015 was 1.74%, compared with 2.01% in the corresponding period in 2014.

Expenses (income) in respect of credit losses in the Leumi Group for the first quarter of 2015 amounted to expenses of NIS 81 million, compared with income of NIS 51 million in the corresponding period last year.

The increase in expenses in respect of credit losses in the third quarter of the year compared to the corresponding period last year was primarily attributable to an increase the collective allowance.

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

	2015	2014				
	1st quarter	Year	4th quarter	3rd quarter	2nd quarter	1st quarter
Individual expense (income) in respect of credit losses	**(74)**	(94)	157	(60)	(114)	(77)
Collective expense in respect of credit losses	**155**	566	326	116	98	26
Total expense (income) in respect of credit losses	**81**	472	483	56	(16)	(51)
Percentage ratios (in annual terms):						
Individual expenses (income) in respect of credit losses to total credit to the public, net	**(0.12)**	(0.03)	0.25	(0.10)	(0.19)	(0.12)
Collective expenses in respect of credit losses to total credit to the public, net	**0.25**	0.22	0.52	0.19	0.16	0.04
Total expenses (income) in respect of credit losses to total credit to the public, net	**0.13**	0.19	0.77	0.09	(0.03)	(0.08)
Individual expenses (income) in respect of credit losses to total credit risk to the public	**(0.08)**	(0.02)	0.16	(0.06)	(0.13)	(0.09)
Collective expenses in respect of credit losses to total credit risk to the public	**0.16**	0.14	0.33	0.12	0.11	0.03
Total expenses (income) in respect of credit losses to total credit risk to the public	**0.08**	0.12	0.49	0.06	(0.02)	(0.06)

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

	31 March 2015	31 March 2014	31 December 2014
Credit loss allowance on a collective basis (NIS millions)	**3,133**	2,677	3,041
Balance of credit loss allowance on a collective basis to total credit to the public, net (%)	**1.25**	1.11	1.20
Balance of credit loss allowance on a collective basis to total credit risk to the public, net (%)	**0.80**	0.73	0.78

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

	First three months of 2015		First three months of 2014	
	NIS millions	% (a)	NIS millions	% (a)
Households	**43**	**0.2**	38	**0.1**
Small businesses	**17**	**0.3**	19	**0.3**
Private banking	**16**	**1.3**	(1)	**(0.1)**
Commercial banking	**(53)**	**(0.4)**	(28)	**(0.2)**
Corporate banking	**83**	**0.6**	(87)	**(0.6)**
Financial management and other	**(25)**	**(2.5)**	8	**0.8**
Total	**81**	**0.1**	(51)	**(0.1)**

(a) 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:

	For the three months ended	
	31 March 2015	31 March 2014
	NIS millions	
Industry	**59**	(53)
Construction and real estate	**27**	(61)
Trade	**(2)**	(29)
Hotel, food and catering services	**2**	-
Transportation and storage	**(1)**	17
Information and communications	**11**	32
Financial services	**(48)**	77
Other business services	**1**	3
Private individuals - housing loans	**(3)**	-
Private individuals – other	**48**	(35)
Others	**(12)**	(5)
Total public	**82**	(54)
Total banks	**(1)**	3
Total goverments	**-**	-
Total	**81**	(51)

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:

	For the three months ended		
	31 March 2015	31 March 2014	Change
	NIS millions		%
The Bank	**125**	(85)	+
Leumi Card	**2**	4	(50.0)
Arab Israel Bank	**-**	3	-
Leumi – U.S.A.	**2**	5	(60.0)
Leumi – U.K.	**(31)**	19	-
Leumi Romania	**(17)**	3	-
Total expenses (income) in respect of credit losses	**81**	(51)	+

Problem credit risk

	31 March 2015		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (a)			
Impaired credit risk	**4,875**	**295**	**5,170**
Subordinate credit risk	**1,722**	**633**	**2,355**
Credit risk under special supervision (b)	**3,746**	**535**	**4,281**
Total problem credit	**10,343**	**1,463**	**11,806**
Of which: Unimpaired debts in arrears 90 days or more (b)	**928**	**-**	**-**
2. Non-performing assets:			
Impaired debts	**4,530**	**-**	**-**
Assets received in respect of credit cleared	**15**	**-**	**-**
Total non-performing assets	**4,545**	**-**	**-**

	31 March 2014		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (a)			
Impaired credit risk	5,534	275	5,809
Subordinate credit risk	1,567	430	1,997
Credit risk under special supervision (b)	3,023	727	3,750
Total problem credit	10,124	1,432	11,556
Of which: Unimpaired debts in arrears 90 days or more (b)	1,152	-	-
2. Non-performing assets:			
Impaired debts	4,964	-	-
Assets received in respect of credit cleared	42	-	-
Total non-performing assets	5,006	-	-

	31 December 2014		
	Balance sheet	Off-balance sheet	Total
	NIS millions		
1. Problem credit risk: (a)			
Impaired credit risk	4,816	375	5,191
Subordinate credit risk	2,331	637	2,968
Credit risk under special supervision (b)	3,060	529	3,589
Total problem credit	10,207	1,541	11,748
Of which: Unimpaired debts in arrears 90 days or more (b)	941	-	-
2. Non-performing assets:			
Impaired debts	4,411	-	-
Assets received in respect of credit cleared	15	-	-
Total non-performing assets	4,426	-	-

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.

(a) Credit risk impaired, subordinate or under special supervision.

(b) 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:

	31 March 2015	31 March 2014	31 December 2014
	%		
Balance of impaired credit to the public not accruing interest income as a percentage of the balance of credit to the public	**1.8**	2.0	1.7
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	**0.4**	0.4	0.4
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	**87.4**	77.4	90.5
Problem commercial credit risk in respect of the public as a percentage of total credit risk in respect of the public	**2.7**	2.8	2.7
Expenses in respect of credit losses as a percentage of the average balance of credit to the public (in annual terms)	**0.1**	(0.1)	0.2
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**	-	0.1
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)	16.7	(0.2)	7.6

Noninterest income of Leumi Group amounted to NIS 2,425 million in the first quarter of 2015, compared with NIS 1,394 million in the corresponding period last year, an increase of NIS 1,031 million or 74.0%.

Excluding profits from the sale of shares in the Israel Corporation, noninterest income in the first quarter of 2015 amounted to NIS 1,903 million, an increase of NIS 509 million, or 36.5%.

Most of the increase in this profit stems from the profit on the sale of Mobileye shares (NIS 288 million before tax) and profits from the sale and/or adjustments to the fair value of debentures.

Noninterest income includes:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS million		NIS million	%
Non-interest financial income	**1,319**	323	996	+
Commissions	**1,051**	1,040	11	1.1
Other income	**55**	31	24	77.4
Total	**2,425**	1,394	1,031	74.0

Development of noninterest income by quarter is as follows:

	2015	2014			
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions				
Non-interest financial income	**1,319**	76	224	172	323
Commissions	**1,051**	1,054	1,033	1,040	1,040
Other income	**55**	123	71	18	31
Total	**2,425**	1,253	1,328	1,230	1,394

Details of non-interest financial income are as follows:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS millions	%
Net income (expenses) in respect of derivative instruments and net exchange rate differences	**(79)**	(29)	(50)	-
Profits from sale of available-for-sale debentures, net	**104**	82	22	26.8
Profits from investments in shares including dividends (a)	**1,025**	129	896	+
Net profits in respect of loans sold	**-**	-	-	-
Realized and unrealized profits and losses and adjustments of debentures and shares available for trade to fair value, net	**269**	141	128	90.8
Total	**1,319**	323	996	+

(a) In the first quarter of 2015, including mainly profit from the sale of shares of the Israel Corporation and Mobileye amounting to NIS 522 million and NIS 288 million, before the effect of tax, respectively, and in the first quarter of 2014 including profit on the sale of shares of Partner amounting to NIS 70 million before the effect of tax.

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

	2015	2014			
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions				
Net income (expenses) in respect of derivative instruments and net exchange rate differences	**(79)**	(163)	(180)	26	(29)
Profits from sale of available-for-sale debentures, net	**104**	78	10	35	82
Profits from investments in shares including dividends (a)	**1,025**	89	199	35	129
Net profits in respect of loans sold	**-**	-	28	-	-
Realized and unrealized profits from adjustments of debentures and shares available for trade to fair value, net	**269**	72	167	76	141
Total	**1,319**	76	224	172	323

(a) In the first quarter of 2015, includes mainly profit from the sale of shares of the Israel Corporation and Mobileye amounting to NIS 522 million and NIS 288 million before the effect of tax, respectively. In 2014, includes mainly profit from the sale of shares of Partner amounting to NIS 70 million before the effect of tax, and in the first quarter of 2014, profit on the sale of shares of Mobileye, amounting to NIS 144 million, before the effect of tax, in the third quarter of 2014.

Details of commissions are as follows:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS millions	%
Account management	**209**	212	(3)	(1.4)
Activity in certain securities and derivative instruments	**194**	217	(23)	(10.6)
Credit cards	**230**	226	4	1.8
Dealing with credit (a)	**52**	47	5	10.6
Commissions for distribution of financial products	**76**	66	10	15.2
Conversion differences	**80**	79	1	1.3
Commissions from financing transactions	**126**	117	9	7.7
Other commissions	**84**	76	8	10.5
Total commissions	**1,051**	1,040	11	1.1

Income from commissions covers 46.6% of the operating and other expenses, compared with 48.1% in the corresponding period last year and compared with 44.5% for the whole of 2014.

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

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS millions	%
Households	**459**	452	7	1.5
Small businesses	**133**	124	9	7.3
Private banking	**139**	135	4	3.0
Commercial banking	**135**	127	8	6.3
Corporate banking	**162**	184	(22)	(12.0)
Financial management	**1,389**	364	1,025	+
Other	**8**	8	-	-
Total	**2,425**	1,394	1,031	74.0

The proportion of non-interest income from all income (i.e., net interest income and noninterest income) was 61.5%, compared with 44.2% in the corresponding period last year and compared with 41.4% for the whole of 2014.

Total operating and other expenses of Leumi Group in the first quarter of 2015 amounted to NIS 2,254 million, compared with NIS 2,161 million in the corresponding period last year, an increase of NIS 93 million or 4.3%. During the first quarter of 2015, expenses amounting to NIS 30 million were recorded in respect of the closure of the office in Switzerland and the amortization of the balance of goodwill in respect of the investment in the office.

Operating and other expenses include:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS million	%
Salaries and related expenses	**1,403**	1,349	54	4.0
Maintenance and depreciation of buildings and equipment	**455**	442	13	2.9
Other expenses (including amortization of intangible assets), excluding expenses related to the investigation of overseas customers	**376**	328	48	14.6
Total operating and other expenses, excluding expenses related to the investigation of overseas customers	**2,234**	2,119	115	5.4
Expenses related to the investigation of overseas customers	**20**	42	(22)	(52)
Total operating and other expenses, including expenses related to the investigation of overseas customers	**2,254**	2,161	93	4.3

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

	2015	2014				
	1st quarter	Total for year	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions					
Salary and related expenses	**920**	4,012	1,019	986	988	1,019
Yield bonus	**155**	100	(159)	98	29	132
Voluntary retirement, pension and severance pay expenses, net of fund profits	**328**	916	408	147	163	198
Total salary expenses	**1,403**	5,028	1,268	1,231	1,180	1,349

As may be seen above, there was a decrease of NIS 99 million in salary and related expenses. This decrease is mainly explained by the recording of the non-recurring effect (NIS 97 million) of signing a collective salary agreement (at the same, recording a benefit directly to shareholders' equity pursuant to the provisions of the new standards in respect of employee benefits). The decrease in the number of employees offset the effect of the annual salary increment which is given each year in the first quarter.

The rate of accrual of bonus expenses is a derivative of the annual rate of accrual of profits. Due to the increase in the profit for the quarter, compared to the corresponding quarter last year, there is an increase in this item.

The increase in the balance of this item is mostly explained by the impact of the new standard, principally as a result of measuring the yield on the funds according to expected yield, which was lower than the actual yield, both in this quarter and in the corresponding period last year quarter last year (a negative effect amounting to NIS 68 million), and as a result of a decrease in interest rates during 2013-2014, which results in a deduction of amounts higher than the capital reserves (a negative effect amounting to NIS 49 million).

Operating and other expenses (building and equipment maintenance, depreciation and other expenses) amounted to NIS 851 million in the first quarter of 2015, an increase of 4.8% over the corresponding period last year, which is mainly explained by the provision for closure expenses in Switzerland (as mentioned above), and by an increase in advertising and marketing expenses.

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

	2015	2014			
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
	NIS millions				
Depreciation	**196**	187	177	181	181
Maintenance of buildings and equipment	**259**	262	274	255	261
Other expenses and amortization of intangible assets, excluding expenses related to the investigation in respect of overseas customers	**376**	506	301	404	328
Total operating and other expenses, excluding expenses related to the investigation of overseas customers	**831**	955	752	840	770
Expenses related to the investigation of overseas customers	**20**	17	480	487	42
Total operating and other expenses, including expenses related to the investigation of overseas customers	**851**	972	1,232	1,327	812

*   Excluding salary
** Excluding exchange rate differences

Operating expenses constitute 57.2% of total income, compared with 68.6% in the corresponding period in 2014 and compared with 74.6% for the whole of 2014.

Total operating and other expenses (in annual terms) constitute 2.28% of the total balance sheet, compared with 2.35% in the corresponding period in 2014, and compared with 2.36% for the whole of 2014.

Profit before tax of Leumi Group for the first quarter of 2015 amounted to NIS 1,606 million, compared with NIS 1,041 million in the corresponding period last year, an increase of 54.3%.

The provision for tax on the profit of the Leumi Group in the first quarter of 2015 amounted to NIS 557 million, compared with NIS 428 million in the corresponding period last year. The rate of the provision in the first quarter of 2015 was some 34.7% of the pre-tax profit, compared with 41.1% in the corresponding period in 2014, a decrease of some 6.4%. The decrease in the tax rate derives primarily from an increase in income taxable at reduced tax rates in the period, compared to the corresponding period last year.

Profit after taxes for the first quarter of 2015 amounted to NIS 1,049 million, compared with NIS 613 million in the corresponding period in 2014, an increase of 71.1%.

The Group's share in profit after taxes of associate companies amounted to a profit of NIS 131 million in the first quarter of 2015, compared with a loss of NIS 37 million in the corresponding period last year.

Net profit before attribution to holders of non-controlling interests in the first quarter of 2015 amounted to NIS 1,180 million, compared with a profit of NIS 576 million in the corresponding period last year, an increase of 104.9%.

Net profit attributable to holders of non-controlling interests in the first quarter of 2015 amounted to a profit NIS 9 million, compared with a profit of NIS 11 million in the corresponding period last year.

Net profit attributable to shareholders in the banking corporation in the first quarter of 2015 amounted to NIS 1,171 million, compared to a profit of NIS 565 million in the corresponding period in 2014, an increase of 107.3%.

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

Return on capital in the first quarter of 2015 was 18.7%, compared with 9.0% in the first quarter of 2014, and 5.3% in 2014.

Basic net profit per share attributable to the shareholders of the banking corporation was NIS 0.80 for the first quarter of 2015, compared with NIS 0.38 for the corresponding period last year.

The following table is the condensed statement of comprehensive income:

	For the three months ended			
	31 March 2015	31 March 2014	Change	
	NIS millions		NIS millions	%
Net profit attributable to shareholders in the banking corporation	**1,171**	565	606	+
Other comprehensive income (loss) before tax	**(664)**	89	(753)	-
Effect of tax attributable to other comprehensive income	**303**	(70)	373	+
Other comprehensive income (loss) attributable to noncontrolling interests	**1**	1	-	-
Total profit attributable to shareholders in the banking corporation	**809**	583	226	38.8

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

Total assets of Leumi Group as at 31 March 2015 amounted to NIS 399.5 billion, compared with NIS 397.2 billion at the end of 2014, an increase of 0.6%, and compared with 31 March 2014, an increase of 7.6%.

The value of the assets in the balance sheet denominated in and linked to foreign currency was some NIS 93.0 billion, some 23.3% of total assets. During the first quarter of 2015, the shekel fell against the U.S. dollar by 2.3% and appreciated against the euro by 9.5%. The change in exchange rates in the first quarter of 2015 led to an increase of 0.2% in the total assets of the Group.

Total assets under Group management, including 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 and pension counseling services are provided amounting to some NIS 1,235 billion, compared with NIS 1,225 billion at the end of 2014 (US$ 310 billion and US$ 315 billion, respectively).

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

	31 March 2015	31 December 2014	From December 2014	From March 2014
	NIS millions		Change %	
Total assets	**399,521**	397,197	0.6	7.6
Cash and deposits with banks	**51,769**	60,615	(14.6)	17.2
Securities	**64,379**	52,113	23.5	6.4
Credit to the public, net	**250,275**	252,480	(0.9)	3.7
Buildings and equipment	**3,651**	3,729	(2.1)	0.7
Deposits of the public	**305,017**	303,397	0.5	7.9
Deposits from banks	**6,187**	4,556	35.8	41.7
Debentures, notes and subordinated notes	**19,596**	23,678	(17.2)	(20.0)
Total equity	**26,979**	26,176	3.1	4.6

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

	31 March 2015	31 December 2014	From December 2014	From March 2014
	NIS millions		Change %	
Documentary credits, net	**2,025**	1,624	24.7	(2.3)
Guarantees securing credit, net	**5,933**	5,969	(0.6)	5.5
Guarantess to apartment purchasers, net	**18,269**	17,523	4.3	15.0
Other guarantees and liabilities, net	**17,514**	16,863	3.9	16.1
Derivative instruments (a)	**693,190**	664,316	4.3	19.0
Options of all types	**137,367**	149,837	(8.3)	25.6

(a) Including "forward" transactions, financial swap contracts, futures swaps and credit derivatives. For further details see Note 7 to the financial statements.

Deposits of the public amounted to NIS 305.0 billion as at 31 March 2015, compared with NIS 303.4 billion as at 31 December 2014, an increase of 0.5%, and compared with 31 March 2014, an increase of 7.9%, this, despite the movement of NIS 4 billion from Leumi Switzerland to Julius Baer on closing the transaction in mid-March 2015.

The changes in the exchange rate of the shekel in relation to foreign currencies in the first quarter of the year contributed to an increase of 0.1% in total deposits of the public.

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

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

	31 March 2015	31 December 2014	
	NIS millions		Change %
Households	**116,147**	115,480	0.6
Small businesses	**25,422**	26,090	(2.6)
Private banking	**32,305**	34,830	(7.2)
Commercial banking	**45,233**	44,598	1.4
Corporate banking	**26,030**	27,754	(6.2)
Financial management and other	**59,880**	54,645	9.6
Total	**305,017**	303,397	0.5

Debentures, capital notes and subordinated notes totaled NIS 19.6 billion on 31 March 2015, compared with NIS 23.7 billion as at 31 December 2014, a decrease of 17.2%, and compared with 31 March 2014, a decrease of 20.0%. In the first quarter of 2015, NIS 4,042 million of debentures was repaid.

Off-balance sheet activity

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

	31 March 2015	31 December 2014	Change	
	NIS millions		NIS millions	%
Securities portfolios (a)	**623,716**	618,728	4,988	0.8
Assets in respect of which operating services are provided: (a)(b)(c)				
Mutual funds	**69,874**	74,052	(4,178)	(5.6)
Provident and pension funds	**71,635**	67,895	3,740	5.5
Supplementary training funds	**69,934**	65,884	4,050	6.1

(a) 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.

(b) The Group in Israel does not manage any mutual funds, provident funds or supplementary training funds.

(c) 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 250.3 billion as at 31 March 2015, compared with NIS 252.5 billion as at 31 December 2014, a decrease of 0.9%, and compared with 31 March 2014, an increase of 3.7%.

In addition to credit to the public, the Group invests in corporate debentures which, as at 31 March 2015, amounted to NIS 12,230 million, compared with NIS 15,005 million as at 31 December 2014, a decrease of 18.5%.

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

	31 March 2015		31 December 2014		
	Overall credit risk to the public	Percentage of total	Overall credit risk to the public	Percentage of total	Change
	NIS millions	%	NIS millions	%	%
Agriculture	**2,247**	**0.6**	2,221	0.6	1.2
Mining and quarrying	**723**	**0.2**	761	0.2	(5.0)
Industry	**36,462**	**9.4**	38,309	9.8	(4.8)
Construction and real estate (b)	**85,430**	**21.9**	83,690	21.3	2.1
Electricity and water	**4,406**	**1.1**	5,651	1.4	(22.0)
Trade	**33,634**	**8.6**	34,988	8.9	(3.9)
Hotels, catering and food	**4,255**	**1.1**	4,482	1.1	(5.1)
Transportation and storage	**6,846**	**1.8**	6,464	1.6	5.9
Information and communications	**8,004**	**2.1**	7,700	2.0	3.9
Financial services	**40,935**	**10.5**	42,708	10.9	(4.2)
Other business services	**12,049**	**3.1**	12,115	3.1	(0.5)
Public and community services	**7,966**	**2.0**	7,930	2.0	0.5
Private individuals - housing loans	**78,965**	**20.2**	77,939	19.9	1.3
Private persons – other	**67,846**	**17.4**	67,081	17.2	1.1
Total	**389,768**	**100.0**	392,039	100.0	(0.6)

(a) 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.

(b) Including housing loans extended to purchasing groups that are in the process of construction amounting to NIS 1,455 million and off-balance sheet credit risk amounting to NIS 1,757 million, compared to NIS 1,383 million and NIS 1,867 million, respectively, as at 31 December 2014.

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

	31 March 2015	31 December 2014	
	NIS millions		Change %
Households	**111,542**	110,696	108,136
Of which: housing loans	**74,950**	74,238	72,779
Small businesses	**24,708**	24,034	24,325
Corporate banking	**55,207**	58,761	59,186
Commercial banking	**50,048**	49,833	51,339
Private banking	**4,846**	5,882	6,065
Financial management and capital markets	**3,924**	3,274	430
Total	**250,275**	252,480	249,481

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		**31 March 2015** Percentage of total number of borrowers	Percentage of total balance sheet credit	Percentage of total off-balance sheet credit
From	To	%		
-	80	**80.1**	**6.3**	**20.8**
80	600	**16.6**	**21.9**	**11.2**
600	1,200	**2.2**	**13.4**	**2.9**
1,200	2,000	**0.5**	**5.8**	**1.8**
2,000	8,000	**0.4**	**8.9**	**4.4**
8,000	20,000	**0.1**	**6.8**	**4.4**
20,000	40,000	**0.04**	**6.5**	**4.9**
40,000	200,000	**0.04**	**14.8**	**18.2**
200,000	800,000	**0.01** (a)	**11.2**	**22.7**
Above 800,000		**0.001** (b)	**4.4**	**8.7**
Total		**100.0**	**100.0**	**100.0**

Credit ceiling in NIS thousands		31 December 2014 Percentage of total number of borrowers	Percentage of total balance sheet credit	Percentage of total off-balance sheet credit
From	To	%		
-	80	80.7	6.3	20.6
80	600	16.1	21.1	11.0
600	1,200	2.2	13.4	2.9
1,200	2,000	0.6	5.9	1.9
2,000	8,000	0.4	8.8	4.5
8,000	20,000	0.1	6.7	4.6
20,000	40,000	0.04	6.6	5.5
40,000	200,000	0.03	14.4	17.9
200,000	800,000	0.01 (a)	11.5	21.6
Above 800,000		0.001 (b)	5.3	9.5
Total		100.0	100.0	100.0

(a) On 31 March 2015 - 157 borrowers and on 31 December 2014 - 153 borrowers.

(b) On 31 March 2015 - 16 borrowers and on 31 December 2014 - 18 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:

		31 March 2015					
		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	NIS millions					
800	1,200	**8**	**-**	**3,651**	**-**	**3,990**	**-**
1,200	1,600	**4**	**-**	**2,345**	**-**	**2,976**	**-**
1,600	2,000	**1**	**-**	**1,252**	**-**	**673**	**-**
2,000	2,400	**2**	**-**	**2,052**	**-**	**2,057**	**-**
2,400	2,675	**1**	**-**	**2,247**	**-**	**428**	**-**
Total		**16**	**-**	**11,547**	**-**	**10,124**	**-**

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 2014					
		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	NIS millions					
800	1,200	10	-	4,656	-	5,290	-
1,200	1,600	2	-	268	-	2,360	-
1,600	2,000	2	-	2,942	-	400	-
2,000	2,400	3	-	4,068	-	2,019	-
2,800	2,855	1	-	2,157	-	698	-
Total		18	-	14,091	-	10,767	-

2. Credit risk according to industry sectors:

	31 March 2015		
	Number of borrowers	Balance sheet credit	Off-balance sheet credit risk
		NIS millions	
Industry and manufacturing	**3**	**87**	**4,513**
Construction and real estate	**5**	**2,629**	**2,313**
Public and community services	**1**	**668**	**264**
Information and communications	**1**	**1,975**	**50**
Financial services	**3**	**4,583**	**899**
Hotels, catering and food	**1**	**144**	**687**
Utilities	**1**	**1,252**	**673**
Trade	**1**	**209**	**725**
Total	**16**	**11,547**	**10,124**

	31 December 2014		
	Number of borrowers	Balance sheet credit	Off-balance sheet credit risk
		NIS millions	
Industry	5	2,637	4,981
Construction and real estate	6	2,909	3,282
Public and community services	1	685	196
Communications and computer services	1	1,957	49
Financial services	3	3,570	865
Utilities	1	2,157	698
Hotels, catering and food	1	176	696
Total	18	14,091	10,767

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 of 31 March 2015, the Group has no credit exposure to a group of borrowers whose indebtedness exceeds 15% of the Bank's capital (for capital adequacy purposes).

b. The total indebtedness of groups of borrowers whose indebtedness exceeds 10% of the Bank's capital:

The aggregate indebtedness of large borrowers, groups of borrowers and banking groups of borrowers whose debt exceeds 10% of the Bank's capital constituted 12.1% of the Bank's capital at 31 March 2015, compared with the regulatory limit of 120% of the Bank's capital.

Problem debts

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

	31 March 2015			31 December 2014		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
	NIS millions			NIS millions		
Impaired debts	**3,682**	**173**	**3,855**	3,500	212	3,712
Substandard debts	**1,548**	**621**	**2,169**	2,062	619	2,681
Special mention debts	**3,164**	**512**	**3,676**	2,645	513	3,158
Total	**8,394**	**1,306**	**9,700**	8,207	1,344	9,551

Problem credit risk:

	31 March 2015	31 December 2014
	Problem credit risk	Problem credit risk
	NIS millions	
Commercial problem credit risk	**10,519**	10,439
Retail problem credit risk	**1,287**	1,309
Total	**11,806**	11,748
Allowance for credit losses	**2,106**	2,197
Problem credit after allowance for credit losses	**9,700**	9,551

Credit to Governments amounted to NIS 433 million as at 31 March 2015, compared with NIS 528 million on 31 December 2014, a decrease of 18.0%, and compared with 31 March 2014, a decrease of 11.1%.

Securities

The Group's investments in securities amounted to NIS 64.4 billion on 31 March 2015, compared with NIS 52.1 billion, an increase of 23.5%, compared with 31 December 2014, and an increase of 6.4% compared with 31 March 2014.

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. However, 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:

	31 March 2015				
	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	**47,989**	**525**	**(67)**	**48,447**	**48,447**
For trading	**11,353**	**94** (a)	**(4)**(a)	**11,443**	**11,443**
	59,342	**619**	**(71)**	**59,890**	**59,890**
Shares and mutual funds					
Available-for-sale	**2,944**	**843**	**(12)**	**3,775**	**3,775**
For trading	**697**	**34** (a)	**(17)** (a)	**714**	**714**
	3,641	**877**	**(29)**	**4,489**	**4,489**
Total securities	**62,983**	**1,496**	**(100)**	**64,379**	**64,379**

(a) Carried to profit and loss

	31 December 2014				
	Adjusted cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to	Fair value	Balance sheet value
	NIS millions				
Debentures					
Available-for-sale	35,609	454	(121)	35,942	35,942
For trading	11,439	62 (a)	(24) (a)	11,477	11,477
	47,048	516	(145)	47,419	47,419
Shares and mutual funds					
Available-for-sale	2,801	390	(11)	3,180	3,180
For trading	1,400	141 (a)	(27)(a)	1,514	1,514
	4,201	531	(38)	4,694	4,694
Total securities	51,249	1,047	(183)	52,113	52,113

(a) Carried to profit and loss

As at 31 March 2015, 81.1% of the Group's *nostro* portfolio was classified as available-for-sale securities and 18.9% was classified as the trading portfolio. This classification allows for flexibility in the management of the securities portfolio. 7.0% 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.

For details regarding securities according to the method of measurement, see Note 8.

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):

	31 March 2015		31 December 2014	
	Issued in Israel	Issued abroad	Issued in Israel	Issued abroad
	NIS millions		NIS millions	
Agriculture	**-**	**-**	-	4
Mining and quarrying	**21**	**6**	-	-
Industry	**79**	**466**	130	1,032
Construction and real estate	**45**	**115**	74	222
Electricity and water	**530**	**220**	537	260
Trade	**58**	**-**	104	3
Hotels, catering and food	**-**	**-**	-	7
Transportation and storage	**-**	**137**	-	141
Information and communications	**64**	**187**	45	322
Financial services (a)	**292**	**9,702**	439	11,040
Business and other services	**-**	**200**	12	486
Public and community services	**23**	**85**	25	122
Total	**1,112**	**11,118**	1,366	13,639

* Including asset-backed debentures

Available-for-sale portfolio

a. In the first three months of 2015, there was positive movement in capital reserve of available-for-sale securities amounting to NIS 549 million (before the effect of tax). The positive movement was attributable to an increase in value of NIS 1,155 million (before the effect of tax) which was offset by profit from securities which was realized and transferred to profit and loss amounting to NIS 606 million. This compared with a negative movement of NIS 8 million in 2014 which was attributable to securities which were realized and classified to profit and loss, and a decrease of NIS 209 million which was offset by an increase in value of NIS 201 million (before the effect of tax).

b. Net profits from the sale of debentures amounting to NIS 104 million were recorded to profit and loss statement, compared with profits of NIS 82 million in the corresponding period last year.

The accumulated net balance of adjustments to fair value of securities held in the available-for-sale portfolio, as at 31 March 2015, amounted to a positive amount of NIS 749 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 assets 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 2014 Annual Report.

For details regarding the impairment of available-for-sale of securities carried to capital, see Note 2.

Trading Portfolio

For details regarding the composition of the portfolio, see Note 2.

In respect of debentures for trading, realized and unrealized losses amounting to NIS 207 million were recorded in the profit and loss statement in the first three months of 2015, compared with profits of NIS 157 million in the corresponding period in 2014. In respect of shares and funds, realized and unrealized losses were recorded amounting to NIS 62 million, compared with losses amounting to NIS 16 million in the corresponding period in 2014.

1. Investments in securities issued abroad

The Group's securities portfolio includes some NIS 32 billion (US$ 8.0 billion) of securities issued abroad. 97% of the portfolio is invested in debt instruments, all of which (but for 3%) are investment grade securities, of which some 94% are rated 'A-' and above. In the first quarter of 2015, the Bank reduced the investments in shares and funds. At the end of the quarter, 3% of the portfolio was invested in shares and funds, compared with 11% at the end of 2014.

For details regarding the composition of the investments in foreign securities, see Note 2.

The net increase in value (the offset between increases and decreases in value), charged to equity in respect of securities issued abroad, as of 31 March 2015, amounted to NIS 75 million (NIS 47 million after the effect of tax).

Investments in foreign asset-backed securities

The Group's portfolio of asset-backed securities (mortgages and non-mortgages) is all investment grade. The Group's investments in foreign asset-backed securities as at 31 March 2015 amounted to NIS 8.4 billion (US$ 2.1 billion) of asset-backed securities, compared with NIS 9.1 billion at the end of 2014. Of the said portfolio, NIS 7.7 billion (US$ 2.0 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 31 March 2015 includes investments in mortgage-backed securities in the total amount of NIS 5.3 billion. 87% of the mortgage-backed securities in the available-for-sale portfolio are issued directly by United States federal agencies (FNMA, FHLMC, GNMA), which, as of the date of the report, are rated AAA.

For details regarding the investments in asset-backed bonds, see Note 2.

As of 31 March 2015, the cumulative net decrease in value which was carried to equity deriving from the mortgage-backed debenture portfolio amounted to NIS 15 million. The decrease is as a result of a decline in market value and not as a result of a change in credit risk.

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 NIS 816 million.

The forecast term to maturity for each mortgage-backed securities portfolio is, on average, 4.1 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 NIS 2.1 billion, of which CLO-type debentures account for NIS 2.0 billion. The projected term to maturity of the portfolio of securities backed by assets other than mortgages is 2.7 years on average.

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

The Group's securities portfolio as at 31 March 2015 includes NIS 23.8 billion (US$ 6.0 billion) of non-asset-backed securities, which include mainly securities of the U.S. government, banks and financial institutions and debentures of investment-grade companies.

Of these securities, NIS 21.2 billion (US$ 5.3 billion) are classified in the available-for-sale portfolio, and some NIS 2.6 billion in the securities for trading portfolio. Of these securities, 96% 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 31 March 2015, 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 73 million (NIS 45 million after tax). In the first three months of 2015, there was a decrease in value amounting to NIS 171 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. Approximately 96% of the securities in the trading portfolio are investment grade securities. The value of the trading portfolio which is non-asset backed as at 31 March 2015 amounted to NIS 2.6 billion (US$ 0.7 billion). The difference between the fair value and the adjusted cost, if any, is carried to the profit and loss statement.

Investments in debentures issued in Israel

Investments in debentures issued in Israel at 31 March 2015 amounted to NIS 29.4 billion, of which NIS 28.0 billion was in debentures issued by the Government of Israel in shekels, with the balance being Government of Israel debentures in foreign currency and debentures issued by companies. 62.8% of the investments in corporate debentures amounting to NIS 0.9 billion are included in the available-for-sale portfolio, with the balance being in the trading portfolio.

The capital reserve in respect of the corporate debenture portfolio of NIS 0.9 billion, which is included in the available-for-sale portfolio, amounts to NIS 40 million.

Investments in shares and funds

Total investments in shares and funds amounted to some NIS 4,489 million as at 31 March 2015, of which some NIS 3,083 million was in quoted shares and some NIS 1,406 million in unquoted shares. Out of the total investment, NIS 3,775 million is classified as available-for-sale and NIS 714 million is classified in the trading portfolio.

The total fair value of the balance of principal investments in shares and mutual funds as of 31 March 2015 amounts to NIS 4,489 million. The capital required in respect of these investments as of 31 March 2015 amounted to NIS 561 million.

For further details, see Note 2.

Other assets and debit balances in respect of derivative instruments

As of 31 March 2015, other assets (including intangible assets and goodwill) and debit balances in respect of derivative instruments amounted to NIS 25.9 billion, compared with NIS 23.5 billion at the end of 2014, an increase of 10.3%.

Other liabilities and credit balances in respect of derivative instruments

As of 31 March 2015, other liabilities and credit balances in respect of derivative instruments amounted to NIS 39.5 billion, compared with NIS 37.3 billion at the end of 2014, an increase of 5.8%.

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.

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 2014.

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

	Credit to the public			Deposits of the public			Total assets		
	31 March 2015	31 December 2014	Change	**31 March 2015**	31 December 2014	Change	**31 March 2015**	31 December 2014	Change
	NIS millions		%	NIS millions		%	NIS millions		%
Households	**111,542**	110,696	0.8	**116,147**	115,480	0.6	**112,252**	111,377	0.8
Small businesses	**24,708**	24,034	2.8	**25,422**	26,090	(2.6)	**24,735**	24,063	2.8
Private banking	**4,846**	5,882	(17.6)	**32,305**	34,830	(7.2)	**6,929**	10,346	(33.0)
Commercial banking	**50,048**	49,833	0.4	**45,233**	44,598	1.4	**51,299**	51,944	(1.2)
Corporate banking	**55,207**	58,761	(6.0)	**26,030**	27,754	(6.2)	**57,201**	60,723	(5.8)
Financial management and other	**3,924**	3,274	19.9	**59,880**	54,645	9.6	**147,105**	138,862	5.9
Total	**250,275**	252,480	(0.9)	**305,017**	303,397	0.5	**399,521**	397,315	0.6

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 credits			Securities portfolios, including mutual funds		
	31 March 2015	31 December 2014	Change	**31 March 2015**	31 December 2014	Change
	NIS millions		%	NIS millions		%
Households	**361**	369	(2.2)	**130,689**	128,307	1.9
Small businesses	**1,477**	1,461	1.1	**13,040**	12,630	3.2
Private banking	**234**	336	(30.4)	**82,159**	94,520	(13.1)
Commercial banking	**7,010**	7,050	(0.6)	**27,477**	25,420	8.1
Corporate banking	**33,276**	31,468	5.7	**56,428**	52,890	6.7
Financial management and other	**1,383**	1,295	6.8	**525,366**	512,792	2.5
Total	**43,741**	41,979	4.2	**835,159**	826,559	1.0

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

	For the three months ended		
	31 March 2015	31 March 2014	Change
	NIS millions		%
Households	**22**	51	(56.9)
Small businesses	**89**	87	2.3
Private banking	**(36)**	2	-
Commercial	**157**	143	9.8
Corporate	**132**	266	(50.4)
Financial management: Capital markets	**(73)**	(17)	-
Non-bank investments	**831**	55	+
Other	**49**	(22)	+
Total	**1,171**	565	+

Explanations for the changes in profitability are provided below.

Return on equity according to operating segments

Equity is allocated to the segments according to the relative share of each segment in the total of all the weighted risk assets of the Group, including the allocation of capital in respect of Pillar 2 equity according to the Bank's internal models.

The profit of operating segments was adjusted in respect of the cost of capital allocated to each segment.

The return on capital according to the various activity segments was calculated as the ratio of the adjusted profit of the segment to the capital allocated to the segment.

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).

	Allocating all the capital		
	Return on capital (RORAC)		
	31 March 2015	31 March 2014	31 December 2014
	%		
Households	**1.2**	3.0	2.1
Small businesses	**19.8**	19.4	14.7
Private banking	**(16.8)**	0.9	(114.4)
Commercial banking	**12.4**	12.6	9.2
Corporate banking	**7.1**	14.6	15.2
Financial management	**134.1**	4.9	7.5
Other	**24.7**	(13.4)	15.2
Total for net profit	**18.7**	9.0	5.3

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 31 March 2015						
	NIS millions						
Net interest income:							
From external sources	416	59	2	(79)	(1)	2	399
Intersegmental	(25)	(4)	-	253	3	-	227
Non-interest income:							
From external sources	127	134	132	21	2	-	416
Intersegmental	3	40	-	-	-	-	43
Total income	521	229	134	195	4	2	1,085
Expenses (income) in respect of credit losses	41	2	-	(1)	2	(1)	43
Operating and other expenses:							
To external sources	666	161	105	63	3	2	1,000
Intersegmental	1	(1)	-	-	-	-	-
Profit (loss) before taxes	(187)	67	29	133	(1)	1	42
Provision for taxes (benefit) on profit	(69)	23	11	49	-	-	14
Profit (loss) after taxes	(118)	44	18	84	(1)	1	28
Group share in profits of companies included on equity basis after effect of tax	-	1	-	-	-	-	1
Net profit attributable to non-controlling interests	-	(7)	-	-	-	-	(7)
Net profit (loss)	(118)	38	18	84	(1)	1	22
Return on equity							1.2%
Average balance of assets	26,224	10,748	164	74,433	34	212	111,815
Of which: investments in companies included on equity basis	-	3	-	-	-	-	3
Average balance of credit to the public, net	25,822	10,505	164	74,382	34	212	111,119
Average balance of liabilities	114,923	943	-	224	994	8	117,092
Average balance of deposits of the public	114,746	67	-	-	994	7	115,814
Average balance of risk assets	28,633	10,364	168	41,456	277	74	80,972
Average balance of mutual funds and supplementary training funds	-	-	83,983	-	-	-	83,983
Average balance of securities	-	-	45,400	-	181	-	45,581
Average balance of other assets under management	2,963	-	-	-	-	-	2,963
Balance of credit to the public, net	25,755	10,645	160	74,749	32	201	111,542
Balance of deposits of the public	115,111	80	-	-	949	7	116,147

Households (contd.)

	Banking and finance	Credit cards	Capital market	Mortgages	Overseas activity Banking and finance	Overseas activity Mortgages	Total
	For the three months ended 31 March 2014						
	NIS millions						
Net interest income:							
From external sources	281	61	2	251	(2)	3	596
Intersegmental	143	(7)	(1)	(83)	4	-	56
Non-interest income:							
From external sources	134	133	117	21	2	-	407
Intersegmental	3	42	-	-	-	-	45
Total income	561	229	118	189	4	3	1,104
Expenses (income) in respect of credit losses	34	4	-	1	-	(1)	38
Operating and other expenses:							
To external sources	659	155	106	56	3	2	981
Intersegmental	1	(1)	-	-	-	-	-
Profit (loss) before taxes	(133)	71	12	132	1	2	85
Provision for taxes (benefit) on profit	(50)	23	5	49	-	-	27
Profit (loss) after taxes	(83)	48	7	83	1	2	58
Group share in profits of companies included on equity basis after effect of tax	-	1	-	-	-	-	1
Net profit attributable to non-controlling interests	-	(8)	-	-	-	-	(8)
Net profit (loss)	(83)	41	7	83	1	2	51
Return on equity							3.0%
Average balance of assets	23,025	9,640	170	68,827	49	213	101,924
Of which investments in companies included on equity basis	-	2	-	-	-	-	2
Average balance of credit to the public, net	22,616	9,420	170	68,760	50	213	101,229
Average balance of liabilities	116,585	1,212	-	294	903	7	119,001
Average balance of deposits of the public	116,390	43	-	-	902	8	117,343
Average balance of risk assets	25,774	9,363	167	37,633	276	75	73,288
Average balance of mutual funds and supplementary training funds	-	-	75,126	-	-	-	75,126
Average balance of securities	-	-	47,902	-	182	-	48,084
Average balance of other assets under management	3,883	-	-	-	-	-	3,883
Balance of credit to the public, net, at 31 December 2014	25,888	10,365	168	74,015	37	223	110,696
Balance of deposits of the public at 31 December 2014	114,380	54	-	-	1,038	8	115,480

Main Changes in the Scope of Operations

Total credit to the public in the households segment increased by NIS 0.8 billion, or 0.8% compared with the end of 2014. Housing loans increased by 1.0%, while consumer credit increased by 0.4%. Deposits of the public increased by some NIS 0.7 billion.

Main Changes in Net Profit

In the first quarter of 2015, the profit in the households segment amounted to NIS 22 million, compared with a profit of NIS 51 million in the corresponding period last year, a decrease of NIS 29 million. The decrease derives mainly from a decrease in net interest income amounting to NIS 26 million as a result of a fall in the index and a fall in interest rates, and an increase in operating and other expenses amounting to NIS 19 million, mainly in Leumi Card, as a result of the collective agreement signed between the Company and representatives of the employees.

It should be clarified for the manner of the attribution of noninterest income in the 'credit cards' products that a state of inter-segmental income and expenses when Leumi Card clears a card which the Bank has issued. In such a case, the clearing commission collected from the merchant is recorded as income in the Small Businesses segment or the Corporate segment and the interchange fee is recorded in the same segment as an expense, and at the same time, as income in the Household segment.

The return on capital on the net profit in the segment was 1.2%.

Pension Counseling

The pension assets of customers receiving counseling in the Leumi Group at the end of March 2015, 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 22.2 billion, an increase of 6.3% in comparison to the end of 2014.

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

	First quarter of 2015	First quarter of 2014	Rate of change
	NIS millions		%
From Bank funds	**3,979**	3,387	17.5
From Ministry of Finance funds:			
Loans	**1**	9	(88.9)
Standing loans	**2**	5	(60.0)
Total new loans	**3,982**	3,401	17.1
Refinanced loans	**1,356**	849	59.7
Total loans extended	**5,338**	4,250	25.6

The Bank has joined the process of refinancing fast-track Treasury Loans initiated by the Housing and Construction Ministry, in conjunction with the Supervisor of Banks. As part of the process, the Bank has applied to borrowers who comply with the conditions offered by the Bank who have taken index-linked eligibility loans, and offered them to refinance the loan with the Bank's funds, at the average interest rate published by the Bank of Israel for loans of this type.

Data relating to risk characteristics of housing loans

Disclosure on housing loans

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 2013	68,152	13.0
December 2014	73,919	8.5
March 2015	**74,631**	**1.1***

* Rate of increase in the first quarter of 2015 was 1.1%. The low rate of increase stems from the erosion of the balance as a result of the negative index and not from a decrease in the level of performance.

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. Most of this credit was taken 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 2013	31,740	46.6	34,718	50.9	1,694	2.5	68,152
December 2014	36,727	49.7	35,447	48.0	1,745	2.3	73,919
March 2015	**38,368**	**51.4**	**34,593**	**46.4**	**1,670**	**2.3**	**74,631**

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

	Fixed		Variable			Total credit portfolio
	Unlinked	CP.I.-linked	Unlinked	CP.I.-linked	Foreign currency	
	NIS millions					
December 2013	4,289	10,583	27,451	24,135	1,694	68,152
December 2014	7,232	11,659	29,495	23,788	1,745	73,919
March 2015	**8,421**	**11,716**	**29,947**	**22,877**	**1,670**	**74,631**

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):

	2015	2014				2013
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter	Annual average
	Percentage of loans extended					
	%					
Fixed – linked	**23.1**	22.0	22.6	25.2	22.0	14.4
Variable – every 5 years or more – linked	**13.1**	14.8	18.1	18.1	17.6	29.1
Variable – up to 5 years – linked	**1.2**	2.3	1.5	1.9	2.1	2.5
Fixed-unlinked	**28.8**	25.7	20.5	18.7	20.7	13.4
Variable – every 5 years or more – unlinked	**6.6**	6.5	6.0	6.3	7.6	9.8
Variable – up to 5 years – unlinked	**26.6**	28.2	29.9	27.9	28.6	29.3
Variable – foreign currency	**0.6**	0.5	1.4	1.9	1.4	1.5

The percentage of new credit extended by the Bank in variable interest housing loans during the first quarter of 2015 was 48.1%, compared with 56% in 2014. 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. Excluding loans at variable interest varying each period of 5 years and more, which a directive from the Supervisor of Banks dated 3 May 2011 excludes from the definition of variable interest loans, the percentage of housing credit extended in variable interest loans during the first three months of 2015 was 28.4%, compared with 32% in 2014.

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

	Balance of debt before allowance for credit losses	Amount of credit in arrears	Percentage of problem debt
	NIS millions		%
December 2013	68,627	810	1.2
December 2014	74,410	800	1.1
March 2015	**75,120**	**768**	**1.0**

The allowance for credit losses as at 31 March 2015, which includes the group allowance for housing loans (hereinafter, "the overall allowance") is NIS 489 million, representing 0.65% of the housing balance, compared with an allowance of NIS 491 million as at 31 December 2014, representing 0.66% of the housing credit balance.

Data relating to new housing credit:

During the first three months of 2015, new housing loans amounting to NIS 3.9 billion from the Bank's funds were extended.

Development of the rate of financing, 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):

	2015	2014					2013
	1st quarter	Annual average	4th quarter	3rd quarter	2nd quarter	1st quarter	Annual average
Rate of financing	%						
Between 60% and 70%	**19.2**	18.5	20.1	17.6	19.6	16.6	18.3
Between 70% and 80%	**16.5**	14.5	15.5	14.1	13.9	14.4	16.3
Above 80%	*** 2.4**	0.4	0.5	0.4	0.3	0.5	0.9

* The increase in the financing rate above 80% stems from the Treasury Loan turnover campaign.

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

The average financing rate of the credit portfolio balance as at 31 March 2015 was 47.7%, compared with 49.5% at 31 December 2014.

Development of new credit in which the repayment ratio is less than 2.5:

The rate of credit extended in the first three months of 2015 in which the repayment ratio was lower than 2.5 for income-earners earning NIS 10,000 or less at the date of approving the credit, stood at 0.6% of the total new credit extended, compared to the average for 2014, when the rate was 0.5%.

This computation complies with the Bank of Israel regulations for the purpose of reporting to the Banking Supervision Department pursuant to 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 quarter of 2015, 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, compared with an average rate of 29% in 2014 and 30% in 2013.

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 third 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 units 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 declines in value.

In addition, the low interest rates that have prevailed in the economy in recent years, and particularly, 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 has adopted a number of measures in order to contend with the increase in the abovementioned credit risks:

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

The average loan extended by the Bank in the first three months of 2015 was NIS 608 thousand (excluding the refinancing of Treasury loans), compared with NIS 585 thousand in 2014 and NIS 558 thousand in 2013.

2. Small Businesses

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

						Overseas activity		
	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Banking and finance	Real estate	Total
	For the three months ended 31 March 2015							
	NIS millions							
Net interest income:								
From external sources	**177**	**5**	**-**	**-**	**72**	**9**	**1**	**264**
Intersegmental	**1**	**-**	**-**	**-**	**(5)**	**1**	**-**	**(3)**
Non-interest income:								
From external sources	**77**	**30**	**10**	**-**	**19**	**5**	**1**	**142**
Intersegmental	**2**	**(11)**	**-**	**-**	**-**	**-**	**-**	**(9)**
Total income	**257**	**24**	**10**	**-**	**86**	**15**	**2**	**394**
Expenses (income) in respect of credit losses	**19**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**17**
Operating and other expenses:								
To external sources	**172**	**14**	**6**	**-**	**32**	**9**	**2**	**235**
Intersegmental	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**2**
Profit before taxes	**65**	**9**	**4**	**-**	**55**	**7**	**-**	**140**
Provision for taxes on profit	**25**	**2**	**1**	**-**	**21**	**1**	**-**	**50**
Profit after taxes	**40**	**7**	**3**	**-**	**34**	**6**	**-**	**90**
Net profit attributable to non-controlling interests	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Net profit	**40**	**6**	**3**	**-**	**34**	**6**	**-**	**89**
Return on equity								**19.8%**
Average balance of assets	**14,964**	**1,013**	**26**	**76**	**7,304**	**806**	**210**	**24,399**
Average balance of credit to the public, net	**14,954**	**998**	**26**	**76**	**7,303**	**806**	**210**	**24,373**
Average balance of liabilities	**18,761**	**1,542**	**-**	**-**	**5,796**	**1,075**	**219**	**27,393**
Average balance of deposits of the public	**18,804**	**-**	**-**	**-**	**5,658**	**1,074**	**219**	**25,755**
Average balance of risk assets	**12,376**	**797**	**29**	**45**	**7,273**	**1,126**	**210**	**21,856**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**4,608**	**-**	**-**	**-**	**-**	**4,608**
Average balance of securities	**-**	**-**	**8,237**	**-**	**-**	**7**	**-**	**8,244**
other assets under management	**143**	**-**	**-**	**-**	**-**	**-**	**-**	**143**
Balance of credit to the public, net	**15,347**	**1,009**	**22**	**71**	**7,334**	**785**	**140**	**24,708**
Balance of deposits of the public	**18,227**	**-**	**-**	**-**	**5,795**	**1,119**	**281**	**25,422**

Small Businesses (contd,)

	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Overseas activity Banking and finance	Real estate	Total
	For the three months ended 31 March 2014							
	NIS millions							
Net interest income:								
From external sources	184	5	-	1	75	14	3	282
Intersegmental	(8)	-	-	-	(12)	(4)	(1)	(25)
Non-interest income:								
From external sources	78	28	7	-	15	5	-	133
Intersegmental	1	(10)	-	-	-	-	-	(9)
Total income	255	23	7	1	78	15	2	381
Expenses (income) in respect of credit losses	19	-	-	-	3	(3)	-	19
Operating and other expenses:								
To external sources	168	13	4	-	30	9	1	225
Intersegmental	1	1	-	-	-	-	-	2
Profit before taxes	67	9	3	1	45	9	1	135
Provision for taxes on the profit	26	2	1	-	17	1	-	47
Profit after taxes	41	7	2	1	28	8	1	88
Net profit attributable to non-controlling interests	-	(1)	-	-	-	-	-	(1)
Net profit	41	6	2	1	28	8	1	87
Return on equity								19.4%
Average balance of assets	14,478	922	25	81	6,834	965	294	23,599
Average balance of credit to the public, net	14,470	908	25	81	6,833	965	294	23,576
Average balance of liabilities	17,239	1,550	-	-	4,428	702	148	24,067
Average balance of deposits of the public	17,200	-	-	-	4,312	702	148	22,362
Average balance of risk assets	11,653	755	28	44	6,731	1,059	294	20,564
Average balance of mutual funds and supplementary training funds	-	-	3,788	-	-	-	-	3,788
Average balance of securities	-	-	8,270	-	-	9	-	8,279
Average balance of other assets under	192	-	-	-	-	-	-	192
Balance of credit, net, to the public at 31 December 2014	14,561	986	29	80	7,272	826	280	24,034
Balance of deposits of the public at 31 December 2014	19,380	-	-	-	5,521	1,031	158	26,090

Main Changes in the Scope of Operations

Total credit to the public in the segment increased by NIS 0.7 billion, compared with the end of 2014, an increase of 2.8%. Public deposits fell by NIS 0.7 million, a decrease of 2.6%.

Main Changes in the Net Profit

In the first three months of 2015, net profit in the small businesses segment totaled NIS 89 million, compared with NIS 87 million in the corresponding period last year, an increase of 2.3%. The increase in profit derives mainly from an increase in noninterest income, which was offset by operating and other expenses.

The return on equity of the net profit in the segment was 19.8%.

3. 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 31 March 2015									
	NIS millions									
Net interest income:										
From external sources	7	-	2	-	3	10	-	9	-	31
Intersegmental	7	-	(2)	-	-	30	-	(5)	-	30
Non-interest income:										
From external sources	10	-	40	-	5	45	38	1	-	139
Intersegmental	(1)	-	-	-	-	1	-	-	-	-
Total income	23	-	40	-	8	86	38	5	-	200
Expenses in respect of credit losses	15	-	-	-	1	-	-	-	-	16
Operating and other expenses:										
To external sources	40	-	19	-	3	111	46	3	-	222
Intersegmental	1	-	-	-	-	-	-	-	-	1
Profit (loss) before taxes	(33)	-	21	-	4	(25)	(8)	2	-	(39)
Provision for (benefit from) taxes on profit	(13)	-	8	-	2	1	-	-	-	(2)
Profit (loss) after taxes	(20)	-	13	-	2	(26)	(8)	2	-	(37)
Net profit attributable to non-controlling interests	-	-	-	-	-	1	-	-	-	1
Net profit (loss)	(20)	-	13	-	2	(25)	(8)	2	-	(36)
Return on equity										(16.8%)
Average balance of assets	1,683	76	4	60	840	5,158	-	816	-	8,637
credit to the public, net	1,515	76	4	60	830	2,065	-	816	-	5,366
Average balance of liabilities	19,198	-	59	-	1,654	13,335	-	13	94	34,353
Average balance of deposits of the public	19,048	-	59	-	1,644	12,710	-	13	93	33,567
Average balance of risk assets	1,759	55	4	34	792	4,634	-	286	-	7,564
Average balance of mutual funds and supplementary training funds	-	-	10,052	-	-	293	1,693	-	-	12,038
Average balance of securities	-	-	50,023	-	-	2,898	23,380	-	-	76,301
Average balance of other assets under management	48	-	-	-	-	-	-	-	-	48
Balance of credit to the public, net	1,536	78	3	59	878	1,487	-	805	-	4,846
Balance of deposits of the public	19,774	-	27	-	1,642	10,754	-	13	95	32,305

Private Banking (contd.)

						Overseas activity				
	Banking and finance	Credit cards	Capital market	Mortgages	Real estate	Banking and finance	Capital market	Mortgages	Real estate	Total
	For the three months ended 31 March 2014									
	NIS millions									
Net interest income:										
From external sources	(12)	-	-	-	3	12	-	10	-	13
Intersegmental	29	-	-	-	-	38	-	(6)	1	62
Non-interest income:										
From external sources	9	-	43	-	4	27	53	1	-	137
Intersegmental	1	-	-	-	2	(5)	-	-	-	(2)
Total income	27	-	43	-	9	72	53	5	1	210
Income in respect of credit losses	-	-	-	-	(1)	-	-	-	-	(1)
Operating and other expenses:										
To external sources	39	-	20	-	4	72	59	3	-	197
Intersegmental	-	-	-	-	-	1	-	-	-	1
Profit (loss) before taxes	(12)	-	23	-	6	(1)	(6)	2	1	13
Provision for (benefit from) taxes on profit	(4)	-	9	-	2	3	1	-	-	11
Net profit (loss)	(8)	-	14	-	4	(4)	(7)	2	1	2
Return on equity										0.9%
Average balance of assets	1,356	69	29	52	755	8,245	-	814	-	11,320
Average balance of credit to the public, net	1,268	69	29	52	745	3,286	-	814	-	6,263
Average balance of liabilities	17,954	-	131	-	1,526	15,933	-	14	137	35,695
Average balance of deposits of the public	17,690	-	131	-	1,519	15,636	-	14	137	35,127
Average balance of risk assets	1,557	51	31	26	802	5,464	-	285	-	8,216
Average balance of mutual funds and supplementary training funds	-	-	8,232	-	-	-	1,557	-	-	9,789
Average balance of securities	-	-	42,901	-	-	-	35,085	-	-	77,986
Average balance of other assets under management	96	-	-	-	-	-	-	-	-	96
Balance of credit to the public, net, as at 31 December 2014	1,494	74	4	61	781	2,642	-	826	-	5,882
Balance of deposits of the public as at 31 December 2014	18,321	-	91	-	1,646	14,665	-	13	94	34,830

Main Changes in the Scope of Operations

Total credit to the public in the segment decreased by NIS 1.0 billion, compared with the end of 2014, a decrease of 17.6% compared with the end of 2014. The decrease in the volume of credit to the public in the segment stems mainly from the realization of the "declared money policy" which the Bank operates and from the progress of the realization of the Bank's decision to exit the international private banking activity, which was carried out by branches and representative offices abroad which focused on international private banking activity.

Public deposits amounted to NIS 32.3 billion, a decrease of NIS 2.5 billion, or 7.2%. The decrease in public deposits derives mainly from a decrease in the deposits of foreign residents, as a result of the realization of the "declared money policy" operated by the Bank and the progress of the realization of the Bank's decision to exit international private banking activity, which was carried out by branches and representative offices which focused on international private banking activity. This decrease was partly offset by an increase in the public deposits of Israeli residents.

The completion of the sale of the activity of Leumi Switzerland to Julius Baer in March 2015 caused a decline in public deposits amounting to NIS 4 billion compared to December 2014, and a decrease in the level of off-balance sheet activity amounting to NIS 15 billion, compared with December 2014.

Main Changes in the Net Profit

In the first three months of 2015, net loss in the private banking segment totaled NIS 36 million, compared with a profit of NIS 2 million in the corresponding period last year. The loss was attributable to an increase in credit loss expenses amounting to NIS 17 million and an increase in operating and other expenses amounting to NIS 25 million mainly as a result of a provision for expenses in respect of the closure of the office in Switzerland.

4. Commercial Banking

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

					Overseas activity			
	Banking and finance	Credit cards	Capital market	Real estate	Banking and finance	Capital market	Real estate	Total
	For the three months ended 31 March 2015							
	NIS millions							
Net interest income:								
From external sources	163	2	-	54	130	-	44	393
Intersegmental	(14)	-	-	8	(18)	-	(10)	(34)
Non-interest income:								
From external sources	62	19	8	17	21	-	3	130
Intersegmental	12	(8)	-	1	-	-	-	5
Total income	223	13	8	80	133	-	37	494
Income in respect of credit losses	(17)	-	-	(16)	-	-	(20)	(53)
Operating and other expenses:								
To external sources	154	9	5	19	104	-	11	302
Intersegmental	-	-	-	-	-	-	-	-
Profit before taxes	86	4	3	77	29	-	46	245
Provision for taxes on profit	32	2	1	29	10	-	13	87
Profit after taxes	54	2	2	48	19	-	33	158
Net profit attributable to non-controlling interests	-	(1)	-	-	-	-	-	(1)
Net profit	54	1	2	48	19	-	33	157
Return on equity								12.4%
Average balance of assets	24,149	378	76	9,692	15,089	-	3,632	53,016
of which: investments in companies included on the equity basis	-	-	-	-	-	-	-	-
Average balance of credit to the public, net	21,448	367	76	9,668	14,815	-	3,567	49,941
Average balance of liabilities	40,759	1,066	173	3,595	12,535	-	202	58,330
Average balance of deposits of the public	28,866	-	172	3,427	12,262	-	189	44,916
Average balance of risk assets	30,617	318	145	9,605	15,748	-	3,632	60,065
Average balance of mutual funds and supplementary training funds	-	-	5,297	-	-	109	-	5,406
Average balance of securities	-	-	32,231	-	1,455	1,377	-	35,063
Average balance of other assets under	366	-	-	-	-	-	-	366
Balance of credit to the public, net	21,292	366	8	9,745	14,936	-	3,701	50,048
Balance of deposits of the public	29,688	-	-	3,378	11,970	-	197	45,233

Commercial Banking (contd.**)**

	Banking and finance	Credit cards	Capital market	Real estate	Overseas activity Banking and finance	Capital market	Real estate	Total
	For the three months ended 31 March 2014							
	NIS millions							
Net interest income:								
From external sources	144	2	(1)	70	128	-	36	379
Intersegmental	4	-	2	(13)	(18)	-	(12)	(37)
Non-interest income:								
From external sources	117	18	8	(3)	16	2	4	162
Intersegmental	(42)	(8)	-	15	-	-	-	(35)
Total income	223	12	9	69	126	2	28	469
Expenses (income) in respect of credit losses	(48)	-	-	(4)	26	-	(2)	(28)
Operating and other expenses:								
To external sources	131	8	13	19	74	1	10	256
Intersegmental	-	-	-	-	-	-	-	-
Profit (loss) before taxes	140	4	(4)	54	26	1	20	241
Provision for taxes on profit (tax benefit)	53	1	(2)	20	18	-	7	97
Profit (loss) after taxes	87	3	(2)	34	8	1	13	144
Net profit attributable to non-controlling interests	-	(1)	-	-	-	-	-	(1)
Net profit (loss)	87	2	(2)	34	8	1	13	143
Return on equity								12.6%
Average balance of assets	25,315	338	192	8,534	14,049	-	3,076	51,504
Average balance of credit to the public, net	22,068	327	192	8,521	13,881	-	3,035	48,024
Average balance of liabilities	32,257	1,102	-	2,683	10,552	-	217	46,811
Average balance of deposits of the public	31,693	-	-	2,601	10,373	-	208	44,875
Average balance of risk assets	28,317	295	238	8,508	10,717	-	3,076	51,151
Average balance of mutual funds and supplementary training funds	-	-	5,663	-	-	129	-	5,792
Average balance of securities	-	-	34,443	-	-	1,359	-	35,802
Average balance of other assets under management	530	-	-	-	-	-	-	530
Balance of credit,net, to the public at 31 December 2014	21,604	367	145	9,591	14,693	-	3,433	49,833
Balance of deposits of the public at 31 December 2014	28,043	-	344	3,476	12,554	-	181	44,598

Commercial Banking (contd**.)**

Main Changes in the Scope of Operations

Total credit to the public in the commercial segment increased by NIS 215 million, an increase of 0.4%, compared with the end of 2014, and total deposits of the public increased by NIS 635 million, or 1.4%.

Main changes in net profit

In the first three months of 2015, net profit in the commercial banking segment totaled NIS 157 million, compared with NIS 143 million during the corresponding period in 2014, an increase of NIS 14 million, or 9.8%. The increase in net profit in the segment was due to income in respect of credit losses amounting to NIS 53 million in the first quarter of 2015, compared with NIS 28 million in the corresponding quarter last year, which was mainly due to collections in the branch in the United Kingdom.

The return on equity of the net profit in the segment was 12.4%.

5. Corporate Banking

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

					Overseas activity		
	Banking and finance	Credit cards	Capital market	Real estate	Banking and finance	Real estate	Total
	For the three months ended 31 March 2015						
	NIS millions						
Net interest income:							
From external sources	**184**	**5**	**-**	**84**	**1**	**(1)**	**273**
Intersegmental	**(17)**	**-**	**-**	**31**	**-**	**3**	**17**
Non-interest income:							
From external sources	**(163)**	**45**	**2**	**71**	**-**	**1**	**(44)**
Intersegmental	**221**	**(22)**	**-**	**7**	**-**	**-**	**206**
Total income	**225**	**28**	**2**	**193**	**1**	**3**	**452**
Expenses in respect of credit losses	**70**	**-**	**-**	**13**	**-**	**-**	**83**
Operating and other expenses:							
To external sources	**93**	**20**	**2**	**38**	**1**	**2**	**156**
Intersegmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before taxes	**62**	**8**	**-**	**142**	**-**	**1**	**213**
Provision for taxes on profit	**24**	**2**	**-**	**54**	**-**	**-**	**80**
Profit after taxes	**38**	**6**	**-**	**88**	**-**	**1**	**133**
Net profit attributable to non-controlling interests	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Net profit	**38**	**5**	**-**	**88**	**-**	**1**	**132**
Return on equity							**7.1%**
Average balance of assets	**37,488**	**383**	**-**	**21,032**	**47**	**12**	**58,962**
Average balance of credit to the public, net	**35,597**	**356**	**-**	**20,974**	**47**	**12**	**56,986**
Average balance of liabilities	**22,407**	**2,683**	**-**	**5,868**	**138**	**393**	**31,489**
Average balance of deposits of the public	**21,084**	**-**	**-**	**5,277**	**138**	**393**	**26,892**
Average balance of risk assets	**67,000**	**393**	**-**	**20,902**	**107**	**12**	**88,414**
Average balance of mutual funds and supplementary training funds	**-**	**-**	**933**	**-**	**-**	**-**	**933**
Average balance of securities	**-**	**-**	**53,726**	**-**	**-**	**-**	**53,726**
Average balance of other assets under management	**174**	**-**	**-**	**-**	**-**	**-**	**174**
Balance of credit to the public, net	**33,712**	**333**	**-**	**21,111**	**51**	**-**	**55,207**
Balance of deposits of the public	**19,851**	**-**	**-**	**5,542**	**25**	**612**	**26,030**

Corporate Banking (contd.)

					Overseas activity		
	Banking and finance	Credit cards	Capital market	Real estate	Banking and finance	Real estate	Total
	For the three months ended 31 March 2014						
	NIS millions						
Net interest income:							
From external sources	275	5	-	146	1	-	427
Intersegmental	(83)	(1)	-	(31)	2	1	(112)
Non-interest income:							
From external sources	47	46	3	63	1	-	160
Intersegmental	33	(23)	-	14	-	-	24
Total income	272	27	3	192	4	1	499
Expenses in respect of credit losses	(34)	-	-	(53)	-	-	(87)
Operating and other expenses:							
To external sources	107	19	3	26	2	1	158
Intersegmental	-	-	-	-	-	-	-
Profit before taxes	199	8	-	219	2	-	428
Provision for taxes on profit	76	2	-	83	-	-	161
Profit after taxes	123	6	-	136	2	-	267
Net profit attributable to non-controlling interests	-	(1)	-	-	-	-	(1)
Net profit	123	5	-	136	2	-	266
Return on equity							14.6%
Average balance of assets	39,828	340	166	21,056	133	45	61,568
Average balance of credit to the public, net	38,117	313	166	21,011	133	45	59,785
Average balance of liabilities	17,608	2,789	-	5,491	637	163	26,688
Average balance of deposits of the public	16,253	-	-	4,895	637	163	21,948
Average balance of risk assets	61,806	394	166	21,493	198	45	84,102
Average balance of mutual funds and supplementary training funds	-	-	1,997	-	-	-	1,997
Average balance of securities	-	-	61,464	-	-	-	61,464
Average balance of other assets under management	215	-	-	-	-	-	215
Balance of credit to the public, net, at 31 December 2014	37,481	378	-	20,836	42	24	58,761
Balance of deposits of the public at 31 December 2014	22,316	-	-	5,012	252	174	27,754

Corporate Banking (contd**.)**

Main Changes in the Scope of Operations

Total credit to the public in the segment decreased by NIS 3.6 billion compared with the end of 2014, a decrease of 6.0%. Total deposits of the public decreased by NIS 1.7 billion, or 6.2%.

Main Changes in Net Profit

In the first three months of 2015, net profit in the corporate banking segment totaled NIS 132 million, compared with NIS 266 million during the corresponding period in 2014, a decrease of NIS 134 million. The decrease was attributable to expenses in respect of credit losses amounting to NIS 83 million which were recorded to the segment in the first quarter of 2015, as a result of an increase in the collective allowance, compared with income in respect of credit losses amounting to NIS 87 million as a result of collections, which were recorded in the corresponding period last year.

The return on equity of the net profit in the segment was 7.1%.

6. Financial Management – Capital Markets

	For the three months ended 31 March	
	2015	2014
	NIS millions	
Net interest income:		
From external sources	**156**	60
Intersegmental	**(238)**	53
Operating and other income:		
From external sources	**1,621**	378
Intersegmental	**(232)**	(14)
Total income	**1,307**	477
Expenses (income) in respect of credit losses	**(25)**	8
Operating and other expenses:		
To external sources	**336**	333
Intersegmental	**14**	12
Profit before taxes	**982**	124
Provision for taxes on profit	**354**	48
Profit after taxes	**628**	76
Group share in profits (losses) of companies included on equity basis after effect of tax	**130**	(38)
Net profit attributed to non-controlling interests	**-**	-
Net profit	**758**	38
Return on equity	**134.1%**	4.9%
Average balance of assets	**134,749**	113,715
Average balance of credit to the public, net	**3,600**	2,175
Average balance of liabilities	**102,277**	92,404
Average balance of deposits of the public	**57,255**	42,707
Average balance of risk assets	**36,608**	33,956
Average balance of mutual funds and supplementary training funds	**155,744**	146,125
Average balance of securities	**357,637**	329,915
Balance of credit to the public, net	**3,924**	3,274 (a)
Balance of deposits of the public	**59,875**	54,636 (a)

(a) Balances as of 31 December 2014

The profit in the financial management segment in the first quarter of 2015 amounted to NIS 758 million, compared with NIS 38 million in the corresponding period in 2014. The increase in the profit resulted from an increase in noninterest income amounting to NIS 1,025 million, mainly due to profits from non-recurring sales of shares in the Israel Corporation and Mobileye and from an improvement in the contribution of companies included on equity basis amounting to NIS 168 million. The increase was partially offset by net interest income amounting to NIS 195 million, as a result of the effect of the negative index recorded in the first quarter of 2015.

It should be clarified that all of the actuarial income and expenses of the Bank are recorded in the Financial Management segment and not in Other Segments.

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

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 896 million on 31 March 2015, compared with NIS 2,216 million on 31 December 2014. The decrease in investments in companies included on equity basis derives from the presentation of the investment of the Israel Corporation in the financial statements at the end of the first quarter of 2015 in the available-for-sale securities portfolio, due to the sale of approximately 6.9% of the shares of the Israel Corporation and the cancelation of an agreement of the shareholders in the Israel Corporation, as set forth below.

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

	Book value			Market value		Capital adequacy requirements (a)	
	31 March 2015	December 31 2014	Change	**31 March 2015**	December 31 2014	**31 March 2015**	December 31 2014
	NIS millions		%	NIS millions			
The Israel Corporation Ltd.	-	1,318	(100.0)	-	2,566	-	165
Others	**896**	898	(0.2)	- *	- *	**112**	112
Total	**896**	2,216	(59.6)	-	2,566	**112**	277

* Of which, NIS 214 million at 31 March 2015 and NIS 194 million at 31 December 2014 are tradable.

The profits of companies included on equity basis in the first quarter of 2015 amounted to NIS 131 million, compared with a loss of NIS 37 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 three months ended		
	31 March 2015	31 December 2014	Change
	NIS millions		%
The Israel Corporation Ltd.	**114**	(46)	+
Others	**17**	9	88.9
Total	**131**	(37)	+

The Israel Corporation Ltd.

The Bank holds 11.1% of the means of control in the Israel Corporation Ltd. which is considered to be a significant non-bank corporation according to the Banking Law (Licensing), as amended through the Concentrations Law on 11 December 2013. The Bank is obliged to reduce its holdings in the Israel Corporation to a rate of 10% by 11 December 2019.

On 7 January 2015, the Israel Corporation announced the completion of a process of splitting wherein holdings in a number of subsidiaries were transferred from the Israel Corporation to Kenon Holdings, all of whose shares were allocated, prior to the transfer of the assets, to the shareholders in the Israel Corporation (hereinafter, "the split"). The shares of Kenon are listed for trading on the New York Stock Exchange and on the Tel Aviv Stock Exchange. At the beginning of January 2015, the Bank's investment in the shares of Kenon is presented in the available-for-sale securities portfolio.

In anticipation of the aforementioned split, the Bank updated the Banking Supervision Department, that as a result of the split, the Bank will hold two non-bank corporations.

On 11 February 2015, the Bank sold 531,550 shares of the Israel Corporation Ltd. to a number of entities (hereinafter, "the purchasers") at a price of NIS 1,330 per share and aggregate consideration of NIS 707 million. The shares sold represent 6.904% of the issued and paid-up capital of the Israel Corporation.

The sale generated for the Bank a total of NIS 522 million, before the effect of tax, which is included in the financial statements for the first quarter of 2015.

In accordance with a directive of the Banking Supervision Department, dated 4 March 2015, the Bank will take steps to discontinue its significant influence in the Israel Corporation, including by way of a permanent waiver of the Bank's representation in the board of directors of the Israel Corporation and its right to appoint directors therein.

On 15 March 2015, the Board of Directors of the Bank resolved to confirm the cancelation of a shareholder agreement, and pursuant thereto, to waive the right to recommend the appointment of directors in the Israel Corporation.

Further to this resolution, a document was signed between the Bank and the companies which hold a controlling interest in the Israel Corporation, pursuant to which the shareholder agreement was canceled, including the right to recommend the appointment of directors. In addition, a notice was sent to the Israel Corporation by the two directors, who were appointed to the Israel Corporation in accordance with the Bank's recommendation, on the termination of their term of office in the Israel Corporation, with effect from 30 March 2015.

On 31 March 2015, as a result of the decrease in the shareholder percentage and the permanent waiver on the Bank's representation on the board of directors of the Israel Corporation, the Bank classified the investment in the Israel Corporation in the available-for-sale securities portfolio at the market value of the investment as of 31 March 2015. The Bank's share in the profits of the Israel Corporation for the first quarter of 2015 was accounted for on an equity basis.

In April 2015, the Bank sold 2,146,000 shares of Kenon Holdings for aggregate proceeds of NIS 174 million. The shares sold represent 4% of the issued and paid-up share capital of Kenon Holdings.

This sale is expected to generate for the Bank a profit, before the effect of tax, of NIS 8.6 million, which will be included in the financial statements for the second quarter of 2015.

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 part of the company's activity which is not part of other segments. In the first quarter of 2015, the profit in the "Others" segment amounted to NIS 49 million, compared with a loss of NIS 22 million in the corresponding period last year.

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

	For the three months ended		Change
	31 March 2015	31 March 2014	NIS in millions
Net profit in the Bank	**9**	3	6
Other companies in Israel	**4**	4	-
Companies abroad	**4**	1	3
Tax adjustments (a)	**32**	(30)	62
Total	**49**	(22)	71

(a) 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 supplementary training funds, operation of all the trading rooms in the Bank for market-making, trade, mediation in currencies, interest, derivatives and securities, brokerage and custody services, and banking and financial services for entities active in the capital market. A subsidiary company of Leumi Partners Ltd., Leumi Partners Underwriters, 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:

	Households	Small businesses	Private banking	Commercial banking	Corporate banking	Financial management and others	Overseas activities	Total
	For the three months ended 31 March 2015							
	NIS millions							
Net interest income	**2**	**-**	**-**	**-**	**-**	**1**	**-**	**3**
Non-interest income	**132**	**10**	**40**	**8**	**2**	**34**	**39**	**265**
Total income	**134**	**10**	**40**	**8**	**2**	**35**	**39**	**268**
Operating and other expenses	**105**	**6**	**19**	**5**	**2**	**42**	**50**	**229**
Profit (loss) before taxes	**29**	**4**	**21**	**3**	**-**	**(7)**	**(11)**	**39**
(loss)	**18**	**3**	**13**	**2**	**-**	**(3)**	**(10)**	**23**

	Households	Small businesses	Private banking	Commercial banking	Corporate banking	Financial management and others	Overseas activities	Total
	For the three months ended 31 March 2014							
	NIS millions							
Net interest income	1	-	-	1	-	1	-	3
Non-interest income	117	7	43	8	3	37	56	271
Total income	118	7	43	9	3	38	56	274
Operating and other expenses	106	4	20	13	3	33	68	247
Profit (loss) before taxes	12	3	23	(4)	-	5	(12)	27
(loss)	7	2	14	(2)	-	3	(10)	14

In the first quarter of 2015, the net profit from capital market operations amounted to NIS 23 million, compared with a profit of NIS 14 million in the corresponding period last year. The increase in profit derives from the decrease in operating and other expenses in the first quarter of 2015 amounting to NIS 18 million, compared to the corresponding period last year.

B. Credit Cards - Leumi Card

This activity mainly includes 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 quarter of 2015 with a net profit of NIS 45 million, compared with NIS 52 million in the corresponding period last year.

During the first quarter of 2015, the volume of activity by Leumi Card cardholders increased by 4% compared with the corresponding period in 2014. The number of valid cards at 31 March 2015 increased by 5% compared with 31 March 2014.

On 4 March 2015, the Company signed a cooperation agreement with Mizrahi Tefahot Bank Ltd., with the aim of issuing bank credit cards to customers of Bank Mizrahi.

On 29 April 2015, the Company signed a special collective agreement ("the collective agreement") with representatives of the employees. The term of the agreement is from 1 January 2015 to 31 March 2018. The agreement was approved by the board of directors of the Company and by the employees' representatives.

The collective agreement includes, *inter alia*, agreements regarding salary revisions, bonuses and social conditions, and other conditions relating to, *inter alia*, welfare issues.

The implementation of the collective agreement is expected to result in an increase in the Company's expenses amounting to NIS 110 million over the term of the collective agreement.

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

	Households	Small businesses	Private banking	Commercial banking	Corporate banking	Total
	For the three months ended 31 March 2015					
	NIS millions					
Net interest income	**55**	**5**	**-**	**2**	**5**	**67**
Non-interest income	**174**	**19**	**-**	**11**	**23**	**227**
Total income	**229**	**24**	**-**	**13**	**28**	**294**
Expenses in respect of credit losses	**2**	**-**	**-**	**-**	**-**	**2**
Operating and other expenses	**160**	**15**	**-**	**9**	**20**	**204**
Profit (loss) before taxes	**67**	**9**	**-**	**4**	**8**	**88**
Profit attributed to non-controlling interests	**(7)**	**(1)**	**-**	**(1)**	**(1)**	**(10)**
Net profit	**38**	**6**	**-**	**1**	**5**	**50**

	Households	Small businesses	Private banking	Commercial banking	Corporate banking	Total
	For the three months ended 31 March 2014					
	NIS millions					
Net interest income	54	5	-	2	4	65
Non-interest income	175	18	-	10	23	226
Total income	229	23	-	12	27	291
Expenses in respect of credit losses	4	-	-	-	-	4
Operating and other expenses	154	14	-	8	19	195
Profit before taxes	71	9	-	4	8	92
Profit attributed to non-controlling interests	(8)	(1)	-	(1)	(1)	(11)
Net profit	41	6	-	2	5	54

The net profit from credit card activity in the first quarter of 2015 amounted to NIS 50 million, compared with NIS 54 million in the corresponding period in 2014. The decrease in net profit from credit card activity amounting to NIS 4 million was due to an increase in operating and other expenses amounting to NIS 9 million, mainly due the effect of the salary agreement.

C. The following tables set out details of real estate activity as presented in the various operating segments:

	Small businesses	Private banking	Commercial banking	Corporate banking	Overseas activity	Total
	For the three months ended 31 March 2015					
	NIS millions					
Net interest income	**67**	**3**	**62**	**115**	**41**	**288**
Noninterest income	**19**	**5**	**18**	**78**	**5**	**125**
Total income	**86**	**8**	**80**	**193**	**46**	**413**
Expenses (income) in respect of credit losses	**(1)**	**1**	**(16)**	**13**	**(20)**	**(23)**
Operating and other expenses	**32**	**3**	**19**	**38**	**15**	**107**
Profit before taxes	**55**	**4**	**77**	**142**	**51**	**329**
Net profit	**34**	**2**	**48**	**88**	**36**	**208**

	Small businesses	Private banking	Commercial banking	Corporate banking	Overseas activity	Total
	For the three months ended 31 March 2014					
	NIS millions					
Net interest income	63	3	57	115	31	269
Noninterest income	15	6	12	77	5	115
Total income	78	9	69	192	36	384
Expenses (income) in respect of credit losses	3	(1)	(4)	(53)	(2)	(57)
Operating and other expenses	30	4	19	26	12	91
Profit before taxes	45	6	54	219	26	350
Net profit	28	4	34	136	17	219

Net profit from real estate activity in the first quarter of 2015 amounted to NIS 208 million, compared to NIS 219 million in the corresponding period last year, the decrease deriving mainly from income in respect of credit losses amounting to NIS 23 million which were recorded this year, compared with income in respect of credit losses amounting to NIS 57 million which were recorded in the corresponding period last year, and from an increase in operating and other expenses amounting to NIS 16 million. The decrease was offset by an increase in total income of NIS 29 million.

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 three months ended		
	31 March 2015	31 March 2014	Change
	NIS millions		%
The Bank	**723**	385	87.8
Consolidated companies in Israel (a)	**348**	167	+
Overseas consolidated companies (b)	**(23)**	57	-
Companies included on equity basis (a)	**123**	(44)	+
Net profit	**1,171**	565	+
Profit of overseas subsidiaries, in nominal terms (US$ millions) (c)	**22**	19	16.8

(a) Companies included on equity basis belonging to Israeli subsidiaries are included in the data of the consolidated companies in Israel.

(b) After certain adjustments to Israeli accounting principles.

(c) As reported by the overseas subsidiaries, including net profit to non-controlling interest holders.

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

- The increase in the contribution derives from the sale of shares of the Israel Corporation. Most of the explanations for the above 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 Group's results.
- The increase in the contribution of consolidated companies in Israel derives mainly from the profits of Leumi Partners as a result of the realization of investments in available-for-sale shares, primarily the sale of Mobileye.
- The negative contribution of consolidated companies abroad to the net profit of the Group is due to expenses of exchange rate differences which were recorded in the first quarter of 2015 in respect of foreign subsidiaries whose functional currency is the shekel, compared with income from exchange rate differences which were recorded in the corresponding period last year.
- The improvement in the contribution of companies included on equity basis derives from profits of Israel Corporation for the first quarter of 2015, compared to a loss in the corresponding period last year.

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-bank corporations engaged in non-banking activity.

Consolidated Companies in Israel

The Bank’s investments in consolidated companies in Israel amounted to NIS 5,957 million on 31 March 2015, compared with NIS 6,056 million on 31 December 2014. The contribution to net profit in the first three months of 2015 was NIS 347.8 million, compared with NIS 167.0 million in the corresponding period in 2014, an increase of NIS 179.7 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(a)		
	For the three months ended 31 March				
	2015	2014	**2015**	2014	Change
	%		NIS millions		%
Arab Israel Bank	**16.4**	17.0	**25.1**	22.0	14.1
Leumi Card	**12.1**	15.6	**36.0**	41.4	(13.0)
Leumi Partners (b)	**142.9**	68.2	**281.0**	93.8	+
Leumi Real Holdings	**0.3**	0.5	**0.6**	1.2	(50.0)
Leumi-Tech	**0.4**	0.3	**1.1**	0.7	57.1
Others	**1.4**	1.6	**4.0**	7.9	(49.4)
Total consolidated companies in Israel	**25.0**	13.2	**347.8**	167.0	+

(a) The profit (loss) presented is according to the Group's share in the results.
(b) 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 4,213 million on 31 March 2015, compared with NIS 4,124 million on 31 December 2014.

In the first quarter of 2015, the results of operations of the overseas consolidated subsidiaries amounted to a loss of NIS 23.2 million, compared with a profit of NIS 56.5 million in the corresponding period in 2014.

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

	Return on Group investment		Contribution to Group profit		
	For the period ended 31 March				
	2015	2014	**2015**	2014	Change
	%		NIS millions		%
Leumi USA (BLC)	**2.9**	3.5	**17.8**	20.6	(13.6)
Of which: Leumi USA	**3.3**	4.3	**17.0**	20.1	-
Leumi UK	**8.3**	13.4	**16.1**	23.2	(30.6)
Leumi Private Bank	**-**	2.5	**(28.9)**	5.9	-
Leumi Luxembourg	**-**	6.5	**(10.1)**	2.6	-
Leumi Re	**30.9**	7.6	**6.7**	1.5	+
Leumi Romania	**-**	6.8	**(11.0)**	4.1	-
Others	**-**	-	**(13.8)**	(1.4)	-
Total consolidated companies abroad	**-**	5.0	**(23.2)**	56.5	-

* Including adjustments for purposes of consolidation of the financial statements.

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

	For the three months ended		
	31 March 2015	31 March 2014	Change
	In millions		%
Leumi USA (BLC) - US$	**9**	6	50
Of which: BL USA - US$	**4**	6	(33)
Leumi UK - £	**7**	6	17
Leumi Private Bank - CHF	**2**	2	-
Leumi Luxembourg - €	**1**	1	-
Leumi Re - US$	**1**	-	-
Leumi Romania – ron *	**3**	2	50
Other - US$	**(1)**	-	-
Total translated to the dollar	**22**	19	17

* 1 ron at 31 March 2015 = NIS 0.968

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 31 March 2015 amounted to NIS 896 million, compared with NIS 2,216 million on 31 December 2014.

During the first quarter of 2015, the contribution to net profit amounted to a profit of NIS 131 million, compared with a loss of NIS 37 million in the corresponding period in 2014.

Risk Exposure and Risk Management

This section is set out in more detail in the 2014 Financial Statements (pages 161-207), and should therefore be read in conjunction with the above Annual Report.

Main changes in the risk environment

The main changes in the first quarter of 2015 in the risk environment in which the Bank operates were characterized by the low level of inflation in the economy, the lowering of interest rates in Israel to a level of 0.1%, a significant reduction in market interest rates in the medium and long-term and an increase in the quantitative program in Europe and the weakness of the euro worldwide.

Further to a review presented in the 2014 financial statements, the major challenges which banks around the world and in the economy are facing are numerous regulatory changes. In addition, the increase in the ability of the attackers and in motivation to attack increases the exposure of the "information assets" to cyber attacks and internal risks,

Leumi contends with the said challenges and risks, by changing its business activity and adapting it for new requirements, on the one hand, and to new threats, on the other, and via the adaptation of risk management to the changing environment.

With regard to the capital targets, Leumi is prepared to strengthen capital adequacy and achieve the capital targets required by the regulatory authorities, in view of the initial implementation of the standard on employee rights in effect from the beginning of 2015, whose impact on the Bank's capital under the low and volatile interest rate environment is significant.

Table of severity of risk factors

In view of the new regulatory requirements in relation to the implementation of the standard on employee rights, an increase in the effect of changes in interest on the Bank's capital is anticipated. In this context, it was decided to increase the exposure to interest risk from low-risk to medium-risk. It should be noted that the increase in interest risk does not derive from the deliberate risk-taking, but from changes in the accounting standards relating to employee rights.

Other than that, there has been no change in the severity of the risk factors in relation to the table published in the 2014 Annual Report.

Basel directives

The financial statement data of Leumi, the calculation of the risk assets and capital adequacy ratio as of 31 March 2015 were computed and presented in accordance with the rules of the standardized approach. According to the Group's assessment, the capital adequacy ratio of 13.84%, which Leumi reported at 31 March 2015, covers the capital required in respect of the First and Second Pillars, including the stress scenarios used by the Group in its internal assessments.

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, 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 11 *	Note 4
Capital adequacy (quantitative and qualitative)	3	Page 12	-
Risk exposures and its assessment – general qualitative disclosure		-	-
Credit risk exposures by main credit type	4(b)		-
Exposures to foreign countries by geographical region	4(c)	Page 84	Exhibit D
Credit risk exposures by counterparty and main credit type	4(d)		-
Credit exposures by period to maturity	4(e)		-
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	-	-
Credit risk mitigation (qualitative and quantitative)	7	-	-
Credit exposures in derivatives of counterparty (qualitative and quantitative)	8	-	-
Securitization (qualitative and quantitative)	9(f) 9(g)	-	Note 2
Market risk (qualitative and quantitative)	10	Page 86	-
Operational risk- qualitative disclosure		Page 96	-
Investment in shares (qualitative and quantitative)		Page 44	-
Investments in shares of companies included on equity basis	13(b)	Page 69	-
Interest risk	14	Page 89	Exhibit B

* The tables are presented on the Bank's website: /http://leumi.co.il/home01/32587

Credit risk

This chapter is provided in great detail in the 2014 Annual Report (pages 170-186) and therefore, should be read in conjunction therewith.

1. Exposure and management of credit risks to the public

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 types and amounts of collateral. The requirement for collateral and the percentage thereof are derived from the level of risk that the Bank is prepared to assume when providing the credit, but special emphasis is placed on the rating of the borrowers' risk, which is determined taking into account a large number of parameters, chief of which is: financial stability, repayment capacity, the sector of the economy in which activity is concentrated.

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 it can be realized. The Bank verifies the value of the main securities by receiving an updated assessment and/or an assessor's valuations. The assessment of the value needs to be external and independent, and must be directed to the Bank.

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 ramifications for 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, there are directives which address 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 there is awareness of the subject of exposure to currency risks, 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 base and collateral.

If it appears that a borrower faces exposure/sensitivity to changes in exchange rates and/or 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/or commodity prices inherent in its activity.

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 keep risk to a minimum.

2. Credit exposure in respect of the fair value of derivatives by counterparty to the contract as at 31 March 2015:

	AAA to AA-	A+	A	A-	BBB to BBB-	BB+ to B-	Unrated	Total
Foreign banks	NIS millions							
Euro zone (a)	**2,805**	-	-	-	**1**	-	-	**2,806**
United Kingdom (b)	**2,203**	-	-	-	-	-	-	**2,203**
United States	**2,960**	-	-	-	-	-	-	**2,960**
Other	**420**	-	-	-	-	-	-	**420**
Total foreign banks	**8,388**	-	-	-	**1**	-	-	**8,389**
Israeli banks (c)	-	**2,983**	-	-	-	-	-	**2,983**

Corporate customers, by sectors of the economy	
Financial services (d)	**5,954**
Industry (e)	**646**
Construction and real estate	**92**
Transportation and storage	**50**
Trade	**211**
Electricity and water	**1**
Business services	**18**
Private individuals	**17**
Information and communications	**433**
Others	**40**
Total corporate customers	**7,462**
Total exposure	**18,834**

(a) This amount includes transactions with 5 countries.
(b) This amount includes transactions with 10 banks.
(c) This amount includes transactions with 9 banks.
(d) This amount includes transactions with 454 customers, where the highest amount for a single customer is NIS 1,879 million.
(e) This amount includes transactions with 256 customers, where the highest amount for a single customer is NIS 93 million.

3. Credit exposure to foreign financial institutions

The following table presents credit exposure to foreign financial institutions (a):

	As at 31 March 2015			
	Balance sheet credit risk (b)	Securities (c)	Current off-balance sheet credit risk (d)	Current credit exposure
	NIS millions			
External credit rating (e)				
AAA to AA-	**12,542**	**5,826**	**1,686**	**20,054**
A+ to A-	**3,255**	**26**	**1**	**3,282**
BBB+ to BBB-	**176**	**1,002**	**139**	**1,317**
BB+ to B-	**-**	**-**	**11**	**11**
Below B-	**-**	**-**	**-**	**-**
Unrated	**240**	**-**	**1**	**241**
Total current credit exposure to foreign financial institutions	**16,213**	**6,854**	**1,838**	**24,905**
Problem debt balances	**-**	**-**	**-**	**-**

	As at 31 December 2014			
	Balance sheet credit risk (b)	Securities (c)	Current off-balance sheet credit risk (d)	Current credit exposure
	NIS millions			
External credit rating (e)				
AAA to AA-	19,274	4,086	1,595	24,955
A+ to A-	2,138	29	1	2,168
BBB+ to BBB-	84	1,806	150	2,040
BB+ to B-	61	22	2	85
Below B-	-	-	1	1
Unrated	248	-	2	250
Total current credit exposure to foreign financial institutions	21,805	5,943	1,751	29,499
Problem debt balances	-	-	-	-

(a) Foreign financial institutions include banks, investment banks, insurance companies and institutional bodies.
(b) 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).
(c) Including subordinated bank debentures amounting to NIS 668 million at 31 March 2015 and NIS 759 million at 31 December 2014.
(d) Mainly guarantees and undertakings for the provision of credit (excluding off-balance sheet derivatives).
(e) In order to rate the foreign financial institutions, the Bank uses credit ratings determined for implementing the standardized approach of Basel III. The Bank uses the ratings of Moody's and S&P agencies for rating the foreign financial institutions.

Notes:

1. Credit exposures do not include investments in asset-backed securities (see the details in the note on securities).
2. 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.
3. For further information regarding the composition of the credit exposure in respect of derivatives *vis-à-vis* banks and brokers/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 by country may be divided as follows: United States 50%, Europe (Germany, France, Switzerland, Spain and the Benelux countries) 17%, United Kingdom 21%, and other countries 12%.

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.

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 according to 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):

	As at 31 March 2015		
	Balance sheet credit risk	Off-balance sheet credit risk	Total current credit risk
	NIS millions		
United States	**35,010**	**6,058**	**41,068**
United Kingdom	**13,912**	**3,219**	**17,131**
France	**2,597**	**1,188**	**3,785**
Germany	**4,090**	**618**	**4,708**
Switzerland	**2,368**	**518**	**2,886**
Belgium	**347**	**61**	**408**
Italy	**94**	**40**	**134**
The Netherlands	**1,740**	**185**	**1,925**
Denmark	**73**	**2**	**75**
Norway	**13**	**1**	**14**
Austria	**44**	**59**	**103**
Sweden	**65**	**5**	**70**
China	**924**	**602**	**1,526**
Canada	**664**	**232**	**896**
Brazil	**120**	**12**	**132**
Australia	**229**	**61**	**290**
Others	**6,684**	**616**	**7,300**
Total	**68,974**	**13,477**	**82,451**

	As at 31 December 2014		
	Balance sheet credit risk	Off-balance sheet credit risk	Total current credit risk
	NIS millions		
United States	30,378	6,279	36,657
United Kingdom	14,907	3,339	18,246
France	2,289	1,151	3,440
Germany	4,898	292	5,190
Switzerland	3,147	398	3,545
Belgium	1,154	74	1,228
Italy	273	27	300
The Netherlands	943	206	1,149
Denmark	119	7	126
Norway	648	-	648
Austria	46	60	106
Sweden	513	5	518
China	947	448	1,395
Canada	1,838	211	2,049
Brazil	1,254	22	1,276
Australia	1,395	61	1,456
Others	4,783	681	5,464
Total	69,532	13,261	82,793

The following table presents the exposure to countries according to the credit rating of the countries as rated by the World Bank, as at 31 March 2015 in NIS millions:

	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	**62,653**	**12,304**	**74,957**	**90.9**	**1,250**
High-income countries	**3,739**	**63**	**3,802**	**4.6**	**3**
Countries with mid-high income	**2,467**	**975**	**3,442**	**4.2**	**347**
Countries with mid-low income	**114**	**134**	**248**	**0.3**	**3**
Countries with low income	**1**	**1**	**2**	**-**	**-**
Total	**68,974**	**13,477**	**82,451**	**100.0**	**1,603**

The amount of exposure to foreign countries with liquidity problems as defined 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 1,416 million and relates to 13 countries.

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

High income – more than US$ 12,746 per capita
Mid-high income - from US$ 4,126 to US$ 12,745 per capita
Mid-low income - from US$ 1,046 to US$ 4,125 per capita
Low income – up to US$ 1,045 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 South Korea.

b. Countries with high income:

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

c. Countries with mid-high income:

Argentina, Brazil, Bulgaria, Mexico, Panama, Romania, South Africa, Turkey, Venezuela, Uruguay, Columbia and Peru

d. Countries with mid-low income:

Egypt, India, Paraguay, the Philippines, and the Ukraine

e. Countries with low income:

A large number of the African countries, Haiti and Nepal

Overall exposure to certain foreign countries:

	31 March 2015				
	Credit to the public	Bonds - banks and others	Bank deposits	Other	Total
	NIS millions				
Ireland	**33**	**132**	**20**	**6**	**191**
Spain	**23**	**-**	**3**	**16**	**42**
Italy	**58**	**22**	**14**	**39**	**133**
Total (a)	**114**	**154**	**37**	**61**	**366**

(a) The Group has no exposure to Portugal or Greece.

Market and Liquidity Risks

This chapter is written in great detail in the Annual Financial Statements for 2014 (pages 187-198). Accordingly, the following chapter should be read in conjunction with the Annual Report.

Capital requirement in respect of market risks

Below are the capital requirements in respect of market risks (Table 10–Basel):

	31 March 2015	31 March 2014	31 December 2014
	NIS millions		
Capital requirements (a) in respect of :			
Interest risks	**557**	957	948
Share price risk	**70**	161	169
Exchange rate risk	**68**	118	200
Options	**49**	29	38
Total capital requirements in respect of market risks	**744**	1,265	1,355

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 or repayment of the assets and liabilities in each of the linkage segments, whichever is earlier.

The interest exposure policy restricts the extent of exposure to possible changes in interest on the Bank's profits and on shareholders' equity. Accordingly, in each segment, the exposure to an unexpected change is measured at a parallel rate of 1% in interest in all the periods, and in various interest scenarios, and its effect on the potential erosion of economic value[1] and of the financial profit for twelve months forward in each of the segments and also for all segments together. Exposure of profit to interest is heavily influenced by the activity remeasured at market prices (derivative transactions and commercial portfolios).

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. According to past experience, the Bank considers some of the current account balances as long-term liabilities against the background of an increase in current account balances. In addition, there are assumptions relating to early repayments in mortgages.

[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.

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

Effect of immediate parallel change of 1% on the yield curve	Potential erosion in economic value			
	Limit	Actual		
		31 March 2015	31 March 2014	31 December 2014
Banking portfolio	**900**	**549**	306	506
Trading portfolio	**450**	**165**	187	220
Total	**1,100**	**645**	450	705
	Potential erosion in annual profit			
	Limit	Actual		
Total	**500**	**62**	160	106

* 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 quarter of 2015, the potential erosion in the economic value ranged from NIS 645 million to NIS 924 million, and in annual profit, from NIS 62 million to NIS 94 million.

In the first quarter of 2015, the Group complied with all of the exposure restrictions for interest prescribed by the Board of Directors.

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:

	31 March 2015				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	**225,938**	**54,617**	**68,019**	**7,115**	**9,754**
Amounts receivable in respect of derivative financial and off-balance sheet instruments	**322,340**	**7,810**	**207,739**	**61,911**	**39,417**
Financial liabilities	**191,732**	**46,390**	**82,286**	**14,958**	**9,029**
Amounts payable in respect of derivative financial and off-balance sheet instruments	**339,800**	**9,423**	**194,033**	**54,153**	**40,576**
Net fair value of financial instruments	**16,746**	**6,614**	**(561)**	**(85)**	**(434)**

	31 March 2014				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	211,486	58,765	49,667	11,959	14,408
Amounts receivable in respect of derivative financial and off-balance sheet instruments	337,342	6,594	122,893	42,637	24,594
Financial liabilities	169,389	53,000	73,952	17,286	11,273
Amounts payable in respect of derivative financial and off-balance sheet instruments	359,037	9,368	101,053	37,769	27,620
Net fair value of financial instruments	20,402	2,991	(2,445)	(459)	109

	31 December 2014				
	Israeli currency		Foreign currency, including Israeli currency linked to foreign		
	Unlinked	CPI-linked	Dollar	Euro	Others
	NIS millions				
Financial assets	222,410	55,524	64,967	9,373	12,730
Amounts receivable in respect of derivative financial and off-balance sheet instruments	322,255	6,776	198,239	56,168	35,421
Financial liabilities	182,348	50,496	87,313	15,721	9,732
Amounts payable in respect of derivative financial and off-balance sheet instruments	340,762	9,046	177,771	50,011	38,888
Net fair value of financial instruments	21,555	2,758	(1,878)	(191)	(469)

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

	31 March 2015						
	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				
	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	**15,816**	**6,403**	**(626)**	**(91)**	**(445)**	**(1,223)**	**(5.49)**
Immediate corresponding increase of 0.1%	**16,653**	**6,593**	**(568)**	**(86)**	**(435)**	**(123)**	**(0.55)**
Immediate corresponding decrease of 1%	**17,769**	**6,884**	**(483)**	**(77)**	**(423)**	**1,390**	**6.24**

	31 March 2014						
	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				
	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	19,778	2,947	(2,582)	(494)	92	(857)	(4.16)
Immediate corresponding increase of 0.1%	20,340	2,987	(2,459)	(463)	107	(86)	(0.42)
Immediate corresponding decrease of 1%	21,063	2,968	(2,329)	(422)	126	808	3.92

	31 December 2014						
	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				
	Unlinked	CPI-linked	Dollar	Euro	Others	Total	Total
	NIS millions					NIS millions	%
Immediate corresponding increase of 1%	20,684	2,635	(2,065)	(207)	(482)	(1,210)	(5.56)
Immediate corresponding increase of 0.1%	21,468	2,746	(1,897)	(193)	(470)	(121)	(0.56)
Immediate corresponding decrease of 1%	22,516	2,911	(1,741)	(173)	(456)	1,282	5.89

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

1.1 Exposure to interest and compliance with limits

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 quarter of 2015, the Group complied with all the exposure limits for interest set by the Board of Directors. For detailed data on exposure to interest, see Exhibit B below in the Management Review.

	31 March 2015			31 December 2014		
	Unlinked	CPI-linked	Foreign currency and foreign currency linked	Unlinked	CPI-linked	Foreign currency and foreign currency linked
Average duration in years:						
Average duration of assets (a)	**1.08**	**3.01**	**0.85**	1.03	2.96	0.96
Average duration of liabilities (a)	**0.95**	**3.23**	**0.77**	0.92	3.00	0.83
Duration gap in years	**0.13**	**(0.22)**	**0.08**	0.11	(0.04)	0.13
IRR gap (%)	**2.25**	**1.61**	**1.79**	2.29	1.22	1.16

(a) 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 total liabilities, according to the original cash flow of the savings schemes is longer, reaching 3.28 years, with an internal rate of return (hereinafter: IRR) gap of 1.34%.

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 3.40 years, and an IRR gap of about 1.34%.

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 1.06 years in unlinked shekels and 0.81 years in foreign currency, with an IRR gap of 2.10% and 1.54%, 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 shareholders' equity.

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 related financing sources. To counter the tax exposure arising from exchange rate differences in respect of foreign investments, which are defined as units whose functional currency is identical to shekel, the Bank enters into hedging transactions.

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)	**31 March 2015**	31 March 2014	31 December 2014
Unlinked	(65%)-65%	**(22.4)**	(2.7)	(1.2)
CPI-linked	(50%)-50%	**21.9**	2.5	3.9
Foreign currency	(15%)-15%	**0.5**	0.2	(2.7)

During the first quarter of 2015, the average rate of equity invested in the linked sector stood at a surplus of about 21% of the exposed capital, fluctuating between a surplus of 7% and 26% 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 quarter of 2015, 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 foreign currencies as at 31 March 2015. 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	**5**	**1**	**5**	**1**	**(2)**
Increase of 10% in exchange rate	**21**	**3**	**11**	**2**	**(4)**
Decrease of 5% in exchange rate	**(11)**	**(8)**	**(5)**	**(1)**	**1**
Decrease of 10% in exchange rate	**(23)**	**(19)**	**(11)**	**(2)**	**2**

3. Exposures in trading rooms

Market risks in the trading portfolio derive from of the Bank's activity as a market-maker in the foreign currency and derivatives trading rooms and as a manager of positions in shekels nostro and foreign currency nostro:

- Foreign currency dealing room – The trading room acts as a market-maker in various currencies, interest rates, derivative instruments and Government of Israel debentures in favor of the provision of immediate trading services to active customers in these instruments. 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 which were approved by the Market Risks Management Committee. Because of the dynamic nature of the activity, these restrictions are regularly monitored at least once a day by the middle office.

- In the nostro trading dealing rooms, pro-active activity is carried out in the context of which exposures are initiated to interest, foreign currency and negotiable credit risks. In nostro shekels, most of the exposure is to Government of Israel debentures and, in foreign currency nostro, the exposure is to foreign government debentures, banks, corporations and asset-backed debentures. This activity is managed and monitored at least once a week, in accordance with the restrictions, some of which have been approved by the Board of Directors and some of which by the Chief Risk Officer. All of the restrictions have been validated by the Risk Management Division.

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

The Bank examines the loss which may be incurred in a stress event from market risks and from all of the risks by means of several tools, which also include various assumptions. Among other things, the Bank uses a value-at-risk model to measure stress loss which may be incurred from market risks. For this purpose, 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 (MtM) portfolios		
	31 March 2015	31 March 2014	31 December 2014	**31 March 2015**	31 March 2014	31 December 2014
Actual	**185**	107	156	**66**	68	42
Limit	**500**	500	500	**400**	400	400

In the first quarter of 2015, 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.

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

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.

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 37.6 billion and in securities, some NIS 27.1 billion, principally in government debentures. Surplus liquid means in foreign currency are invested primarily in debentures amounting to some NIS 32.8 billion, and in bank deposits, some NIS 10.9 billion.

The balance of public deposits in the Bank, not including subordinated notes, rose during the first three months of 2015 by NIS 1.6 billion (0.5%), and after canceling the effect of exchange rate differentials, the balance of public deposits fell by NIS 9.1 billion (-3.0%).

The shekel segment recorded an increase of NIS 10.4 billion (5.4%), while in the foreign currency and foreign currency linked segment, there was a decrease of NIS 8.8 billion, (-8.1%), after canceling the effect of exchange rate differentials, a decrease of NIS 19.5 billion (-17.8%).

Monitoring liquidity risk

The Bank measures and manages liquidity risk pursuant to Proper Conduct of Banking Management Regulation no. 342 regarding Liquidity Risk Management by means of an internal model under various scenarios which check that the liquid means available to the Bank in Israeli and foreign currency are sufficient to meet all liquidity needs in a liquidity stress scenario lasting one month. The model is based on an evaluation of the stability of public deposits and the rates of refinancing and repayment of assets and liabilities. During the reviewed period, the Bank complied with a liquidity ratio higher than 1, in accordance with the requirements of the directive.

Moreover, the Bank makes use of forecasts of day-to-day cash flows, in monitoring trends in different segments of deposits, monitoring concentrations of depositors, monitoring cost of raising funds for the Bank, and is assisted by a warning-light system that can indicate changes in the liquidity position of the Bank.

From 1 April 2015, the Bank is required to comply with Proper Conduct of Banking Business Management Directive 221 regarding Liquidity Coverage Ratio (LCR), with adaptation to the Israeli economy. Pursuant to this directive, the LCR ratio must not be less than 60% by the end of 2015 and will increase to 80% in 2016 and to 100% from 2017. Proper Conduct of Banking Business Management Directive 342 regarding Liquidity Risk continues to be in force at the same time as this directive. As mentioned above, Leumi duly complies with the requirements of the directive.

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 31 March 2015			As at 31 December 2014		
	Unlinked	CPI-linked	Foreign currency (b)	Unlinked	CPI-linked	Foreign currency (b)
	NIS millions					
Total assets (a)	**243,045**	**53,174**	**115,211**	236,831	54,203	123,611
Total liabilities (a)	**220,679**	**54,786**	**116,758**	210,280	59,103	127,649
Surplus (deficit) of assets in segment	**22,366**	**(1,612)**	**(1,547)** (c)	26,551	(4,900)	(4,038) (c)

(a) Including forward transactions and options.
(b) Including foreign-currency-linked.
(c) The excess of liabilities in foreign currency derives mainly from a hedging transaction against the tax exposure in respect of the foreign investments; the investment in shares and funds classified as a non-monetary item.

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 Leumi's balances in the Bank of Israel at the end of March 2015 amounted to some NIS 38 billion, compared with NIS 39 billion at the end of December 2014.

The Bank also has a securities portfolio of some NIS 58 billion, invested mainly in Government of Israel debentures and foreign government debentures. This compares with a balance of NIS 44 billion at 31 December 2014.

The balance of liquid assets represent around 26.2% of the financial assets of the Bank, an increase of 1.1% compared with the level at 31 December 2014.

Operational risks

This chapter is set out in great detail in the Financial Report for 2014 (pages 187-198) 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, information technology risks, business continuity and data and cyber security.

The management of operational risks in Leumi Group is carried out from a systemic perspective, using three lines of defense through a uniform and systematic group methodology which is outlined by the Operational Risk Management Department in the 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, which is managed in all of the Bank's divisions.

A significant focal point of risk in the range of operational risks is data technology risks. The Bank is a progressive and leading bank in technological innovation, with the aim of creating advanced services for its customers. Alongside the business opportunities which are generated with the technological progress the exposure level to data security risk and to system failure increases, which are liable to expose the Bank to impairment in business activity and to impairment of goodwill. Data security risks in Leumi are managed on the basis of an orderly policy for mapping and risk management, implementation of controls and hedging of risks.

Risk of cyber (Reporting as prospective information) – In recent years, an increase in the degree of cyber threats can be discerned. Attacks are being 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 implementing supervision and control mechanisms and procedures.

In Leumi, there are centers for monitoring unusual cyber activity and attacks. Leumi persists in the improvement of the defense from cyber attacks.

In the first quarter of 2015, Leumi experienced no serious data security or cyber events.

Compliance Risks

This chapter was written in great detail in the 2014 annual report (pages 165-166 and 201-202). Accordingly, the chapter below should be read in conjunction with the contents of the annual report.

In recent years, compliance risks have increased, banks around the world are absorbing substantial penalties in respect of failure to comply with regulations in many and various areas, from activity in the capital market and the sale of various financial products ("conduct risk"), through the violation of international sanctions, to the area of private banking. In addition, the frequent changes in regulations require constant pro-active monitoring and assessments within a short time-frame, which require the allocation of several resources.

As a result of changes in legislation and the principles of enforcement in Israel and around the world, and in view of the provision of services by the Bank to foreign resident customers, compliance with international laws and principles has become more complex than in the past and the risk of violations of the regulatory requirements of foreign countries, including in respect of monies previously received from existing customers and from past customers of the Bank and its foreign subsidiaries, became significant. In addition to consumer issues and the topics regarding the prohibition of money laundering and the financing of terrorism, the importance of compliance with laws related to the principles of investment management, the provision of banking services and the compliance of foreign resident customers with the tax laws relevant to them (cross-border activity) has increased.

As a result of the changes in legislation and in enforcement around the world and the beginning of the United States investigation into Leumi Group, the Bank has taken steps over the past three years on a number of planes to reduce these exposures. Pursuant thereto, contact was made with all private U.S. customers in order to obtain their signatures on W9 tax forms, which evidence the fact that they declare their monies to the U.S. authorities as required. The Bank is prepared to comply with the FATCA rules and the inter-government agreement (IGA) to guarantee compliance with the U.S. requirements.

On 16 March 2015, the Supervisor of Banks issued a circular on "Risk management arising from the cross-border activity of customers". According to this circular, it is required to establish policy for dealing with cross-border activity with an emphasis on tax indebtedness. Pursuant to this policy, the Bank will determine risk hierarchies for customers on these aspects and will obtain their signatures on declaration forms. These declarations will include the customer's declaration on their countries of residence for tax purposes, the customer's declaration that their accounts have been duly reported to these countries and a confidentiality waiver vis-à-vis the overseas authorities.

Further to dealing with the subject of the United States, it was decided to exit the representative and other offices overseas that have been engaged in private banking, including closing the major bulk of the representative offices abroad, the sale of the activity of the Bank's office in Switzerland, and the decision to exit the office in Luxembourg. A "declared money policy" has been established, which is aimed to ensure, based on indications of risk, that new foreign residents and new monies transferred to the Bank from various countries are declared by the customers to their countries of origin. Furthermore, under the said policy, a risk-oriented multi-year outline was defined for dealing with the Bank's existing non-United States customers, with the aim of ensuring that their monies were declared or in the process of being declared, so that all of the customers of the Bank and of the Bank's overseas subsidiaries will comply with the "declared money policy" adopted by the Bank. The implementation of the said policy will naturally take some time and is being been adapted to regulatory processes defined in Israel around the world for dealing with this topic, and on the basis of the rating carried on the risk level of various customers. The implementation is also being carried out paying attention to the "Automatic Exchange of Information" Agreement of the OECD, which, the Ministry of Finance of the State of Israel has announced, it will join.

The management of all the compliance risks is carried out in Leumi by allocating the responsibility among three "lines of defense", whereby the management of cross-border activity risk is handled by the International Private Banking Department, assisted by the Compliance Department and the Legal Counsel Department of the Bank. As a further part of the Bank's preparedness for overall management of the compliance risks that have arisen and have become more complex, over the past year, the Bank has made a structural change in the compliance function, centralizing the employees of the "second line" from the field to the head office, and defining their duty, inter alia, in the detection of broad-based compliance risk. In addition, on the corporate side, the handling of foreign resident customers has been concentrated in a number of centers in the Banking Division, which specialize in dealing with the requirements of customers and compliance with the necessary regulations.

Legal Proceedings

The Report of the Board of Directors in the Annual Report for 2014 sets forth legal, civil and other proceedings in which the Bank and consolidated subsidiaries are parties.

For further details regarding changes that have occurred in connection with legal proceedings and new claims which have been submitted, see 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 expenses as a result of the abovementioned claims.

Arrangement with the U.S. authorities

As outlined in Note 18 to the annual financial statements for 2014, on 22 December 2014, Leumi Group signed a Deferred Prosecution Agreement (DPA) with the United States Department of Justice (DOJ) and a consent order with the New York Department of Financial Services (NYDFS).

On 4 January 2015, the Bank paid a total of US$ 400 million in accordance with the said arrangements (US$ 270 million to the DOJ and US$ 130 million to the NYDFS).

The Bank made full provisions for the said amounts; in previous reporting periods, and therefore, the payment of the said amounts has no impact on the financial results as of 31 March 2015.

In accordance with the consent order, the supervisor (monitor), appointed by the NYDFS, whose function is, *inter alia*, is to examine the compliance programs of the Bank and subsidiaries, including the policy and work processes in this context, in order to ensure compliance with the requirements of the laws of the United States and the State of New York.

In order to comply with the provisions of the arrangements as aforesaid, the Bank has appointed a special steering committee which supervises the fulfillment of the Bank's and the offices' undertakings according to the arrangements and submits regular reports thereon to the Bank's management and Board of Directors.

As a result of the investigations, a numbers of actions have been served against the Bank and office-holders who served and who are serving in the Bank. For details regarding the abovementioned actions, see Note 6 to the financial statements.

On 11 January, 2015, the Ministry of Justice published a notice, according to which the Attorney-General orders a comprehensive review of the Bank's arrangements with the U.S. authorities, and also ordered a combined team to be set up, comprising enforcement and consultative bodies for a thorough examination. The team will present its conclusions to the Attorney-General to consider the matters. In addition, the Banking Supervision Department announced that it is undertaking an audit process relating to aspects of proper conduct of banking management, as well as aspects of the personal responsibility of employees and office-holders in the matter.

On 15 February 2015, the Board of Directors decided to establish an independent claims committee in order to make recommendations to the Board of Directors of the Bank on the correct legal course of action for the Bank, in view of all of the circumstances and proceedings relating to the events that led to the Bank's undertaking in arrangements with the U.S. authorities, including to examine (a) whether to serve, and in whose name, one or more monetary claims against any office-holder and/or employee, past or present in the Bank Group, in respect of damages caused to the Bank because of the events which are the subject of the arrangements; (b) whether to work towards one or more of the arrangements in the context of legal proceedings which are pending in connection with U.S. customers, and, if so, in whose name and under what conditions; (c) whether to serve, and in whose name, one or more monetary claims against any office-holder and/or employees, past or present, in the Bank Group, for the return of bonuses on the basis of profits which the corporations of the Bank generated over the years from the customers in relation to whom the Bank has arrived at arrangements with the U.S. authorities.

On 11 March 2015, the Tel-Aviv District Court approved the establishment of the independent claims committee and postponed the continuation of the discussions before it for four months, in order to enable the committee to complete its work. Immediately following the decision of the court, the committee commenced its work.

As noted in the financial statements as of 31 December 2014, there is an investigation pending by the United States Securities and Exchange Commission (SEC) in connection with the Group's activities in securities and investment advice with U.S. resident customers. During the reporting period, a meeting was held with the SEC in which the documents requested by the SEC were discussed. The Group is still taking steps to furnish the required documents to the SEC, a process, which, at the publication date of the report, has not yet been completed.

According to the legal advice received by the Group from its attorneys in the United States, due to the broad discretion given to the SEC and due to the special facts and the defense claims concerning the Group's interests, the Group is unable, at this stage, to evaluate the amount that the Group may be required to pay as a result of the investigation.

Since it is not possible to evaluate the total amount of the expense that may be incurred by the Group regarding this investigation, based on the opinion of its lawyers advising the Group in the United States in the SEC's investigation regarding the impossibility of estimating the expected amount of expenses, the Group considers that there is no reason to make any provision in the financial statements in respect thereof. Nevertheless, in accordance with an instruction of the Bank of Israel, dated 25 May 2015, according to which, "for the time being, the Bank is obliged to include a provision for the amount of the expected loss it estimates in respect of the investigation. For reasons of prudence, this provision must not be less than US$ 5 million". Accordingly, the Bank has made a provision amounting to US$ 5 million.

D. Additional Matters

Leumi for the Community

Involvement of employees in the community

Leumi continues to encourage and support employees who volunteer within the community. The employees volunteer in the geographic and social periphery, particularly for children and youth through training and experiential enrichment activities and volunteering for varied populations such as Holocaust survivors, and families in economic difficulties, etc. As a flagship project, Leumi employees volunteer to accompany groups and youngsters from the association "Leumi Tomorrow - Youth Leading Change". In addition, they have recently commenced advanced programs. The activities are carried out in conjunction with social organizations, welfare departments and local authorities.

Kimcha De'Pischa campaign

Before the Passover festival, the Kimcha De'Pischa campaign was held, in the course of which 850 Leumi volunteers delivered more than 2,400 food parcels to underprivileged families from among the communal partners with whom we are involved in continuous activity, and at the recommendations of the welfare departments of local authorities throughout Israel.

The campaign was made possible thanks to the contribution of the "Leumi Tomorrow" Association, donations from Leumi employees and contributions of the units and subsidiaries.

"Young Israeli Entrepreneurs" organization

Leumi is an involved partner in the "Young Israeli Entrepreneurs" organization, in which youth experience setting up a start-up company which advances a business idea of a product development. Leumi's contribution to the organization focuses on assisting in the operation of the program in the social and geographic outlying areas, and the adoption of the program by branches of the Bank throughout Israel, and recruiting volunteer mentors from among employees of the Group.

Summary of Donations and Sponsorships

In the first quarter of 2015, Leumi Group donated funds and provided sponsorships for social welfare and community purposes amounting to some NIS 11.7 million, of which donations totaled some NIS 7.2 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 2014.

The 2015 work program of the Internal Audit Division was submitted to the Audit Committee on 23 December 2014, and was approved in the Audit Committee on 30 December 2014. On 19 January 2015, it was submitted to the Board of Directors and approved in the Board of Directors on 10 February 2015.

The Internal Auditor's annual report for 2014 was submitted to the Audit Committee on 26 February 2015 and discussed in the Committee on 3 March 2015. On 11 March 2015, the report was submitted to the Board of Directors and discussed in the plenum on 15 March 2015.

The annual reports of the internal auditors of subsidiaries in Israel for 2014 were submitted to the Audit Committee on 12 March 2015 and were discussed in the Committee on 18 March 2015.

The annual reports of the internal auditors of overseas units for 2014 were submitted to the Audit Committee on 28 April 2015 and discussed in the Audit Committee on 3 May 2015.

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 Sections 302 and 404 of the SOX Act. With reference to these sections, the SEC and the Public Company Accounting Oversight Board determined provisions as to management's responsibility for determining and maintaining controls and procedures regarding disclosure and maintaining internal control over financial reporting and the external auditors' opinion with regard to the audit of internal control over financial reporting.

The Supervisor's directives prescribe that:

- Banking corporations shall apply the requirements of Sections 302 and 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 1992 (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 and is in the process of adopting the new COSO model.

During 2015, the Bank validated and updated significant control processes and effective examinations of the whole internal control system over financial reporting.

Assessment of controls and procedures with regard to disclosure

The Bank management, in conjunction with the President and CEO, the Head of the Finance Division, 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, the Head of the Finance Division, 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 31 March 2015, 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.

As regards the procedure for approval of the financial statements, see the corporate governance questionnaire in the periodic report, which was published on 31 March 2015 (Ref. no. 2015-01-070033).

Organizational Structure and Appointments

On 1 January 2015, a change in organizational structure was made, whereby the Private Banking Department in the Bank was transferred to the responsibility of the Banking Division.

Provident and Severance Pay Funds of the Bank's Employees

In March 2015, the Bank entered into an agreement with institutional entities from the Migdal Group to transfer the provident funds which have been accrued or will be accrued since 2008 and onwards and severance pay funds which have been accrued or will be accrued in the provident and severance pay funds of the Bank's employees, on behalf of first-generation employees that have chosen or will choose on retirement a track of social security arrangement to a non-contributory fund under the management of Migdal.

In addition, on 25 March 2015, the Bank received approval from the Tax Authority for the transfer of the severance pay funds accumulated in the Bank's central severance pay fund in favor of the severance pay component in personal provident funds maintained on the employees' behalf, and the conditions and mechanism for charging to the tax that will apply on the withdrawal of monies from the severance pay central fund.

Board of Directors

During the first three months of 2015 and up until the date of publication of this Report, there were no changes in the composition of the Board of Directors:

The Board of Directors currently consists of 15 directors.

On April 16 2015, the Bank published a preliminary notice regarding an intention to convene an annual general meeting, with the agenda to include, *inter alia*, the appointment of directors. For further details, see Immediate Report of the Bank, dated 16 April 2015 (Ref. no. 2015-01-000624).

During the period of January to March 2015, the Board of Directors held 14 plenary meetings and 29 committee meetings.

At the meeting of the Board of Directors held on 28 May 2015, it was resolved to approve and publish the Group's condensed unaudited consolidated financial statements as of 31 March 2015 and for the period ended on that date.

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 advancement of the Group's business.

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

28 May 2015

Rates of Income and Expenses[a]

Exhibit A

Part A – Average balances and interest rates - assets

	For the three months ended 31 March					
	2015			2014		
	Average balance (b)	Interest income	Rate of income	Average balance (b)	Interest income	Rate of income
	NIS millions		%	NIS millions		%
Income-bearing assets						
Credit to the public (c)						
In Israel	**225,478**	**1,127**	**2.01**	211,023	1,707	3.28
Outside Israel	**23,781**	**220**	**3.75**	24,177	231	3.88
Total (i)	**249,259**	**1,347**	**2.18**	235,200	1,938	3.34
Credit to the Government						
In Israel	**463**	**1**	**0.87**	483	3	2.51
Outside Israel	**51**	**-**	**-**	43	-	-
Total	**514**	**1**	**0.78**	526	3	2.30
Deposits in banks						
In Israel	**11,414**	**13**	**0.46**	6,222	10	0.64
Outside Israel	**1,205**	**7**	**2.34**	1,829	3	0.66
Total	**12,619**	**20**	**0.64**	8,051	13	0.65
Deposits in central banks						
In Israel	**29,560**	**14**	**0.19**	19,159	43	0.90
Outside Israel	**4,902**	**3**	**0.25**	5,426	3	0.22
Total	**34,462**	**17**	**0.20**	24,585	46	0.75
Securities borrowed or purchased under resale agreements						
In Israel	**1,983**	**2**	**0.40**	1,524	4	1.05
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,983**	**2**	**0.40**	1,524	4	1.05
Bonds available for sale (d)						
In Israel	**34,840**	**85**	**0.98**	44,669	162	1.46
Outside Israel	**5,248**	**20**	**1.53**	4,104	17	1.67
Total	**40,088**	**105**	**1.05**	48,773	179	1.48
Bonds for trading (d)						
In Israel	**11,877**	**8**	**0.27**	10,273	17	0.66
Outside Israel	**345**	**2**	**2.34**	56	1	7.34
Total	**12,222**	**10**	**0.33**	10,329	18	0.70
Total interest-bearing assets	**351,147**	**1,502**	**1.72**	328,988	2,201	2.70
Receivables for non-interest bearing credit cards	**7,136**			6,940		
Other non-interest bearing assets (e)	**50,271**			34,658		
Total assets	**408,554**	**1,502**		370,586	2,201	
Total income-bearing assets attributable to activity outside Israel	**35,532**	**252**	**2.87**	35,635	255	2.89

See notes on page 111.

Rates of Income and Expenses[a] (cont'd)

Exhibit A

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

	For the three months ended 31 March					
	2015			2014		
	Average balance	**Interest expense**	**Rate of expense**	Average balance	Interest expense	Rate of expense
	(NIS millions)		**%**	(NIS millions)		%
Interest- bearing liabilities						
Deposits of the public						
In Israel	**228,247**	**17**	**0.03**	208,577	(273)	(0.52)
On demand	**60,281**	**(5)**	**(0.03)**	48,020	(37)	(0.31)
Fixed term	**167,966**	**22**	**0.05**	160,557	(236)	(0.59)
Outside Israel	**16,901**	**(31)**	**(0.73)**	16,297	(35)	(0.86)
On demand	**2,919**	**(2)**	**(0.27)**	2,418	(2)	(0.33)
Fixed term	**13,982**	**(29)**	**(0.83)**	13,879	(33)	(0.95)
Total	**245,148**	**(14)**	**(0.02)**	224,874	(308)	(0.55)
Deposits of the Government						
In Israel	**144**	**(1)**	**(2.81)**	148	(2)	(5.52)
Outside Israel	**344**	**-**	**-**	241	-	-
Total	**488**	**(1)**	**(0.82)**	389	(2)	(2.07)
Deposits from central banks						
In Israel	**-**	**-**	**-**	40	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**-**	**-**	**-**	40	-	-
Deposits from banks						
In Israel	**4,279**	**(3)**	**(0.28)**	3,504	(7)	(0.80)
Outside Israel	**49**	**-**	**-**	77	-	-
Total	**4,328**	**(3)**	**(0.28)**	3,581	(7)	(0.78)
Securities lent or sold under resale agreements						
In Israel	**1,186**	**(2)**	**(0.68)**	795	(2)	(1.01)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,186**	**(2)**	**(0.68)**	795	(2)	(1.01)
Bonds						
In Israel	**17,064**	**34**	**(0.80)**	25,415	(125)	(1.98)
Outside Israel	**10**	**-**	**-**	10	-	-
Total	**17,074**	**34**	**(0.80)**	25,425	(125)	(1.98)
Total interest-bearing liabilities	**268,224**	**14**	**0.02**	255,104	(444)	(0.79)
Non-interest bearing deposits of the public	**72,048**			54,351		
Payables for non-interest bearing credit cards	**7,764**			7,517		
Other non-interest bearing liabilities (f)	**31,763**			27,741		
Total liabilities	**379,799**	**14**		344,713	(444)	
Total capital means	**28,755**			25,873		
Total liabilities and capital means	**408,554**	**14**		370,586	(444)	
Interest margin		**1,516**	**1.74**		1,757	2.01
Net yield (g) on income-bearing assets						
In Israel	**315,615**	**1,295**	**1.65**	293,353	1,537	2.11
Outside Israel	**35,532**	**221**	**2.51**	35,635	220	2.49
Total	**351,147**	**1,516**	**1.74**	328,988	1,757	2.15
Total income-bearing liabilities attributable to activity outside Israel	**17,304**	**(31)**	**(0.72)**	16,625	(35)	(0.84)

See notes on page 111.

Rates of Income and Expenses[a] (cont'd)

Exhibit A

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

	For the three months ended 31 March					
	2015			2014		
	Average balance	**Interest income (expense)**	**Rate of income (expense)**	Average balance	Interest income (expense)	Rate of income (expense)
	(NIS millions)		%	(NIS millions)		%
Index-linked Israeli currency						
Total interest-bearing assets	**53,886**	**(382)**	**(2.81)**	57,437	131	0.92
Total interest-bearing liabilities	**44,479**	**219**	**1.95**	49,457	(76)	(0.62)
Interest margin			**(0.86)**			0.30
Unlinked Israeli currency						
Total interest-bearing assets	**212,570**	**1,394**	**2.65**	198,014	1,616	3.30
Total interest-bearing liabilities	**163,009**	**(129)**	**(0.32)**	148,205 (j)	(292)	(0.79)
Interest margin			**2.33**			2.51
Foreign currency						
Total interest-bearing assets	**49,159**	**238**	**1.95**	37,902	199	2.12
Total interest-bearing liabilities	**43,432**	**(45)**	**(0.42)**	40,817 (j)	(41)	(0.40)
Interest margin			**1.53**			1.72
Total activity in Israel						
Total interest-bearing assets	**315,615**	**1,250**	**1.59**	293,353	1,946	2.68
Total interest-bearing liabilities	**250,920**	**45**	**0.07**	238,479	(409)	(0.69)
Interest margin			**1.66**			1.99

See notes on page 111.

Rates of Income and Expenses[a] (cont'd)

Exhibit A

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

	2015 compared to 2014		
	For the three months ended 31 March		
	Increase (decrease) due to change (h)		Net change
	Amount	Price	
Interest-bearing assets			
Credit to the public			
In Israel	**72**	(652)	**(580)**
Outside Israel	**(4)**	(7)	**(11)**
Total	**68**	(659)	**(591)**
Other interest-bearing assets			
In Israel	**11**	(127)	**(116)**
Outside Israel	**1**	7	**8**
Total	**12**	(120)	**(108)**
Total interest income	**80**	(779)	**(699)**
Interest-bearing liabilities			
Deposits of the public			
In Israel	**(1)**	(289)	**(290)**
Outside Israel	**1**	(5)	**(4)**
Total	**-**	(294)	**(294)**
Other interest-bearing liabilities			
In Israel	**9**	(173)	**(164)**
Outside Israel	**-**	-	**-**
Total	**9**	(173)	**(164)**
Total interest expenses	**9**	(467)	**(458)**

See notes on page 111.

Rates of Income and Expenses[a] (cont'd)

Exhibit A

Notes:

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

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated on daily figures, and before deduction of the average balance of credit loss allowances, overseas subsidiaries on the basis of quarterly opening balances.

(c) Before deduction of the average balance of credit loss allowances. Including impaired debts not accumulating interest income.

(d) 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 month period an amount of NIS 589 million (31 March 2014 – NIS 425 million).

(e) Including book balances of derivative instruments, other non-interest bearing assets, non-monetary assets, and after deducting allowance for credit losses.

(f) Including book balances of derivative instruments, and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) 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.

(i) Commissions for the three month period in an amount of NIS 120 million has been included in interest income from credit to the public (31 March 2014 – NIS 125 million).

(j) Reclassified.

Exposure to Interest Rate Fluctuations

Exhibit B

	31 March 2015						
	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
	(NIS millions)						
Israeli currency - unlinked							
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments							
Financial assets (a)	168,086	5,946	26,520	10,815	6,512	5,181	2,203
Derivative financial instruments (excluding options)	55,259	103,459	58,778	41,128	25,855	26,720	676
Options (in terms of basis asset) (d)	2,723	1,490	3,194	1,244	1,193	568	53
Off-balance sheet financial instruments	-	-	-	-	-	-	-
Total fair value	226,068	110,895	88,492	53,187	33,560	32,469	2,932
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments							
Financial liabilities (a)	172,125	4,657	3,859	6,947	3,598	463	71
Derivative financial instruments (excluding options)	56,718	109,556	70,457	40,402	26,512	26,379	576
Options (in terms of basis asset) (d)	2,311	1,887	3,574	1,346	-	-	-
Off-balance sheet financial instruments	-	-	29	-	-	-	-
Total fair value	231,154	116,100	77,919	48,695	30,110	26,842	647
Financial instruments, net							
Exposure to interest rate fluctuations	(5,086)	(5,205)	10,573	4,492	3,450	5,627	2,285
Accumulated exposure in the sector	(5,086)	(10,291)	282	4,774	8,224	13,851	16,136
Israeli currency – linked							
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments							
Financial assets (a)	1,363	3,582	12,230	17,485	12,077	5,698	1,807
Derivative financial instruments (excluding options)	681	543	1,185	1,856	1,562	1,934	49
Options (in terms of basis asset) (d)	-	-	-	-	-	-	-
Off-balance sheet financial instruments	-	-	-	-	-	-	-
Total fair value	2,044	4,125	13,415	19,341	13,639	7,632	1,856
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments							
Financial liabilities (a)	1,017	2,284	8,669	15,935	7,200	10,080	1,205
Derivative financial instruments (excluding options)	-	575	2,504	2,262	1,661	2,139	176
Options (in terms of basis asset) (d)	-	-	-	-	-	-	-
Off-balance sheet financial instruments	-	-	106	-	-	-	-
Total fair value	1,017	2,859	11,279	18,197	8,861	12,219	1,381
Financial instruments, net							
Exposure to interest rate fluctuations	1,027	1,266	2,136	1,144	4,778	(4,587)	475
Accumulated exposure in the sector	1,027	2,293	4,429	5,573	10,351	5,764	6,239

See notes on page 116.

					31 March 2014			31 December 2014		
Over twenty years	**No repayment date**	**Total fair value**	**Internal rate of return**	**Duration (b)**	Total fair value	Internal rate of return	Duration (b)	Total fair value	Internal rate of return	Duration (b)
			(%)	(Years)		(%)	(Years)		(%)	(Years)
221	**454**	**225,938**	**2.91**	**0.66**	211,486	3.44	0.54	222,410	2.83	0.63
-	**-**	**311,875**	**-**	**1.42**	332,304	-	1.60	310,080	-	1.37
-	**-**	**10,465**	**-**	**-**	5,038	-	-	12,175	-	-
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
221	**454**	**548,278**	**2.91**	**1.08**	548,828	3.44	1.17	544,665	2.83	1.03
-	**12**	**191,732**	**0.66**	**0.27**	169,389	1.08	0.28	182,348	0.54	0.26
53	**-**	**330,653**	**-**	**1.38**	355,454	-	1.53	330,356	-	1.31
-	**-**	**9,118**	**-**	**-**	3,555	-	-	10,377	-	-
-	**-**	**29**	**-**	**0.50**	28	-	0.50	29	-	0.50
53	**12**	**531,532**	**0.66**	**0.95**	528,426	1.08	1.12	523,110	0.54	0.92
168										
16,304										
359	**16**	**54,617**	**1.90**	**2.99**	58,765	2.02	2.87	55,524	2.07	2.92
-	**-**	**7,810**	**-**	**3.13**	6,594	-	3.18	6,776	-	3.27
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
359	**16**	**62,427**	**1.90**	**3.01**	65,359	2.02	2.90	62,300	2.07	2.96
-	**-**	**46,390**	**0.29**	**3.21**	53,000	0.62	3.44	50,496	0.85	2.96
-	**-**	**9,317**	**-**	**3.41**	9,273	-	2.65	8,901	-	3.30
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
-	**-**	**106**	**-**	**-**	95	-	-	145	-	-
-	**-**	**55,813**	**0.29**	**3.23**	62,368	0.62	3.32	59,542	0.85	3.00
359										
6,598										

Exposure to Interest Rate Fluctuations (cont'd)

Exhibit B

	31 March 2015						
	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
	(NIS millions)						
Foreign currency and foreign currency linked							
Financial assets, amounts receivable in respect of derivative instruments and off-balance sheet financial instruments							
Financial assets (a)	45,085	12,252	12,366	6,268	5,366	2,927	307
Derivative financial instruments (excluding options)	88,921	103,616	55,506	22,541	12,044	10,817	264
Options (in terms of basis asset) (d)	(760)	3,055	6,586	4,085	737	1,211	136
Off-balance sheet financial instruments	-	-	-	-	-	-	-
Total fair value	133,246	118,923	74,458	32,894	18,147	14,955	707
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments							
Financial liabilities (a)	76,748	9,138	14,355	4,719	1,124	121	57
Derivative financial instruments (excluding options)	70,255	94,338	58,009	24,115	13,177	12,135	359
Options (in terms of basis asset) (d)	382	1,521	6,014	4,250	1,867	1,743	136
Off-balance sheet financial instruments	-	-	14	-	-	-	-
Total fair value	147,385	104,997	78,392	33,084	16,168	13,999	552
Financial instruments, net							
Exposure to interest rate fluctuations	(14,139)	13,926	(3,934)	(190)	1,979	956	155
Accumulated exposure in the sector	(14,139)	(213)	(4,147)	(4,337)	(2,358)	(1,402)	(1,247)
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)	214,534	21,780	51,116	34,568	23,955	13,806	4,317
Derivative financial instruments (excluding options)	144,861	207,618	115,469	65,525	39,461	39,471	989
Options (in terms of basis asset) (d)	1,963	4,545	9,780	5,329	1,930	1,779	189
Off-balance sheet financial instruments	-	-	-	-	-	-	-
Total fair value	361,358	233,943	176,365	105,422	65,346	55,056	5,495
Financial liabilities, amounts payable in respect of derivative instruments and off-balance sheet financial instruments							
Financial liabilities (a) (c)	249,890	16,079	26,883	27,601	11,922	10,664	1,333
Derivative financial instruments (excluding options)	126,973	204,469	130,970	66,779	41,350	40,653	1,111
Options (in terms of basis asset) (d)	2,693	3,408	9,588	5,596	1,867	1,743	136
Off-balance sheet financial instruments	-	-	149	-	-	-	-
Total fair value	379,556	223,956	167,590	99,976	55,139	53,060	2,580
Financial instruments, net							
Exposure to interest rate fluctuations	(18,198)	9,987	8,775	5,446	10,207	1,996	2,915
Accumulated exposure in the sector	(18,198)	(8,211)	564	6,010	16,217	18,213	21,128

See notes on page 116.

Exposure to Interest Rate Fluctuations (cont'd)

Exhibit B

Over twenty years	No repayment date	Total fair value	Internal rate of return	Duration (b)	31 March 2014 Total fair value	Internal rate of return	Duration (b)	31 December 2014 Total fair value	Internal rate of return	Duration (b)
			(%)	(Years)		(%)	(Years)		(%)	(Years)
118	**199**	**84,888**	**2.58**	**0.97**	76,034	2.42	1.01	87,070	2.05	1.07
135	**173**	**294,017**	**-**	**0.86**	182,126	-	0.87	272,332	-	0.99
-	**-**	**15,050**	**-**	**-**	7,998	-	-	17,496	-	-
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
253	**372**	**393,955**	**2.58**	**0.85**	266,158	2.42	0.88	376,898	2.05	0.96
1	**10**	**106,273**	**0.79**	**0.30**	102,511	1.00	0.28	112,766	0.89	0.28
274	**173**	**272,835**	**-**	**1.00**	157,109	-	1.15	247,963	-	1.14
-	**-**	**15,913**	**-**	**-**	9,320	-	-	18,694	-	-
-	**-**	**14**	**-**	**0.50**	13	-	0.50	13	-	0.50
275	**183**	**395,035**	**0.79**	**0.77**	268,953	1.00	0.78	379,436	0.89	0.83
(22)										
(1,269)										
698	**5,793**	**370,567**	**2.44**	**1.08**	350,177	2.58	1.04	370,103	2.34	1.08
135	**1,398**	**614,927**	**-**	**1.17**	522,029	-	1.36	590,806	-	1.21
-	**-**	**25,515**	**-**	**-**	13,064	-	-	29,764	-	-
-	**-**	**-**	**-**	**-**	-	-	-	-	-	-
833	**7,191**	**1,011,009**	**2.44**	**1.11**	885,270	2.58	1.21	990,673	2.34	1.13
1	**659**	**345,032**	**0.44**	**0.67**	325,276	0.60	0.79	346,024	0.58	0.66
327	**2,034**	**614,666**	**-**	**1.24**	522,776	-	1.44	590,147	-	1.27
-	**-**	**25,031**	**-**	**-**	12,875	-	-	29,164	-	-
-	**175**	**324**	**-**	**0.07**	278	-	0.08	356	-	0.06
328	**2,868**	**985,053**	**0.44**	**1.01**	861,205	0.60	1.17	965,691	0.58	1.01
505										
21,633										

See notes on next page.

Exposure to Interest Rate Fluctuations (cont'd)

Exhibit B

Notes:

(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 666 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.

General comments:

(a) 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.

(b) 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.

(c) 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.

(d) The effect of hedging transactions is included in total assets or total liabilities, as applicable.

(e) 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 reaches 3.40 years, the duration of total liabilities reaches 3.28 years, and the internal rate of return (hereinafter – IRR) gap amounts to 1.34%. The change in fair value on total assets is NIS 949 million and in total liabilities NIS 23 million.

Total Credit Risk to the Public by Economic Sector

Exhibit C

	31 March 2015									
	Overall credit risk (a)			Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
								Credit losses (d)		
					[1]Of which:					
	Total	Credit performance rating	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)									
In respect of activity of borrowers in Israel										
Agriculture	2,133	2,042	91	2,123	1,850	89	44	11	(16)	(44)
Mining and quarrying	715	715	-	691	362	-	-	(2)	-	(1)
Industry	27,596	24,903	2,693	26,608	16,211	2,682	457	74	(19)	(534)
Construction and real estate - construction	46,807	45,488	1,319	46,745	16,543	1,318	732	45	-	(314)
Construction and real estate - real estate activity	25,553	23,637	1,916	25,426	22,868	1,916	1,385	(6)	(2)	(659)
Electricity and water	4,089	4,021	68	3,552	2,736	68	1	-	-	(32)
Commerce	26,222	24,770	1,452	25,929	21,330	1,397	265	6	1	(375)
Hotels, catering services and food	2,959	2,769	190	2,940	2,617	190	154	2	2	(30)
Transport and storage	6,516	6,028	488	6,432	5,506	488	320	-	4	(44)
Information and communications	6,186	5,699	487	5,539	4,314	480	473	11	11	(205)
Financial services	23,423	23,370	53	16,872	10,071	45	17	(63)	(8)	(283)
Business and other services	7,025	6,907	118	7,003	4,895	103	41	4	6	(66)
Public and community services	7,309	7,272	37	7,254	6,043	37	20	(3)	-	(129)
Total commercial	186,533	177,621	8,912	177,114	115,346	8,813	3,909	79	(21)	(2,716)
Private individuals - housing loans	77,777	77,020	757	77,777	74,963	757	-	(1)	1	(492)
Private individuals - other	67,371	66,927	444	67,342	34,913	444	102	47	49	(635)
Total public - activity in Israel	331,681	321,568	10,113	322,233	225,222	10,014	4,011	125	29	(3,843)
Banks in Israel	7,283	7,283	-	1,865	1,662	-	-	2	-	(2)
Government of Israel	30,404	30,404	-	249	249	-	-	-	-	-
Total activity in Israel	369,368	359,255	10,113	324,347	227,133	10,014	4,011	127	29	(3,845)

See notes on next page.

Total Credit Risk to the Public by Economic Sector (cont'd)

Exhibit C (cont'd)

	31 March 2015									
	Overall credit risk (a)			Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
								Credit losses (d)		
					Of which:[1]					
	Total	Credit performance rating	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)									
In respect of activity of borrowers abroad										
Agriculture	114	111	3	112	51	3	3	-	-	(2)
Mining and quarrying	8	8	-	2	2	-	-	-	-	-
Industry	8,866	8,230	636	8,191	4,667	636	244	(15)	-	(111)
Construction and real estate - construction	13,070	12,494	576	12,767	9,180	576	550	(12)	-	(172)
Electricity and water	317	317	-	97	33	-	-	-	-	(1)
Commerce	7,412	7,265	147	7,337	4,648	147	67	(8)	3	(121)
Hotels, catering services and food	1,296	1,257	39	1,296	1,142	39	39	-	-	(12)
Transport and storage	330	308	22	193	189	22	22	(1)	-	(12)
Information and communications	1,818	1,816	2	1,629	836	2	2	-	26	(2)
Financial services	17,512	17,409	103	3,090	2,135	103	103	15	47	(76)
services	5,024	4,961	63	4,819	4,279	63	34	(3)	-	(17)
Public and community services	657	645	12	572	288	12	3	(18)	49	(14)
Total commercial	56,424	54,821	1,603	40,105	27,450	1,603	1,067	(42)	125	(540)
Private individuals - housing loans	1,188	1,139	49	1,188	1,175	49	29	(2)	-	(16)
Private individuals - other	475	438	37	437	376	37	30	1	1	(14)
Total public - activity abroad	58,087	56,398	1,689	41,730	29,001	1,689	1,126	(43)	126	(570)
Banks abroad	27,610	27,610	-	11,276	9,743	-	-	(3)	-	(1)
Governments abroad	13,810	13,810	-	229	184	-	-	-	-	-
Total activity abroad	99,507	97,818	1,689	53,235	38,928	1,689	1,126	(46)	126	(571)
Total	468,875	457,073	11,802	377,582	266,061	11,703	5,137	81	155	(4,416)

(a) Balance sheet and off-balance sheet credit risk, including in respect of derivative instruments, including: debts, 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 266,061, 59,889, 2,197, 18,830, 121,898 million respectively.

(b) Credit to the public, credit to governments, deposits in banks and other debts, except for bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk on off-balance sheet financial instruments as calculated for the purpose of single borrower credit limitations, except in respect of derivative instruments.

(d) Including in respect of off-balance sheet credit instruments (appearing in the balance sheet under "Other Liabilities").

(e) 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.

Total Credit Risk to the Public by Economic Sector (cont'd)

Exhibit C (cont'd)

	31 March 2014								
	Overall credit risk (a)		Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
							Credit losses (d)		
				[1]Of which:					
	Total	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)								
In respect of activity of borrowers in Israel									
Agriculture	2,120	102	2,116	1,858	102	46	(3)	(2)	(45)
Mining and quarrying	279	3	279	229	3	-	(2)	-	-
Industry	27,273	2,034	26,796	18,030	2,020	412	(53)	(17)	(461)
Construction and real estate - construction	43,170	1,633	43,120	15,369	1,627	514	(9)	(38)	(415)
Construction and real estate - real estate activity	24,741	1,690	24,670	22,342	1,688	1,480	(50)	(15)	(552)
Electricity and water	5,191	2	4,614	3,994	2	2	-	-	(4)
Commerce	25,320	1,170	25,071	20,807	1,170	496	(30)	(14)	(348)
Hotels, catering services and food	3,036	294	3,008	2,711	294	226	-	(1)	(28)
Transport and storage	5,556	506	5,534	4,880	497	301	18	2	(91)
Communications and computer services	5,591	610	5,249	4,134	599	298	32	16	(172)
Financial services	23,280	195	18,453	10,933	194	187	55	(13)	(188)
Business and other services	6,108	63	6,077	4,219	63	38	2	43	(56)
Public and community services	6,635	48	6,602	5,543	48	13	-	-	(12)
Total commercial	178,300	8,350	171,589	115,049	8,307	4,013	(40)	(39)	(2,372)
Private individuals - housing loans	71,675	789	71,675	69,409	789	-	1	4	(477)
Private individuals - other	62,916	406	62,904	32,223	406	110	(36)	30	(386)
Total public - activity in Israel	312,891	9,545	306,168	216,681	9,502	4,123	(75)	(5)	(3,235)
Banks in Israel	6,164	-	2,041	1,927	-	-	-	-	(1)
Government of Israel	38,063	-	294	294	-	-	-	-	-
Total activity in Israel	357,118	9,545	308,503	218,902	9,502	4,123	(75)	(5)	(3,236)

See notes on next page.

Total Credit Risk to the Public by Economic Sector (cont'd)

Exhibit C (cont'd)

	31 March 2014								
	Overall credit risk (a)		Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
				[1]Of which:			Credit losses (d)		
	Total	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)								
In respect of activity of borrowers abroad									
Agriculture	66	4	62	53	4	4	-	-	(2)
Mining and quarrying	4	-	4	4	-	-	-	-	-
Industry	9,341	437	8,423	5,731	437	331	-	-	(231)
Construction and real estate - construction	10,909	928	10,497	7,758	928	769	(2)	(1)	(390)
Electricity and water	387	1	176	27	1	1	-	-	(1)
Commerce	7,353	209	7,315	4,641	209	185	1	-	(132)
Hotels, catering services and food	1,615	55	1,615	1,592	55	45	-	-	(13)
Transport and storage	481	27	355	347	27	27	(1)	-	(14)
Communications and computer services	1,535	-	1,299	623	-	-	-	-	(3)
Financial services	14,682	94	2,748	1,987	92	74	22	-	(37)
Business and other services	3,788	79	3,575	3,222	79	79	1	-	(50)
Public and community services	652	67	533	269	67	67	-	-	(84)
Total commercial	50,813	1,901	36,602	26,254	1,899	1,582	21	(1)	(957)
Private individuals - housing loans	1,217	68	1,217	1,185	68	48	(1)	-	(18)
Private individuals - other	1,185	42	1,167	991	42	42	1	-	(40)
Total public - activity abroad	53,215	2,011	38,986	28,430	2,009	1,672	21	(1)	(1,015)
Banks abroad	26,058	-	14,499	13,137	-	-	3	-	(4)
Governments abroad	4,903	-	287	193	-	-	-	-	-
Total activity abroad	84,176	2,011	53,772	41,760	2,009	1,672	24	(1)	(1,019)
Total	441,294	11,556	362,275	260,662	11,511	5,795	(51)	(6)	(4,255)

(a) Balance sheet and off-balance sheet credit risk, including in respect of derivative instruments, including: debts, 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 260,662, 56,879, 1,370, 12,205, 110,178 million respectively.

(b) Credit to the public, credit to governments, deposits in banks and other debts, except for bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk on off-balance sheet financial instruments as calculated for the purpose of single borrower credit limitations, except in respect of derivative instruments.

(d) Including in respect of off-balance sheet credit instruments (appearing in the balance sheet under "Other Liabilities").

(e) 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.

Total Credit Risk to the Public by Economic Sector (cont'd)

Exhibit C (cont'd)

	31 December 2014									
	Overall credit risk (a)			Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
								Credit losses (d)		
					[1]Of which:					
	Total	Credit performance rating	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)									
In respect of activity of borrowers in Israel										
Agriculture	2,141	2,019	122	2,130	1,821	118	46	(4)	16	(17)
Mining and quarrying	757	756	1	754	629	1	-	(4)	-	(4)
Industry	29,138	26,932	2,206	28,121	18,358	2,195	495	(151)	(100)	(442)
Construction and real estate - construction	46,446	45,045	1,401	46,373	16,196	1,399	748	(303)	(146)	(279)
Construction and real estate - real estate activity	25,341	23,413	1,928	25,253	22,422	1,920	1,375	159	(2)	(684)
Electricity and water	5,265	5,201	64	4,719	3,821	64	3	1	1	(12)
Commerce	27,130	25,423	1,707	26,884	22,179	1,680	318	75	99	(371)
Hotels, catering services and food	2,938	2,738	200	2,918	2,608	200	165	(45)	(46)	(32)
Transport and storage	6,113	5,603	510	6,058	5,300	510	314	(39)	20	(34)
Communications and computer services	5,964	5,449	515	5,345	4,092	512	256	(30)	27	(212)
Financial services	24,910	24,841	69	17,480	10,031	53	20	245	(77)	(306)
Business and other services	7,153	7,039	114	7,116	4,948	114	35	27	17	(75)
Public and community services	7,220	7,181	39	7,173	6,110	39	11	39	(4)	(56)
Total commercial	190,516	181,640	8,876	180,324	118,515	8,805	3,786	(30)	(195)	(2,524)
Private individuals - housing loans	76,680	75,906	774	76,679	74,240	774	-	22	7	(495)
Private individuals - other	66,027	65,587	440	66,000	34,472	440	102	355	171	(638)
Total public - activity in Israel	333,223	323,133	10,090	323,003	227,227	10,019	3,888	347	(17)	(3,657)
Banks in Israel	6,814	6,814	-	1,658	1,581	-	-	(1)	-	-
Government of Israel	24,497	24,497	-	294	294	-	-	-	-	-
Total activity in Israel	364,534	354,444	10,090	324,955	229,102	10,019	3,888	346	(17)	(3,657)

See notes on next page.

Total Credit Risk to the Public by Economic Sector (cont'd)

Exhibit C (cont'd)

	31 December 2014									
	Overall credit risk (a)			Debts (b) and off-balance sheets credit risk (except for derivatives) (c)						
								Credit losses (d)		
					[1]Of which:					
	Total	Credit performance rating	Problematic (e)	Total[1]	Debts (b)	Problematic (e)	Impaired	Expenses in respect of credit losses	Net accounting write-offs	Balance of allowance for credit losses
	(NIS millions)									
In respect of activity of borrowers abroad										
Agriculture	80	77	3	74	64	3	3	1	-	(2)
Mining and quarrying	4	4	-	4	4	-	-	-	-	-
Industry	9,171	8,705	466	7,908	4,828	466	209	(18)	55	(146)
Construction and real estate - construction	11,903	11,293	610	11,458	8,834	610	563	36	113	(319)
Electricity and water	386	386	-	124	38	-	-	1	1	(1)
Commerce	7,858	7,686	172	7,812	5,109	172	165	61	105	(135)
Hotels, catering services and food	1,544	1,501	43	1,537	1,364	43	43	3	1	(13)
Transport and storage	351	327	24	210	204	24	24	4	-	(14)
Communications and computer services	1,736	1,734	2	1,415	686	2	2	-	-	(2)
Financial services	17,798	17,701	97	2,952	1,879	97	97	15	1	(56)
Business and other services	4,962	4,896	66	4,469	3,814	66	37	6	18	(12)
Public and community services	710	630	80	587	324	80	70	11	-	(93)
Total commercial	56,503	54,940	1,563	38,550	27,148	1,563	1,213	120	294	(793)
Private individuals - housing loans	1,259	1,205	54	1,259	1,204	54	34	2	3	(18)
Private individuals - other	1,054	1,013	41	1,035	889	41	31	1	25	(14)
Total public - activity abroad	58,816	57,158	1,658	40,844	29,241	1,658	1,278	123	322	(825)
Banks abroad	32,527	32,527	-	19,045	17,555	-	-	3	-	(4)
Governments abroad	5,648	5,648	-	429	234	-	-	-	-	-
Total activity abroad	96,991	95,333	1,658	60,318	47,030	1,658	1,278	126	322	(829)
Total	461,525	449,777	11,748	385,273	276,132	11,677	5,166	472	305	(4,486)

(a) Balance sheet and off-balance sheet credit risk, including in respect of derivative instruments, including: debts, 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 276,132, 47,420, 2,000, 16,908, 119,065 million respectively.

(b) Credit to the public, credit to governments, deposits in banks and other debts, except for bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk on off-balance sheet financial instruments as calculated for the purpose of single borrower credit limitations, except in respect of derivative instruments.

(d) Including in respect of off-balance sheet credit instruments (appearing in the balance sheet under "Other Liabilities").

(e) 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.

Exposures to Foreign Countries

Exhibit D

Part A – Information on total foreign 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.

	31 March 2015					
	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	12,422	3,858	8,614	20,082	9,966	10,116
United Kingdom	40	4,047	4,749	7,166	2,090	5,076
France	-	2,142	455	-	-	-
Switzerland	-	741	895	990	258	732
Germany	-	2,344	1,746	-	-	-
Belgium	159	148	40	-	-	-
Italy	-	36	58	-	-	-
Netherlands	-	553	1,187	-	-	-
Others	404	3,650	4,040	1,400	678	722
Total exposure to foreign countries	13,025	17,519	21,784	29,638	12,992	16,646
Total exposure to LDC countries	206	940	815	1,270	649	621
Total exposure to GIIPS countries (d)	-	59	246	-	-	-

	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	35,010	838	378	6,058	-	16,106	8,788
United Kingdom	13,912	331	304	3,219	-	4,673	4,163
France	2,597	11	9	1,188	-	793	1,804
Switzerland	2,368	-	-	518	-	1,371	265
Germany	4,090	2	2	618	-	3,120	970
Belgium	347	-	-	61	-	96	251
Italy	94	-	-	40	-	94	-
Netherlands	1,740	57	57	185	-	816	924
Others	8,816	364	342	1,590	-	3,805	4,289
Total exposure to foreign countries	68,974	1,603	1,092	13,477	-	30,874	21,454
Total exposure to LDC countries	2,582	350	328	1,110	-	1,673	288
Total exposure to GIIPS countries (d)	305	-	-	61	-	173	132

See notes on page 125.

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

Part A – Information on total foreign 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 (cont'd).

	31 March 2014					
	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	2,581	4,923	10,254	15,924	8,673	7,251
United Kingdom	215	3,905	3,927	7,677	1,942	5,735
France	481	1,646	800	-	-	-
Switzerland	-	116	821	2,431	446	1,985
Germany	1	1,295	1,165	-	-	-
Belgium	318	196	164	-	-	-
Italy	-	203	73	-	-	-
Netherlands	-	674	1,375	-	-	-
Others	343	2,737	3,484	2,108	744	1,364
Total exposure to foreign countries	3,939	15,695	22,063	28,140	11,805	16,335
Total exposure to LDC countries	153	726	975	1,506	715	791
Total exposure to GIIPS countries (d)	-	258	517	-	-	-

	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	25,009	516	405	6,377	17	5,976	11,782
United Kingdom	13,782	706	554	2,961	2	3,194	4,853
France	2,927	8	1	854	-	1,081	1,846
Switzerland	2,922	1	1	493	-	816	121
Germany	2,461	2	2	425	-	1,269	1,192
Belgium	678	-	-	77	-	434	244
Italy	276	-	-	38	-	94	182
Netherlands	2,049	65	47	149	-	1,036	1,013
Others	7,928	525	484	1,349	-	5,375	1,189
Total exposure to foreign countries	58,032	1,823	1,494	12,723	19	19,275	22,422
Total exposure to LDC countries	2,645	508	480	960	-	1,650	204
Total exposure to GIIPS countries (d)	775	-	-	67	-	495	280

See notes on page 125.

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

Part A – Information on total foreign 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 (cont'd).

	31 December 2014					
	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	3,631	6,906	10,722	18,365	9,246	9,119
United Kingdom	240	5,028	4,759	6,961	2,081	4,880
France	-	1,645	644	-	-	-
Switzerland	-	749	1,090	2,343	1,035	1,308
Germany	-	2,263	2,635	-	-	-
Belgium	236	782	136	-	-	-
Italy	-	223	50	-	-	-
Netherlands	-	78	865	-	-	-
Others	545	5,891	4,358	1,516	767	749
Total exposure to foreign countries	4,652	23,565	25,259	29,185	13,129	16,056
Total exposure to LDC countries	247	1,513	1,588	1,370	714	656
Total exposure to GIIPS countries (d)	-	226	360	-	-	-

	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	30,378	615	349	6,279	-	6,205	15,054
United Kingdom	14,907	424	385	3,339	9	3,910	6,117
France	2,289	11	8	1,151	-	76	2,213
Switzerland	3,147	-	-	398	-	1,483	356
Germany	4,898	2	2	292	-	3,618	1,280
Belgium	1,154	-	-	74	-	871	283
Italy	273	-	-	27	-	210	63
Netherlands	943	61	61	206	-	771	172
Others	11,543	462	425	1,495	-	6,255	4,539
Total exposure to foreign countries	69,532	1,575	1,230	13,261	9	23,399	30,077
Total exposure to LDC countries	4,004	406	371	984	-	810	2,538
Total exposure to GIIPS countries (d)	586	-	-	39	-	493	93

See notes on next page.

Exposures to Foreign Countries (cont'd)

Exhibit D (cont'd)

Notes:

(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.

General comments:

Pursuant to the directives of the Supervisor of Banks, exposure to foreign countries 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 31 March 2015 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 1,416 million and related to 13 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 31 March 2015 (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 May 2015

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 31 March 2015 (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 May 2015

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 31 March 2015 (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 May 2015

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 31 March, 2015 and the related condensed consolidated interim statements of profit and loss, comprehensive income, changes in equity and cash flows for the three month period ended on that date. The Board of Directors and Management are responsible for the preparation and presentation of financial information for this interim period 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 for this interim period based on our review.

We did not review the condensed financial information for the interim period of certain consolidated companies, whose assets included on consolidation constitute approximately 0.6% of total consolidated assets at 31 March, 2015 and whose net interest income before credit loss expenses included in the consolidated statements of profit and loss constitute some 0.7% of the total consolidated net interest income before credit loss expenses for the three month period ended on that date. The condensed financial information for the interim period 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 6C. paragraphs 2 and 4 concerning claims against the Bank and a subsidiary company, including petitions for their approval as class actions.
2. that stated in Note 6D. paragraph 5 concerning an investigation being conducted against the Group by the US Securities and Exchange Commission in connection with the Group's with US residents. 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.

Somekh Chaikin	**Kost Forer Gabbay & Kasierer**
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)

28 May 2015

Condensed Consolidated Balance Sheet as at 31 March 2015

		31 March 2015	31 March 2014	31 December 2014
		Unaudited		Audited
		NIS millions		
Assets	**Note**			
Cash and deposits with banks		**51,769**	44,162	60,615
Securities	2	**64,379**	60,481	52,113
Securities borrowed or purchased under agreements to resell		**2,197**	1,370	2,000
Credit to the public	3	**254,223**	245,111	256,468
Allowance for credit losses	3	**(3,948)**	(3,838)	(3,988)
Credit to the public, net		**250,275**	241,273	252,480
Credit to governments		**433**	487	528
Investments in companies included on equity basis		**896**	1,630	2,216
Buildings and equipment		**3,651**	3,626	3,729
Intangible assets and goodwill		**18**	96	43
Assets in respect of derivative instruments	7	**18,831**	12,303	16,909
Other assets		**7,072**	5,755 (a)	6,564 (a)
Total assets		**399,521**	371,183	397,197
Liabilities and equity				
Deposits of the public	3A	**305,017**	282,732	303,397
Deposits from banks		**6,187**	4,367	4,556
Deposits from governments		**517**	435	467
Securities lent or sold under agreements to repurchase		**1,384**	540	1,238
Bonds, debentures and subordinated notes		**19,596**	24,484	23,678
Liabilities in respect of derivative instruments	7	**18,086**	12,861	15,650
Other liabilities		**21,426**	19,639 (a)	21,695 (a)
Total liabilities		**372,213**	345,058	370,681
Non-controlling interests		**329**	341	340
Equity attributable to shareholders of the banking corporation		**26,979**	25,784 (a)	26,176 (a)
Total equity	4	**27,308**	26,125	26,516
Total liabilities and equity		**399,521**	371,183	397,197

(a) Restated pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.

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 Finance Division

Shlomo Goldfarb
Executive Vice President, Chief Accounting Officer, Head of Accounting Division

Date of approval of the financial statements: 28 May 2015

Condensed Consolidated Statement of Profit and Loss
for the period ended 31 March 2015

	Note	For the three months ended 31 March		For the year ended 31 December
		2015	2014	2013
		Unaudited		Audited
		NIS millions		
Interest income	9	**1,502**	2,201	10,012
Interest expenses	9	**(14)**	444	2,649
Net interest income		**1,516**	1,757	7,363
Expenses (income) in respect of credit losses	3	**81**	(51)	472
Net interest income, after expenses in respect of credit losses		**1,435**	1,808	6,891
Non-interest income				
Non-interest financing income	10	**1,319**	323	795
Commissions		**1,051**	1,040	4,167
Other income		**55**	31 (a)	243 (a)
Total non-interest income		**2,425**	1,394	5,205
Operating and other expenses				
Salaries and related expenses		**1,403**	1,349 (a)	5,028 (a)
Maintenance and depreciation of buildings and equipment		**455**	442	1,778
Amortization of intangible assets and goodwill		**(6)**	3	58
Other expenses		**402**	367	2,507
Total operating and other expenses		**2,254**	2,161	9,371
Profit before taxes		**1,606**	1,041	2,725
Provision for taxes on the profit		**557**	428 (a)	1,335
Profit after taxes		**1,049**	613	1,390
Share of the banking corporation in profits (losses) after tax of companies included on equity basis		**131**	(37) (b)	42
Net profit:				
Before attribution to non-controlling interests		**1,180**	576	1,432
Attributable to non-controlling interests		**(9)**	(11)	(12)
Attributable to shareholders of the banking corporation		**1,171**	565	1,420

Basic and diluted earnings per share (NIS)			
Net profit attributable to shareholders of the banking corporation	**0.80**	0.38 (a)	0.96

(a) Restated including pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.

(b) Does not include the effect of the results of the Israel Corporation for the three month period ended 31 March 2014. See Note 1.X. to the audited financial statements at 31 December 2014.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Statement of Comprehensive Income
for the period ended 31 March 2015

	For the three months ended 31 March		For the year ended 31 December	
	2015	2014 (c)	2014 (c)	2013 (c)
	Unaudited		Audited	
	NIS millions			
Net profit before attribution to non-controlling	**1,180**	576	1,432	2,104
Less net profit (loss) attributed to non-controlling	**9**	11	12	42
Net profit attributed to shareholders of the Bank	**1,171**	565	1,420	2,062
Other comprehensive income (loss) before taxes:				
Adjustments for showing securities available for sale at fair value, net	**549**	(8)	355	(518)
Adjustments for translation of financial statements, net (a), after hedges (b)	**21**	-	192	(115)
Adjustments of liabilities in respect of employee rights (c)	**(1,254)**	104	(1,458)	(1,164)
Share of the banking corporation in other comprehensive income (loss) of companies included on equity basis	**20**	(7) (e)	(108)	(6)
Other comprehensive income (loss) before taxes	**(664)**	89	(1,019)	(1,803)
Relevant tax effect	**303**	(70)	497	(291)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(361)**	19	(522)	(2,094)
Less other comprehensive income (loss) attributed to non-controlling interests	**1**	1	-	3
Other comprehensive income (loss) attributed to shareholders of the banking corporation, after taxes	**(362)**	18	(522)	(2,097)
Comprehensive income before attribution to non-controlling interests	**819**	595	910	10
Less comprehensive income (loss) attributed to non-controlling interests	**10**	12	12	45
Comprehensive income attributed to shareholders of the Bank	**809**	583	898	(35)

(a) Adjustments for translation of financial statements of foreign operations whose functional currency is different from the functional currency of the Bank.

(b) Hedges – profits (losses) net in respect of hedging a net investment in foreign currency.

(c) Restated pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.

(d) Reflects mainly adjustments in respect of actuarial adjustments at year end of defined benefit pension plans and amortization of amounts recorded in the past in other comprehensive income.

(e) Does not include the effect of the results of the Israel Corporation for the three month period ended 31 March 2014. See Note 1.X to the audited financial statements at 31 December 2014.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity
for the period ended 31 March 2015

	For the three months ended 31 March 2015 (Unaudited)			
		Capital reserves		
	Share capital	Premium	Share-based payment transactions and others (a)	Total share capital and capital reserves
	NIS millions			
Balance at 31 December 2014 (Audited)	**7,059**	**1,129**	**33**	**8,221**
Net profit for the period	**-**	**-**	**-**	**-**
Dividend paid by consolidated companies	**-**	**-**	**-**	**-**
Adjustments in respect of companies included on equity basis, net	**-**	**-**	**-**	**-**
Other comprehensive loss, net, after effect of taxes	**-**	**-**	**-**	**-**
Changes in non-controlling interests	**-**	**-**	**-**	**-**
Balance at the end of the period	**7,059**	**1,129**	**33**	**8,221**

	For the three months ended 31 March 2014 (Unaudited)			
		Capital reserves		
	Share capital	Premium	Share-based payment transactions and others (a)	Total share capital and capital reserves
	NIS millions			
Balance at 31 December 2013 (Audited)	7,059	1,129	33	8,221
Net profit for the period	-	-	-	-
Dividend paid by consolidated companies	-	-	-	-
Adjustments in respect of companies included on equity basis, net	-	-	-	-
Other comprehensive loss, net, after effect of taxes	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Balance at the end of the period	7,059	1,129	33	8,221

(a) Including NIS 10 million of other capital reserves.

(b) Restated pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
(1,573)	**19,570**	**(42)**	**26,176**	**340**	**26,516**
-	**1,171**	**-**	**1,171**	**9**	**1,180**
-	**-**	**-**	**-**	**-**	**-**
-	**(5)**	**-**	**(5)**	**-**	**(5)**
(362)	**-**	**-**	**(362)**	**1**	**(361)**
-	**(1)**	**-**	**(1)**	**(21)**	**(22)**
(1,935)	**20,735**	**(42)**	**26,979**	**329**	**27,308**

Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
(1,051)	18,075	(43)	25,202	340	25,542
-	565	-	565	11	576
-	-	-	-	(10)	(10)
-	(2)	-	(2)	-	(2)
18	-	-	18	1	19
-	-	1	1	(1)	-
(1,033)	18,638	(42)	25,784	341	26,125

Condensed Consolidated Statement of Changes in Equity (cont'd)
for the period ended 31 March 2015

	For the year ended 31 December 2014 (Audited)			
		Capital reserves		
	Share capital	Premium	Share-based payment transactions and others (a)	Total share capital and capital reserves
	NIS millions			
Balance at 1 January 2013 (Audited)	7,059	1,129	23	8,211
Effect of initial adoption of US GAAP on employee rights (b)	-	-	-	-
Balance at 1 January 2013 after initial implementation of the new rules	-	-	-	-
Net profit (b)	-	-	-	-
Dividend paid by consolidated companies	-	-	-	-
Adjustments in respect of companies included on equity basis, net	-	-	-	-
Benefit to employees in respect of share-based payments	-	-	10	10
Other comprehensive loss, net, after effect of taxes	-	-	-	-
Other adjustments in respect of companies included on equity basis	-	-	-	-
Loans to employees for purchase of the Bank's shares	-	-	-	-
Balance at 31 December 2013 (Audited)	7,059	1,129	33	8,221
Net profit (b)	-	-	-	-
Dividend paid by consolidated companies	-	-	-	-
Adjustments in respect of companies included on equity basis, net	-	-	-	-
Other comprehensive loss, net, after effect of taxes	-	-	-	-
Changes in non-controlling interests	-	-	-	-
Loans to employees for purchase of the Bank's shares	-	-	-	-
Balance at 31 December 2014 (Audited)	7,059	1,129	33	8,221

(a) Including NIS 10 million of other capital reserves.
(b) Restated pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Accumulated other comprehensive income (loss)	Retained earnings	Loans to employees for purchase of the Bank's shares	Total	Non-controlling interests	Total capital
458	15,965	(44)	24,590	307	24,897
(725)	13	-	(712)	-	(712)
-	-	-	-	-	-
-	2,062	-	2,062	42	2,104
-	-	-	-	(6)	(6)
-	24	-	24	-	24
-	-	-	10	-	10
(784)	-	-	(784)	(3)	(787)
-	11	-	11	-	11
-	-	1	1	-	1
(1,051)	18,075	(43)	25,202	340	25,542
-	1,420	-	1,420	12	1,432
-	-	-	-	(10)	(10)
-	75	-	75	-	75
(522)	-	-	(522)	-	(522)
-	-	1	1	-	1
-	-	-	-	(2)	(2)
(1,573)	19,570	(42)	26,176	340	26,516

Condensed Consolidated Statement of Cash Flows
for the period ended 31 March 2015

	For the three months ended 31 March	For the three months ended 31 March	For the year ended 31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	(NIS millions)		
Cash flows generated by operating activity			
Net profit for the period	**1,180**	576 (b)	1,432 (b)
Adjustments:			
Group share in undistributed losses (profits) of companies included on equity basis (a)	**703**	56 (c)	15
Depreciation of buildings and equipment (including impairment)	**196**	181	726
Amortization	**34**	3	58
Expenses (income) in respect of credit losses	**81**	(51)	472
Provision for impairment in assets transferred to Group ownership	**-**	(4)	(3)
Profit from sale of credit portfolio	**-**	-	(28)
Net gains on sale of securities available for sale (including impairment)	**(606)**	(209)	(647)
Realized and unrealized gain from adjustment to fair value of securities held for trading	**(269)**	(141)	(456)
Gain on realization of investment in companies included on equity basis	**(522)**	-	-
Gain on realization of buildings and equipment	**(4)**	(1)	(83)
Deferred taxes , net	**(125)**	37 (b)	(122) (b)
Severance pay and pension - (decrease) increase in excess of provision over amount funded	**191**	(1,771) (b)	236 (b)
Interest received in excess of accumulated interest (not yet received) for debentures available for sale	**95**	(59)	(67)
Interest not yet paid for debentures and subordinated notes	**(40)**	125	1,000
Effect of exchange-rate differences on balances of cash and cash equivalents	**(84)**	(15)	(839)
Other, net	**82**	(2)	29 (b)
Net change in current assets:			
Deposits in banks	**240**	(189)	(1,215)
Credit to the public	**2,380**	(437)	(11,029)
Credit to governments	**96**	71	35
Securities borrowed or purchased under agreements to resell	**(197)**	(10)	(640)
Assets in respect of derivative instruments	**(1,916)**	743	(3,845)
Securities held for trading	**1,111**	629	(1,633)
Other assets	**(613)**	(124) (b)	124 (b)
Net change in current liabilities:			
Deposits from banks	**1,611**	48	191
Deposits of the public	**966**	(3,418)	15,184
Deposits from governments	**42**	37	39
Securities lent or sold under agreements to repurchase	**146**	(84)	614
Liabilities in respect of derivative instruments	**2,418**	(645)	2,086
Other liabilities	**(1,224)**	2,229 (b)	156 (b)
Net cash generated by operating activity (for operating activity)	**5,972**	(2,425)	1,790

(a) Less dividend received.
(b) Restated pursuant to retroactive implementation of US GAAP on employee rights. See Note 1.C.1.
(c) Does not include the effect of the Israel Corporation for the first quarter of 2014.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows (cont'd)
for the period ended 31 March 2015

	For the three months ended 31 March	For the three months ended 31 March	For the year ended 31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	(NIS millions)		
Cash flows generated by investment activity			
Acquisition of securities available for sale	**(26,504)**	(8,076)	(33,427)
Proceeds from sale of securities available for sale	**11,211**	8,815	22,673
Proceeds from redemption of securities available for sale	**3,999**	2,512	26,347
Proceeds from sale of credit portfolio	**-**	-	344
Acquisition of shares in companies included on equity basis	**(1)**	-	(341)
Proceeds from realization of investment in companies included on equity basis	**711**	-	-
Acquisition of buildings and equipment	**(206)**	(184)	(764)
Proceeds from realization of buildings and equipment	**14**	-	94
Proceeds from realization of assets transferred to Group ownership	**3**	3	3
Repayment of shareholders' loan to company included on equity basis	**-**	-	-
Net cash from investment activity (for investment activity)	**(10,773)**	3,070	14,929
Cash flows generated by financing activity	**-**	-	-
Redemption of debentures and subordinated notes	**(4,042)**	(1,082)	(2,763)
Additional purchase of shares in consolidated companies	**(30)**	(1)	(2)
Dividend paid to minority shareholders of consolidated companies	**-**	(10)	(10)
Loans to employees for purchase of the Bank's shares	**-**	-	1
Net cash for financing activity	**(4,072)**	(1,093)	(2,774)
Incresse (decrease) in cash and cash equivalents	**(8,873)**	(448)	13,945
Balance of cash and cash equivalents at beginning of period	**57,561**	42,777	42,777
Effect of movements in exchange rates on cash balances and cash equivalents	**84**	15	839
Balance of cash and cash equivalents at end of period	**48,772**	42,344	57,561

Interest and taxes paid and/or received and dividends received

	For the three months ended 31 March	For the three months ended 31 March	For the year ended 31 December
	2015	2014	2014
	(Unaudited)		(Audited)
	(NIS millions)		
Interest received	**2,543**	2,769	9,922
Interest paid	**(1,283)**	(836)	(3,455)
Dividends received	**835**	21	67
Taxes paid on income	**(284)**	(415)	(1,604)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows (cont'd)
for the period ended 31 March 2015

Appendix A – Investment and financing activities not in cash:

For the year ended 31 December, 2014:

(1) During the year, fixed assets were acquired against a liability to suppliers in the amount of NIS 49 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 31 March 2015 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 2014, except for that stated in paragraph C below. These statements should be read in conjunction with the annual financial statements as at 31 December 2014 and the accompanying notes.
The condensed consolidated interim financial statements were approved for publication by the Board of Directors on 28 May 2015.

(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, except for the subject of employee rights. See paragraph C.1 below.

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

For reporting periods commencing 1 January 2015, the Bank implements the accounting standards and directives set out below:

1. Adoption of US GAAP regarding employee rights

On 9 April 2014, the Supervisor of Banks published a circular regarding the adoption of the accounting rules in the United States on the subject of employee rights. The circular updates the recognition, measurement and disclosure requirements regarding benefits to employees, including share-based payments, in the Public Reporting Directives in accordance with the generally accepted accounting principles in banks in the United States.

The circular provides that the amendments to the Public Reporting Directives will apply from 1 January 2015, and the Bank, on initial implementation, is to correct with retroactive effect the comparative figures for the period commencing 1 January 2013 and onwards, in order to comply with the requirement of the rules as aforesaid.

On 11 January 2015, the Banking Supervision Department published a supplementary circular to the circular published on 9 April 2014 including a reporting format on the subject of employee rights and the subject of share-based payments. In addition, the circular updates subjects such as the discount rate, transitional provisions, the disclosure format in the statement of comprehensive income, in the note on accumulated other comprehensive income, and a disclosure requirement in the Directors' Report.

The circular states that the Bank of Israel reached the conclusion that there is no "deep market" of high-quality corporate debentures in Israel. Accordingly, the discount rate for employee benefits will be calculated based on the yield of Israel government bonds plus an average margin of corporate bonds rated internationally as AA and above. For practical reasons, it was decided that the calculation of the margin will be based on corporate bond margins in the US. A bank that believes that that changes in the margin obtained in a specific period derive from exceptional movements in the markets in a way that the margins obtained are not suitable for use in the said discounting above, will apply for a pre-ruling from the Banking Supervision Department. Examples of such situations may include, inter alia, changes in respect of which the margin obtained is higher than the margin on (domestic) corporate bonds rated AA in Israel.

The Bank is required to retroactively amend the comparative figures for the periods beginning on 1 January 2013 and thereafter. As for the accounting treatment of actuarial gains and losses it was decided as follows:

- The actuarial loss as of 1 January 2013 due to the difference between the discount rate for calculating reserves to cover employees rights linked to the Consumer Price Index determined pursuant to the temporary provisions in the Public Reporting Directives (4%) and the discount rates at this date determined under the new rules, as explained above, will be included in accumulated other comprehensive income.

- Actuarial gains recorded from 1 January 2013 and thereafter, due to current changes in the discount rate during the reporting year, will be recorded in accumulated other comprehensive income and will reduce the net loss recorded as above until this balance is eliminated.

- Actuarial gains arising from current changes in the discount rate during the reporting year after eliminating the balance of the loss recorded as aforesaid and actuarial losses, will be amortized by the straight-line method over the average remaining period of service of employees expected to receive benefits under the plan.

- Other actuarial gains and losses (not arising from a change in the discount rate) as of 1 January 2013 and subsequent periods, will be included as part of accumulated other comprehensive income and will be amortized by the straight-line method over the average period of service of employees expected to receive benefits under the plan.

- The effect of the initial application on other benefits to employees whereof all changes therein are charged on an ongoing basis to profit and loss (such as long-service bonuses) will be allocated to retained earnings.

In addition, the circular updates the disclosure requirements on employee rights and share-based payments in accordance with generally accepted accounting principles in US banks.

On 12 January 2015, a FAQ was published related to employee benefits, which includes examples of the treatment of benefits prevalent in the banking system in accordance with US GAAP.

Significant new directives on employee benefits

Post-retirement benefits - pensions, severance pay and other benefits as part of defined benefit plans

A defined benefit plan is a pension plan that defines the amount of pension benefit to be paid, usually as a function of one or more factors such as age, years of service or remuneration.

- Calculating the liability for pension plans and other post-retirement plans is based on calculations which include actuarial and other assumptions including discount rates, mortality, long-term expected return on plan assets, an increase in remuneration and turnover.

- The Bank is examining its assumptions in accordance with the directives of the Supervisor of Banks and updating such assumptions as necessary.

- Changes in assumptions in general are recognized, subject to the provisions set forth above, first in accumulated other comprehensive income and amortized to profit or loss in subsequent periods.

- The liability is accrued over the relevant period in accordance with the directives of the Banking Supervision Department.

- The Bank implements the directives of the Banking Supervision Department regarding internal control over the financial reporting process regarding employee rights, including with respect to examining the "intrinsic commitment" to give employees benefits in respect of increased compensation and / or early retirement.

Post-retirement benefits as part of a defined contribution plans

A defined contribution plan is a plan under which the Bank pays fixed payments to a separate entity without having a legal or constructive obligation to make additional payments.
The Bank's commitment to deposit in a defined contribution plan is charged as an expense to profit and loss in the period during which the employees provided related services.

Other long-term benefits for active employees – long-service bonuses

- The liability is accrued over the qualifying period for the benefits.

- For purposes of calculating the liability, discount rates and actuarial assumptions are taken into account.

- All components of the cost of the benefit for the period, including actuarial gains and losses are recognized immediately in the statement of profit and loss.

Absences granting entitlement to compensation

- A liability in respect of vacation days is measured on an ongoing basis, without the use of discount rates and actuarial assumptions.

Share-based payment transactions

- The Bank generally recognizes an expense for share-based payments it makes to its employees.

- Capital bonuses are measured at fair value on the date of granting.

- Commitment bonuses are measured at fair value on the date of granting, and the liability is re-measured until the settlement date.

The main changes with respect to the accounting policy currently followed in the financial statements are as follows:

- At the date of implementing the directive the discount rate on the reserves was 4%, compared with a discount rate based on the yield on government bonds in Israel plus an average margin on corporate bonds with an international rating of AA or higher, in accordance with the new directive

- At the date of implementing the directive, actuarial gains and losses were recognized immediately in the statement of profit and loss as opposed to charging them to accumulated other comprehensive income in respect of defined benefit plans.

Disclosure requirements for interim financial reports in 2015:

In the report to the public for the first quarter of 2015, disclosure was made of the following details, in addition to the disclosure required in the regular quarterly report:

The effect of initial adoption as of 1 January 2013 on a separate line in the Statement of Changes in Equity and the Note on Accumulated Other Comprehensive Income.

Full disclosure in accordance with the disclosure format in the annual report mutatis mutandis as follows:
The disclosure includes a reference to revenue items for the years 2013 and 2014.
The disclosure includes a reference to balance sheet balances and assumptions used as at 31 December 2013 and 31 December 2014.

For purpose of reporting comparative figures for the years 2013 and 2014, a bank may for practical reasons use the actual rates of return in those years as the expected rates of return.

In accordance with the disclosure format in the annual report as mentioned above, will not be updated in the following quarterly reports in 2015. For these quarters, it is required to make a quarterly disclosure in accordance with the format of the disclosure of a quarterly report with a brief disclosure in the Note on Accounting Policy on the impact of initial application of the accounting rules and a reference to the statement for the first quarter.

The effect of the initial implementation of the new rules as of 31 March 2014 and 31 December 31, 2014:

	As at 31 March 2014			As at 31 December 2014		
	Pursuant to the new rules on employee rights (a)	Exposure from implem-enting the new rules	Pursuant to the previous reporting directives	Pursuant to the new rules on employee rights	Exposure from implem-enting the new rules	Pursuant to the previous reporting directives
	Unaudited			Audited		
	NIS millions					
Other assets	5,272	483	5,755	5,501	1,063	6,564
Other liabilities	18,227	1,412	19,639	18,715	2,980	21,695
Retained earnings	18,662	(24)	18,638	19,559	11	19,570
Accumulated other comprehensive income	(78)	(955)	(1,033)	355	(1,928)	(1,573)
Capital attributed to shareholders of the Bank	26,713	(979)	25,784	28,093	(1,917)	26,176

(a) Restated pursuant to the change in accounting method for accumulating employee rights. See Note 1.R to the audited financial statements as at 31 December 2014.

The effect of the initial implementation of the new rules for the three months ended 31 March 2014 and for the year ended 31 December 2014:

	For the three months ended 31 March 2014			For the year ended 31 December 2014		
	Pursuant to the new rules on employee rights (a)	Exposure from implem-enting the new rules	Pursuant to the previous reporting directives	Pursuant to the new rules on employee rights	Exposure from implem-enting the new rules	Pursuant to the previous reporting directives
	Unaudited			Audited		
	NIS millions					
Profit and loss						
Other income	11	20	31	211	32	243
Salaries and related expenses	1,301	(48)	1,349	4,968	(60)	5,028
Provision for taxes on the profit	388	(40)	428	1,281	(54)	1,335
Profit attributed to shareholders of the Bank	632	67	565	1,502	82	1,420
Basic and diluted profit per share	0.43	0.05	0.38	1.02	0.06	0.96
Other comprehensive income						
Adjustments of liabilities in respect of employee benefits	-	(104)	104	-	1,458	(1,458)
Relevant tax effect	-	39	(39)	-	(550)	550
Comprehensive income (loss) after taxes	-	(65)	65	-	908	(908)

(a) Restated pursuant to the change in accounting method for accumulating employee rights. See Note 1.R to the audited financial statements as at 31 December 2014.

The cumulative effect of initial adoption of the US accounting rules for employee rights as of 1 January 2013 is as follows: a decrease of NIS 712 million, of which a negative capital reserve of NIS 725 million recorded in accumulated other comprehensive income as part of "Adjustments in respect of employee benefits". This reserve is in respect of actuarial loss arising from the difference between the discount rate for calculating reserves to cover employees rights linked to the Consumer Price Index determined under the temporary provision in the Public Reporting Directives (4%) and the discount rates at that date of liabilities to employees linked to the index, determined by the Supervisor of Banks.

At 31 March 2015, the balance of the reserve for adjustments in respect of employee rights amounted to NIS 2,709 million after the effect of tax.

2. Reporting under US GAAP relating to the distinction between liabilities and equity

On 30 September 2014, the Supervisor of Banks published a directive on the subject of under US GAAP relating to the distinction between liabilities and equity. This is further to the policy of the Banking Supervision Department to adopt in material matters the framework of financial reporting applicable to US banks. Pursuant to the directive, the Bank implements US GAAP on the classification as equity or as a liability of financial instruments including compound instruments. The Bank implements the directive as of 1 January 2015 retroactively.
Implementing the directive had no material effect on the Bank .

(D) New Accounting Standards and Directives of the Supervisor of Banks in the period prior to their implementation

1. Reporting on Operating Segments

On 3 November 2014 a circular was published concerning the reporting on operating segments that updated the Public Reporting Directives including changing some definitions and guidelines according to which, the Bank is required to classify customers in regulatory segments.

The amendments to the directives were intended to require reporting on operating segments in accordance with the uniform and comparable format prescribed by the Banking Supervision Department. In addition, the circular states that the disclosure of "operating segments in accordance with the management approach" will be provided in accordance with generally accepted accounting principles in US banks, Operating Segments (included in ASC 280) if there is a fundamental difference between the management approach and reporting segments according to the guidelines of the Supervisor.

The new rules will apply to the financial statements for 2015 and thereafter in the following manner:

- In the 2015 financial statements, there will be a disclosure requirement applying to balance sheet data in relation to supervisory operating segments as defined in the new directives. It is possible not to give disclosure to comparative balance sheet data on supervisory operating segments but to include comparative data in accordance with the Public Reporting Directives that were in effect prior to the circular. In addition, no disclosure is required of the financial management sector.
- As of the financial statements for the first quarter of 2016, full disclosure is required under the new rules, except for the disclosure of the financial management sector. Comparative figures will be retroactively adjusted. It will be possible to report in the 2016 statements comparative figures for one year only with reference to supervisory operating segments. For presentation purposes, reliance can be placed on the classification of customers in supervisory operating segments as at 1 January 2016.
- From the financial statements for the first quarter of 2017, the requirements of the circular are required to be implemented in their entirety.

Implementation of the new directives is not expected to have a material effect except for presentation and disclosure.

2. Recognition of income from contracts with customers

On 11 January 2015, a circular was issued on the adoption of updated accounting rules on the subject of income from contracts with customers. The circular updates the Public Reporting Directives in light of ASU 2014-09. The Standard states that income will be recognized in the amount expected to be received in exchange for the transfer of goods or services to the customer.

Banks are required to implement the amendments to the Public Reporting Directives pursuant to the circular as of 1 January 2017. In accordance with the transitional provisions, upon initial adoption, it is possible to choose between the alternative of retrospective implementation while restating comparative figures and the alternative of prospective application while recording the cumulative effect on equity at the time of initial application.

The new Standard does not apply, inter alia, to financial instruments and rights or contractual obligations within the scope of Accounting Standards Codification 310. Specifically, the provisions of the Standard do not apply to the accounting treatment of interest income and expenses and non-interest financing income.

The Bank has not yet begun to examine the impact of the Standard on its financial statements and has not yet chosen the alternative for implementation of the transitional provisions.

3. The revised structure of the annual statement to the public of a banking corporation

On 4 March 2015, a draft was published on the updating of the structure of the annual statement of a banking corporation. The purpose of the draft guidelines objectives are inter alia: improving the quality of reporting to the public by making the information in the report to the public more useful and accessible; increasing uniformity in the banking system in presenting the annual financial statements; and establishing a format for the published annual report that is based on leading presentation practices of leading banks in the US and Europe. The draft refers among other things to changing the order of presentation in the financial statements: presentation of the statement of profit and loss before the balance sheet; displaying notes on revenue items before notes on balance sheet items; splitting Note 4 on "Credit risk, credit to the public and the allowance for credit losses" into a summary at the level of the total by principal types of credit, and wider information to be included under a chapter on risks in the financial statements.

In addition, the draft revises significantly the disclosure format of the Report of the Board of Directors and the Management Review and establishes expanded reporting requirements on risk management.

The draft guidelines are to be implemented as of the report to the public for 2015.

Note 2 - Securities

	As at 31 March 2015 (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	19,912	19,573	339	-	19,912
Foreign governments	12,171	12,160	12	(1)	12,171
Financial institutions in Israel	48	44	4	-	48
Financial institutions abroad	6,619	6,556	72	(9)	6,619
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	7,388	7,386	45	(43)	7,388
Others in Israel	835	799	36	-	835
Others abroad	1,474	1,471	17	(14)	1,474
	48,447	47,989	525	(67)	48,447
Shares and mutual funds (b)	3,775	2,944	843	(12)	3,775
Total securities available for sale	52,222	50,933	1,368 (c)	(79) (c)	52,222

	As at 31 March 2015 (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	8,048	7,974	75	(1)	8,048
Foreign governments	1,407	1,407	1	(1)	1,407
Financial institutions in Israel	244	242	2	-	244
Financial institutions abroad	234	233	1	-	234
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	980	969	11	-	980
Others in Israel	279	276	3	-	279
Others abroad	251	252	1	(2)	251
	11,443	11,353	94	(4)	11,443
Shares and mutual funds	714	697	34	(17)	714
Total securities held for trading	12,157	12,050	128 (d)	(21) (d)	12,157
Total securities (e) (f)	64,379	62,983	1,496	(100)	64,379

See notes on page 152.

Note 2 - Securities (cont'd)

	As at 31 March 2014 (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	29,289	29,073	228	(12)	29,289
Foreign governments	4,070	4,065	7	(2)	4,070
Financial institutions in Israel	102	95	7	-	102
Financial institutions abroad	4,260	4,182	92	(14)	4,260
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	6,462	6,553	31	(122)	6,462
Others in Israel	711	664	48	(1)	711
Others abroad	2,165	2,148	32	(15)	2,165
	47,059	46,780	445	(166)	47,059
Shares and mutual funds (b)	3,036	3,034	61	(59)	3,036
Total securities available for sale	50,095	49,814	506 (c)	(225) (c)	50,095

	As at 31 March 2014 (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	7,110	7,035	77	(2)	7,110
Foreign governments	547	543	4	-	547
Financial institutions in Israel	412	405	7	-	412
Financial institutions abroad	170	166	4	-	170
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	701	702	2	(3)	701
Others in Israel	345	333	12	-	345
Others abroad	535	535	7	(7)	535
	9,820	9,719	113	(12)	9,820
Shares and mutual funds	566	498	69	(1)	566
Total securities held for trading	10,386	10,217	182 (d)	(13) (d)	10,386
Total securities (e) (f)	60,481	60,031	688	(238)	60,481

See notes on page 152.

Note 2 - Securities (cont'd)

	As at 31 December 2014 (Audited)				
	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	14,290	14,033	260	(3)	14,290
Foreign governments	4,715	4,708	10	(3)	4,715
Financial institutions in Israel	65	60	5	-	65
Financial institutions abroad	5,676	5,611	80	(15)	5,676
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	7,687	7,722	40	(75)	7,687
Others in Israel	907	881	30	(4)	907
Others abroad	2,602	2,594	29	(21)	2,602
	35,942	35,609	454	(121)	35,942
Shares and mutual funds (b)	3,180	2,801	390	(11)	3,180
Total securities available for sale	39,122	38,410	844(c)	(132)(c)	39,122

	As at 31 December 2014 (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	7,915	7,888	33	(6)	7,915
Foreign governments	505	504	1	-	505
Financial institutions in Israel	374	374	1	(1)	374
Financial institutions abroad	266	262	5	(1)	266
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	1,438	1,435	8	(5)	1,438
Others in Israel	319	318	3	(2)	319
Others abroad	660	658	11	(9)	660
	11,477	11,439	62	(24)	11,477
Shares and mutual funds	1,514	1,400	141	(27)	1,514
Total securities held for trading	12,991	12,839	203(d)	(51)(d)	12,991
Total securities (e) (f)	52,113	51,249	1,047	(183)	52,113

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 balance sheet figure includes NIS 1,406 million with respect to shares which have no readily available fair value, which are shown at cost (31 March 2014 - NIS 1,437 million, 31 December 2014 - NIS 1,596 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) Of which a balance sheet value of NIS 0 million (31 March 2014 - NIS 27 million, 31 December 2014 - NIS 10 million), in respect of bonds of companies included on equity basis.

(f) Including impaired bonds of NIS 14 million (31 March 2014 - NIS 11 million, 31 December 2014 - NIS 19 million).

General notes:

Securities lent in the amount of NIS 160 million (31 March 2014 - NIS 471 million, 31 December 2014 - NIS 196 million) are shown under credit to the public.

Securities pledged to lenders amounted to NIS 2,269 million (31 March 2014 - NIS 1,528 million, 31 December 2014 - NIS 2,109 million).

For details of results of activity in investments in bonds and shares and in mutual funds – see Notes 9 and 10.

The distinction between Israeli bonds and foreign bonds is made according to the country of domicile of the issuing entity.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities available for sale

	As at 31 March 2015 (Unaudited)			
		Accumulated other comprehensive income (loss) (a)		
	Amortized cost	Profits	Losses	Fair value
	(NIS millions)			
3. Debentures available for sale Pass-through securities				
Securities guaranteed by GNMA	16	-	-	16
Securities issued by FNMA and FHLMC	1,188	1	(16)	1,173
Other securities	458	1	(1)	458
Total	1,662	2	(17)	1,647
Other mortgage-backed securities (including CMO and STRIPPED MBS)				
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	3,456	16	(20)	3,452
Other mortgage-backed securities	220	4	-	224
Total	3,676	20	(20)	3,676
Asset-backed securities (ABS)	-	-	-	-
Credit card receivables	96	-	(1)	95
Lines of credit for any purpose secured by dwelling	2	-	-	2
Other credit to private persons	4	-	-	4
Credit not to private persons	1	-	-	1
CLO-type debentures	1,945	23	(5)	1,963
Total	2,048	23	(6)	2,065
Total mortgage-backed and asset-backed debentures available for sale	7,386	45	(43)	7,388

(a) Amounts charged to capital reserve as part of other comprehensive income, net, after effect of taxes.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 31 March 2015 (Unaudited)			
	Amortized cost	Unrealized profits from adjustments to fair value (a)	Unrealized losses from adjustments to fair value (a)	Fair value
	(NIS millions)			
4. Debentures held for trading				
Pass-through securities				
Securities issued by FNMA and FHLMC	10	-	-	10
Total	10	-	-	10
Other mortgage-backed securities (including CMO and STRIPPED MBS)				
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	521	4	-	525
Other mortgage-backed securities	131	3	-	134
Total	652	7	-	659
Asset-backed securities (ABS)				
Credit card receivables	20	-	-	20
Lines of credit for any purpose secured by dwelling	1	-	-	1
Credit for purchase of vehicle	79	1	-	80
Other credit to private persons	16	-	-	16
Credit not to private persons	47	-	-	47
Others	144	3	-	147
Total	307	4	-	311
Total mortgage-backed and asset-backed debentures held for trading	969	11	-	980

(a) These profits (losses) were charged to profit and loss.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities available for sale (cont'd)

	As at 31 March 2014 (Unaudited)			
	Amortized cost	Accumulated other comprehensive income (loss) (a)		Fair value
		Profits	Losses	
	(NIS millions)			
3. Debentures available for sale Pass-through securities				
Securities guaranteed by GNMA	170	-	(1)	169
Securities issued by FNMA and FHLMC	1,635	-	(59)	1,576
Total	1,805	-	(60)	1,745
Other mortgage-backed securities (including CMO and STRIPPED MBS)				
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	2,833	4	(52)	2,785
Other mortgage-backed securities	335	2	-	337
Total	3,168	6	(52)	3,122
Total asset-backed securities	4,973	6	(112)	4,867
Asset-backed securities (ABS)	-	-	-	-
Credit card receivables	86	-	(1)	85
Lines of credit for any purpose secured by	2	-	-	2
Credit for purchase of vehicle	-	-	-	-
Credit not to private persons	1	-	-	1
CLO-type debentures	1,488	25	(9)	1,504
Total	1,580	25	(10)	1,595
Total mortgage-backed and asset-backed debentures available for sale	6,553	31	(122)	6,462

(a) Amounts charged to capital reserve as part of other comprehensive income, net after effect of taxes.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 31 March 2014 (Unaudited)			
	Amortized cost	Unrealized profits from adjustments to fair value (a)	Unrealized losses from adjustments to fair value (a)	Fair value
	(NIS millions)			
4. Debentures held for trading				
Pass-through securities				
Other securities	429	-	(2)	427
Total	429	-	(2)	427
Other mortgage-backed securities (including CMO and STRIPPED MBS)				
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	11	-	-	11
Other mortgage-backed securities	72	-	(1)	71
Total	83	-	(1)	82
Total mortgage-backed securities (MBS)	512	-	(3)	509
Asset-backed securities (ABS)				
Credit for purchase of vehicle	55	1	-	56
Other credit to private persons	16	-	-	16
Others	119	1	-	120
Total	190	2	-	192
Total mortgage-backed and asset-backed debentures held for trading	702	2	(3)	701

(a) These profits (losses) were charged to profit and loss.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities available for sale (cont'd)

	As at 31 December 2014 (Audited)			
	Amortized cost	Accumulated other comprehensive income (loss) (a)		Fair value
		Profits	Losses	
	(NIS millions)			
3. Debentures available for sale				
Pass-through securities				
Securities guaranteed by GNMA	18	-	-	18
Securities issued by FNMA and FHLMC	1,577	1	(18)	1,560
Total	1,595	1	(18)	1,578
Other mortgage-backed securities (including CMO and STRIPPED MBS)	-	-	-	-
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	3,298	6	(41)	3,263
Other mortgage-backed securities	741	5	(2)	744
Total	4,039	11	(43)	4,007
Total mortgage-backed securities (MBS)	5,634	12	(61)	5,585
Asset-backed securities (ABS)	-	-	-	-
Credit card receivables	93	-	(2)	91
Lines of credit for any purpose secured by dwelling	2	-	-	2
Other credit to private persons	4	-	-	4
Credit not to private persons	1	-	-	1
CLO-type debentures	1,988	28	(12)	2,004
Total	2,088	28	(14)	2,102
Total mortgage-backed and asset-backed debentures available for sale	7,722	40	(75)	7,687

(a) Amounts charged to capital reserve as part of other comprehensive income, net, after effect of taxes.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities held for trading (cont'd)

	As at 31 December 2014 (Audited)			
	Amortized cost	Unrealized profits from adjustments to fair value (a)	Unrealized losses from adjustments to fair value (a)	Fair value
	(NIS millions)			
4. Debentures held for trading				
Pass-through securities				
Securities issued by FNMA and FHLMC	248	-	-	248
Total	248	-	-	248
Other mortgage-backed securities (including CMO and STRIPPED MBS)				
Securities issued by FNMA, FHLMC, or GNMA, or guaranteed by these entities	776	3	(4)	775
Other mortgage-backed securities	116	2	(1)	117
Total	892	5	(5)	892
Total mortgage-backed securities (MBS)	1,140	5	(5)	1,140
Asset-backed securities (ABS)				
Credit card receivables	19	-	-	19
Lines of credit for any purpose secured by dwelling	1	-	-	1
Credit for purchase of vehicle	78	1	-	79
Other credit to private persons	16	-	-	16
Credit not to private persons	47	-	-	47
Others	134	2	-	136
Total	295	3	-	298
Total mortgage-backed and asset-backed debentures held for trading	1,435	8	(5)	1,438

(a) These profits (losses) were charged to profit and loss.

Note 2 - Securities (cont'd)

Additional information in respect of fair value and unrealized losses, by period and rate of impairment, of securities available for sale in an unrealized loss position

	31 March 2015 (Unaudited)									
	Less than 12 months					12 months and above				
		Unrealized losses					Unrealized losses			
	Fair value	0-20%	20%-35%	More than 35%	Total	Fair value	0-20%	20%-35%	More than 35%	Total
	(NIS millions)									
Bonds										
Government of Israel	257	-	-	-	-	-	-	-	-	-
Foreign governments	8,512	1	-	-	1	-	-	-	-	-
Financial institutions in Israel	-	-	-	-	-	-	-	-	-	-
Financial institutions abroad	2,134	5	-	-	5	256	4	-	-	4
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	1,048	2	-	-	2	2,931	41	-	-	41
Others in Israel	135	- (a)	-	-	-	-	-	-	-	-
Others abroad	171	3	-	-	3	393	11	-	-	11
Shares	-	-	-	-	-	175	12	-	-	12
Total securities available for sale	12,257	11	-	-	11	3,755	68	-	-	68

	31 March 2014 (Unaudited)									
	Less than 12 months					12 months and above				
		Unrealized losses					Unrealized losses			
	Fair value	0-20%	20%-35%	More than 35%	Total	Fair value	0-20%	20%-35%	More than 35%	Total
	(NIS millions)									
Bonds										
Government of Israel	1,388	9	-	-	9	96	3	-	-	3
Foreign governments	1,913	2	-	-	2	4	-	-	-	-
Financial institutions in Israel	-	-	-	-	-	-	-	-	-	-
Financial institutions abroad	515	3	-	-	3	142	11	-	-	11
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	3,143	58	-	-	58	1,740	64	-	-	64
Others in Israel	9	1	-	-	1	-	-	-	-	-
Others abroad	574	8	-	-	8	434	7	-	-	7
Shares	577	32	-	-	32	287	27	-	-	27
Total securities available for sale	8,119	113	-	-	113	2,703	112	-	-	112

(a) Including balances less than NIS 1million.

Note 2 - Securities (cont'd)

Additional information in respect of fair value and unrealized losses, by period and rate of impairment, of securities available for sale in an unrealized loss position (cont'd)

	31 December 2014 (Audited)									
	Less than 12 months					12 months and above				
		Unrealized losses					Unrealized losses			
	Fair value	0-20%	20%-35%	More than 35%	Total	Fair value	0-20%	20%-35%	More than 35%	Total
	(NIS millions)									
Bonds										
Government of Israel	6,910	3	-	-	3	31	-	-	-	-
Foreign governments	3,372	2	-	-	2	115	1	-	-	1
Financial institutions in Israel	5	- (a)	-	-	-	-	-	-	-	-
Financial institutions abroad	1,419	6	-	-	6	317	9	-	-	9
Asset-backed securities (ABS) or mortgage-backed securities (MBS)	1,604	9	-	-	9	3,541	66	-	-	66
Others in Israel	300	4	-	-	4	-	-	-	-	-
Others abroad	457	3	-	-	3	773	16	-	2	18
Shares	1	- (a)	-	-	-	196	11	-	-	11
Total securities available for sale	14,068	27	-	-	27	4,973	103	-	2	105

(a) Including balances less than NIS 1million.

Note 2 - Securities (cont'd)

Additional information on mortgage-backed and asset-backed securities that are in an unrealized loss position

	31 March 2015 (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)					
Mortgage-backed securities (MBS)	**350**	**(1)**	**1,087**	**(16)**	**1,437**	**(17)**
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	**80**	**-**	**1,227**	**(20)**	**1,307**	**(20)**
Asset-backed securities (ABS)	**618**	**(1)**	**617**	**(5)**	**1,235**	**(6)**
Total	**1,048**	**(2)**	**2,931**	**(41)**	**3,979**	**(43)**

	31 March 2014 (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)					
Mortgage-backed securities (MBS)	622	(18)	1,056	(42)	1,678	(60)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	1,943	(34)	478	(18)	2,421	(52)
Asset-backed securities (ABS)	578	(6)	206	(4)	784	(10)
Total	3,143	(58)	1,740	(64)	4,883	(122)

	31 December 2014 (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						
Mortgage-backed securities (MBS)	57	-	1,416	(18)	1,473	(18)
Other mortgage-backed securities (including REMIC, CMO and STRIPPED MBS)	649	(4)	1,555	(39)	2,204	(43)
Asset-backed securities (ABS)	898	(5)	570	(9)	1,468	(14)
Total	1,604	(9)	3,541	(66)	5,145	(75)

(-) Losses less than NIS 1 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses

A. Debts[(a)] and off-balance sheet credit instruments Allowance for credit losses

1. Change in balance of allowance for credit losses

	For the three months ended 31 March 2015 (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	**3,317**	**513**	**652**	**4,482**	**4**	**4,486**
Expenses (income) in respect of credit losses	**37**	**(3)**	**48**	**82**	**(1)**	**81**
Accounting write-offs	**(185)**	**(1)**	**(148)**	**(334)**	**-**	**(334)**
Collection of debts written off in previous years	**81**	**-**	**98**	**179**	**-**	**179**
Net accounting write-offs	**(104)**	**(1)**	**(50)**	**(155)**	**-**	**(155)**
Adjustments from translation of financial statements	**6**	**(1)**	**(1)**	**4**	**-**	**4**
Balance of allowance for credit losses at end of the reporting period[1]	**3,256**	**508**	**649**	**4,413**	**3**	**4,416**
[1]Of which: in respect of off-balance sheet credit instruments	**426**	**-**	**39**	**465**	**-**	**465**

	For the three months ended 31 March 2014 (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 reporting period	3,301	498	496	4,295	2	4,297
Expenses in respect of credit losses	(19)	-	(35)	(54)	3	(51)
Accounting write-offs (b)	(61)	(4)	(124)	(189)	-	(189)
Collection of debts written off in previous years (b)	101	-	94	195	-	195
Net accounting write-offs	40	(4)	(30)	6	-	6
Adjustments from translation of financial statements	7	1	(5)	3	-	3
Balance of allowance for credit losses at end of the reporting period[1]	3,329	495	426	4,250	5	4,255
[1]Of which: in respect of off-balance sheet credit instruments	378	-	34	412	-	412

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) Reclassified.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

A. Debts[(a)] and off-balance sheet credit instruments (cont'd)

2. Additional information on the method of calculating the credit loss allowance in respect of debts[(a)] and on debts[(a)] on which it was calculated

	31 March 2015 (Unaudited)					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts[a]						
Examined on an individual basis	**106,882**	**46**	**872**	**107,800**	**10,056**	**117,856**
Examined on a collective basis[3]	**35,914**	**76,092**	**34,417**	**146,423**	**1,782**	**148,205**
[3]Of which: the allowance was calculated by extent of arrears	**-**	**74,948**	**-**	**74,948**	**-**	**74,948**
Total debts[1]	**142,796**	**76,138**	**35,289**	**254,223**	**11,838**	**266,061**
Allowance for credit losses for debts[a]:						
Examined on an individual basis	**2,542**	**14**	**80**	**2,636**	**3**	**2,639**
Examined on a collective basis[4]	**288**	**494**	**530**	**1,312**	**-**	**1,312**
[4]Of which the allowance was calculated by extent of arrears (b)	**-**	**492**	**-**	**492**	**-**	**492**
Total allowance for credit losses	**2,830**	**508**	**610**	**3,948**	**3**	**3,951**

	31 March 2014 (Unaudited)					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts[a]						
Examined on an individual basis	109,191	48	1,698	110,937	13,370 (c)	124,307
Examined on a collective basis[3]	32,112	70,546	31,516	134,174	2,181	136,355
[3]Of which: the allowance was calculated by extent of arrears	-	69,396	-	69,396	-	69,396
Total debts[1]	141,303	70,594	33,214	245,111	15,551	260,662
Allowance for credit losses for debts[a]:						
Examined on an individual basis	2,443	14	90	2,547	5	2,552
Examined on a collective basis[4]	508	481	302	1,291	-	1,291
[4]Of which the allowance was calculated by extent of arrears (b)	-	477	-	477	-	477
Total allowance for credit losses	2,951	495	392	3,838	5	3,843

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) 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 296 million (31 March 2014 – NIS 279 million).

(c) Reclassified.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

A. Debts[a] and off-balance sheet credit instruments (cont'd)

2. Additional information on the method of calculating the credit loss allowance in respect of debts[(a)] and on debts[(a)] on which it was calculated (cont'd)

	31 December 2014 (Audited)					
	Credit to the public				Banks and governments	Total
	Commercial	Residential	Other private	Total		
	(NIS millions)					
Recorded debt balance of debts[a]						
Examined on an individual basis	110,050	52	1,553	111,655	18,300	129,955
Examined on a collective basis[3]	35,613	75,392	33,808	144,813	1,364	146,177
[3]Of which: the allowance was calculated by extent of arrears	-	74,239	-	74,239	-	74,239
Total debts[a]	145,663	75,444	35,361	256,468	19,664	276,132
Allowance for credit losses for debts[a]:						
Examined on an individual basis	2,441	16	64	2,521	4	2,525
Examined on a collective basis[4]	430	496	541	1,467	-	1,467
[4]Of which the allowance was calculated by extent of arrears (b)	-	495	-	495	-	495
Total allowance for credit losses	2,871	512	605	3,988	4	3,992

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) 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 291 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts [(a)]

1. Credit quality and arrears

	31 March 2015 (Unaudited)					
		Problem debts (b)			Unimpaired debts - additional information	
	Non problematic	Not impaired	Impaired (c)	Total	In arrears of 90 days or more (d)	In arrears of 30 to 89 days (e)
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	15,661	263	619	16,543	8	24
Construction & real estate - real estate activities	21,027	503	1,338	22,868	5	21
Financial services	10,026	28	17	10,071	1	10
Commercial - other	61,190	3,019	1,655	65,864	48	91
Total commercial	107,904	3,813	3,629	115,346	62	146
Private individuals - housing loans (f)	74,206	757	-	74,963	749	468
Private individuals - other	34,476	335	102	34,913	86	194
Total public - activity in Israel	216,586	4,905	3,731	225,222	897	808
Israeli banks	1,662	-	-	1,662	-	-
Government of Israel	249	-	-	249	-	-
Total activity in Israel	218,497	4,905	3,731	227,133	897	808
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	8,610	25	545	9,180	5	48
Commercial - other	17,290	468	512	18,270	2	365
Total commercial	25,900	493	1,057	27,450	7	413
Private individuals	1,466	26	59	1,551	24	4
Total public - activity abroad	27,366	519	1,116	29,001	31	417
Foreign banks	9,743	-	-	9,743	-	-
Foreign governments	184	-	-	184	-	-
Total activity abroad	37,293	519	1,116	38,928	31	417
Total public	243,952	5,424	4,847	254,223	928	1,225
Total banks	11,405	-	-	11,405	-	-
Total governments	433	-	-	433	-	-
Total	255,790	5,424	4,847	266,061	928	1,225

See notes on page 168.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

1. Credit quality and arrears (cont'd)

	31 March 2014 (Unaudited)						
			Problem debts (b)			Unimpaired debts - additional information	
	Non problematic		Not impaired	Impaired (c)	Total	In arrears of 90 days or more (d)(g)	In arrears of 30 to 89 days (e)(g)
	(NIS millions)						
Activity of borrowers in Israel							
Public - commercial							
Construction & real estate - construction (g)	14,308		634	427	15,369	6	18
Construction & real estate - real estate activities (g)	20,764		116	1,462	22,342	5	19
Financial services	10,740		6	187	10,933	-	5
Commercial - other (g)	62,323		2,408	1,674	66,405	30	96
Total commercial	108,135		3,164	3,750	115,049	41	138
Private individuals - housing loans (f)	68,620		789	-	69,409	776	568
Private individuals - other	31,824		293	106	32,223	79	192
Total public - activity in Israel	208,579		4,246	3,856	216,681	896	898
Israeli banks	1,927		-	-	1,927	-	-
Government of Israel	294		-	-	294	-	-
Total activity in Israel	210,800		4,246	3,856	218,902	896	898
Activity of borrowers abroad							
Public - commercial							
Construction & real estate	6,889	(f)	159	710	7,758	34	206
Commercial - other	17,492	(f)	142	862	18,496	11	123
Total commercial	24,381		301	1,572	26,254	45	329
Private individuals	2,066		20	90	2,176	-	20
Total public - activity abroad	26,447		321	1,662	28,430	45	349
Foreign banks	13,137		-	-	13,137	-	-
Foreign governments	193		-	-	193	-	-
Total activity abroad	39,777		321	1,662	41,760	45	349
Total public	235,026		4,567	5,518	245,111	941	1,247
Total banks	15,064		-	-	15,064	-	-
Total governments	487		-	-	487	-	-
Total	250,577		4,567	5,518	260,662	941	1,247

See notes on page 168.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

1. Credit quality and arrears (cont'd)

	31 December 2014 (Audited)					
		Problem debts (b)			Unimpaired debts - additional information	
	Non problematic	Not impaired	Impaired (c)	Total	days or more (d)(g)	In arrears of 30 to 89 days (e)(g)
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	15,327	290	579	16,196	9	31
Construction & real estate - real estate activities	20,573	518	1,331	22,422	5	12
Financial services (g)	9,978	33	20	10,031	-	12
Commercial - other (g)	65,293	3,074	1,499	69,866	36	81
Total commercial	111,171	3,915	3,429	118,515	50	136
Private individuals - housing loans (f)	73,465	775	-	74,240	768	499
Private individuals - other	34,037	335	100	34,472	89	171
Total public - activity in Israel	218,673	5,025	3,529	227,227	907	806
Israeli banks	1,581	-	-	1,581	-	-
Government of Israel	294	-	-	294	-	-
Total activity in Israel	220,548	5,025	3,529	229,102	907	806
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	8,277 (f)	57	500	8,834	4	23
Commercial - other	17,358 (f)	259	697	18,314	3	36
Total commercial	25,635	316	1,197	27,148	7	59
Private individuals	2,008	20	65	2,093	27	3
Total public - activity abroad	27,643	336	1,262	29,241	34	62
Foreign banks	17,555	-	-	17,555	-	-
Foreign governments	234	-	-	234	-	-
Total activity abroad	45,432	336	1,262	47,030	34	62
Total public	246,316	5,361	4,791	256,468	941	868
Total banks	19,136	-	-	19,136	-	-
Total governments	528	-	-	528	-	-
Total	265,980	5,361	4,791	276,132	941	868

See notes on page 168.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

1. Credit quality and arrears (cont'd)

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) 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.
(c) 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.
(d) Classified as problem debts that are not impaired, accruing interest income.
(e) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of NIS 482 million were classified as problem debts that are not impaired (31 March 2014 – NIS 918 million, 31 December 2014 – NIS 533 million).
(f) Including balance of housing loans in the amount of NIS 159 million (31 March 2014 – NIS 198 million, 31 December 2014 – NIS 175 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.
(g) Reclassified.

Credit quality – status of debts in arrears[(a)]

The status of debts in arrears is monitored routinely, and serves as one of the key indicators of credit quality. The status of debts in arrears is determined based on actual days of arrears. Debts are treated as nonperforming (not accruing interest income) after 90 days of arrears, as is any debt that has undergone troubled debt restructuring and has resumed accruing interest when it is one day of arrears relative to the new terms of the debt. With regard to debts evaluated on a collective basis, the status of arrears affects the classification of the debt (the classification is more severe for more extensive arrears) and after 150 days of arrears, the Bank performs a charge-off of the debt. With regard to housing loans, with the exception of loans without quarterly or monthly payments, the Bank establishes an allowance according to the method of the extent of arrears.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)
2. Additional information on impaired debts
a. Impaired debts and individual allowance

	31 March 2015 (Unaudited)				
	Balance (b) of impaired debts in respect of which there is an andividual allowance (c)	Balance of individual allowance (c)	Balance (b) of impaired debts in respect of which there is no individual allowance (c)	Total balance (b) of impaired debts	Principal contractual balance of impaired debts
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	**187**	**54**	**432**	**619**	**1,185**
Construction & real estate - real estate activities	**981**	**304**	**357**	**1,338**	**2,568**
Financial services	**5**	**2**	**12**	**17**	**531**
Commercial - other	**1,120**	**382**	**535**	**1,655**	**5,106**
Total commercial	**2,293**	**742**	**1,336**	**3,629**	**9,390**
Private individuals - housing loans	**-**	**-**	**-**	**-**	**-**
Private individuals - other	**82**	**61**	**20**	**102**	**1,867**
Total public - activity in Israel	**2,375**	**803**	**1,356**	**3,731**	**11,257**
Israeli banks	**-**	**-**	**-**	**-**	**-**
Government of Israel	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**2,375**	**803**	**1,356**	**3,731**	**11,257**
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	**296**	**174**	**249**	**545**	**705**
Commercial - other	**335**	**158**	**177**	**512**	**849**
Total commercial	**631**	**332**	**426**	**1,057**	**1,554**
Private individuals	**32**	**22**	**27**	**59**	**90**
Total public - activity abroad	**663**	**354**	**453**	**1,116**	**1,644**
Foreign banks	**-**	**-**	**-**	**-**	**1**
Foreign governments	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**663**	**354**	**453**	**1,116**	**1,645**
Total public	**3,038**	**1,157**	**1,809**	**4,847**	**12,901**
Total banks	**-**	**-**	**-**	**-**	**1**
Total governments	**-**	**-**	**-**	**-**	**-**
Total	**3,038**	**1,157**	**1,809**	**4,847**	**12,902**
Of which:					
Measured by present value of cash flows	**1,416**	**725**	**1,160**	**2,576**	
Debts under troubled debt restructuring	**1,565**	**404**	**976**	**2,541**	

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded balance of debt.
(c) Individual allowance for credit losses.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

a. Impaired debts and individual allowance (cont'd)

	31 March 2014 (Unaudited)				
	Balance (b) of impaired debts in respect of which there is an andividual allowance (c)	Balance of individual allowance (c)	Balance (b) of impaired debts in respect of which there is no individual allowance (c)	Total balance (b) of impaired debts	Principal contractual balance of impaired debts
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	275	32	152	427	1,559
Construction & real estate - real estate activities	722	179	740	1,462	2,549
Financial services	147	96	40	187	843
Commercial - other	805	351	869	1,674	5,069
Total commercial	1,949	658	1,801	3,750	10,020
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	71	46	35	106	1,825
Total public - activity in Israel	2,020	704	1,836	3,856	11,845
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	2,020	704	1,836	3,856	11,845
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	501	298	209	710	890
Commercial - other	660	398	202	862	1,049
Total commercial	1,161	696	411	1,572	1,939
Private individuals	63	48	27	90	105
Total public - activity abroad	1,224	744	438	1,662	2,044
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	1,224	744	438	1,662	2,044
Total public	3,244	1,448	2,274	5,518	13,889
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	3,244	1,448	2,274	5,518	13,889
Of which:					
Measured by present value of cash flows	2,227	1,114	1,136	3,363	
Debts under troubled debt restructuring (d)	1,376	358	1,031	2,407	

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) Recorded balance of debt.

(c) Individual allowance for credit losses.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

a. Impaired debts and individual allowance (cont'd)

	31 December 2014 (Audited)				
	Balance (b) of impaired debts in respect of which there is an andividual allowance (c)	Balance of individual allowance (c)	Balance (b) of impaired debts in respect of which there is no individual allowance (c)	Total balance (b) of impaired debts	Principal contractual balance of impaired debts
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	93	36	486	579	1,283
Construction & real estate - real estate activities	733	322	598	1,331	2,449
Financial services	7	7	13	20	534
Commercial - other	888	347	611	1,499	4,951
Total commercial	1,721	712	1,708	3,429	9,217
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	79	44	21	100	1,841
Total public - activity in Israel	1,800	756	1,729	3,529	11,058
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,800	756	1,729	3,529	11,058
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	327	205	173	500	679
Commercial - other	536	294	161	697	942
Total commercial	863	499	334	1,197	1,621
Private individuals	36	24	29	65	90
Total public - activity abroad	899	523	363	1,262	1,711
Foreign banks	-	-	-	-	1
Foreign governments	-	-	-	-	-
Total public - activity abroad	899	523	363	1,262	1,712
Total public	2,699	1,279	2,092	4,791	12,769
Total banks	-	-	-	-	1
Total governments	-	-	-	-	-
Total	2,699	1,279	2,092	4,791	12,770
Of which:					
Measured by present value of cash flows	1,573	858	1,281	2,854	
Debts under troubled debt restructuring	1,434	567	1,268	2,702	

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded balance of debt.
(c) Individual allowance for credit losses.
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Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

b. Average balance and interest income

	For the three months ended 31 March 2015			For the three months ended 31 March 2014		
	Average balance (b) of impaired debts	Interest income recorded (c)	Of which: recorded on cash basis	Average balance (b) of impaired debts	Interest income recorded (c)	Of which: recorded on cash basis
	(Unaudited)					
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	**599**	**1**	**1**	453	2	2
Construction & real estate - real estate activities	**1,335**	**3**	**3**	1,427	2	2
Financial services	**19**	**-**	**-**	266	-	-
Commercial - other	**1,577**	**4**	**3**	1,722	4	3
Total commercial	**3,530**	**8**	**7**	3,868	8	7
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - other	**101**	**-**	**-**	106	1	1
Total public - activity in Israel	**3,631**	**8**	**7**	3,974	9	8
Israeli banks	**-**	**-**	**-**	-	-	-
Government of Israel	**-**	**-**	**-**	-	-	-
Total activity in Israel	**3,631**	**8**	**7**	3,974	9	8
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	**544**	**2**	**2**	729	2	2
Commercial - other	**558**	**2**	**2**	862	3	3
Total commercial	**1,102**	**4**	**4**	1,591	5	5
Private individuals	**60**	**-**	**-**	90	-	-
Total public - activity abroad	**1,162**	**4**	**4**	1,681	5	5
Foreign banks	**-**	**-**	**-**	-	-	-
Foreign governments	**-**	**-**	**-**	-	-	-
Total activity abroad	**1,162**	**4**	**4**	1,681	5	5
Total public	**4,793**	**12**	**11**	5,655	14	13
Total banks	**-**	**-**	**-**	-	-	-
Total governments	**-**	**-**	**-**	-	-	-
Total	**4,793**	**12** (d)	**11**	5,655	14(d)	13

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Average recorded balance of debt of impaired debts during the reporting period.
(c) 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.
(d) If the impaired debts had accumulated interest according to the original terms, interest income would have been recorded for the three month period ended 31 March 2015 in the amount of NIS 102 million (for the three month period ended 31 March 2014 - NIS 128 million).

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring

	31 March 2015 (Unaudited)				
	Not accruing interest income	Accruing (b) in arrears of 90 days or more	Accruing (b) in arrears of 30 to 89 days	Accruing (b) not in arrears	Total (c)
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	454	-	-	18	472
Construction & real estate - real estate activities	829	-	-	4	833
Financial services	11	-	-	-	11
Commercial - other	541	-	-	28	569
Total commercial	1,835	-	-	50	1,885
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	66	-	-	-	66
Total public - activity in Israel	1,901	-	-	50	1,951
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,901	-	-	50	1,951
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	177	-	-	135	312
Commercial - other	107	-	-	137	244
Total commercial	284	-	-	272	556
Private individuals	25	-	-	9	34
Total public - activity abroad	309	-	-	281	590
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	309	-	-	281	590
Total public	2,210	-	-	331	2,541
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	2,210	-	-	331	2,541

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Accumulating interest income.
(c) Included in impaired debts.

Liabilities for granting additional credit to borrowers for whom there was a troubled debt restructuring in which changes were made to the terms of the credit amounted NIS 92 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring (cont'd)

	31 March 2014 (Unaudited)				
	Not accruing interest income	Accruing (b) in arrears of 90 days or more	Accruing (b) in arrears of 30 to 89 days	Accruing (b) not in arrears	Total (c)
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	263	-	-	-	263
Construction & real estate - real estate activities	566	-	-	2	568
Financial services	45	-	-	-	45
Commercial - other	449	-	-	32	481
Total commercial	1,323	-	-	34	1,357
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	55	-	-	1	56
Total public - activity in Israel	1,378	-	-	35	1,413
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,378	-	-	35	1,413
Activity of borrowers abroad					
Public - commercial (d)					
Construction & real estate	224	-	-	307	531
Commercial - other	218	-	-	205	423
Total commercial	442	-	-	512	954
Private individuals	30	-	-	10	40
Total public - activity abroad	472	-	-	522	994
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	472	-	-	522	994
Total public	1,850	-	-	557	2,407
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	1,850	-	-	557	2,407

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Accumulating interest income.
(c) Included in impaired debts.

Liabilities for granting additional credit to borrowers for whom there was a troubled debt restructuring in which changes were made to the terms of the credit amounted NIS 33 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)
2. Additional information on impaired debts (cont'd)
c. Problem debts under restructuring (cont'd)

	31 December 2014 (Audited)				
	Not accruing interest income	Accruing (b) in arrears of 90 days or more	Accruing (b) in arrears of 30 to 89 days	Accruing (b) not in arrears	Total (c)
	(NIS millions)				
Activity of borrowers in Israel					
Public - commercial					
Construction & real estate - construction	411	-	-	18	429
Construction & real estate - real estate activities	826	-	-	-	826
Financial services	17	-	-	-	17
Commercial - other	564	-	-	30	594
Total commercial	1,818	-	-	48	1,866
Private individuals - housing loans	-	-	-	-	-
Private individuals - other	61	-	-	-	61
Total public - activity in Israel	1,879	-	-	48	1,927
Israeli banks	-	-	-	-	-
Government of Israel	-	-	-	-	-
Total activity in Israel	1,879	-	-	48	1,927
Activity of borrowers abroad					
Public - commercial					
Construction & real estate	200	-	-	141	341
Commercial - other	213	-	-	185	398
Total commercial	413	-	-	326	739
Private individuals	25	-	-	11	36
Total public - activity abroad	438	-	-	337	775
Foreign banks	-	-	-	-	-
Foreign governments	-	-	-	-	-
Total activity abroad	438	-	-	337	775
Total public	2,317	-	-	385	2,702
Total banks	-	-	-	-	-
Total governments	-	-	-	-	-
Total	2,317	-	-	385	2,702

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Accumulating interest income.
(c) Included in impaired debts.

Liabilities for granting additional credit to borrowers for whom there was a troubled debt restructuring in which changes were made to the terms of the credit amounted to NIS 98 million.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring (cont'd)

1. Restructurings carried out

	For the three months ended 31 March 2015			For the three months ended 31 March 2014		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	debt balance before restructuring	Recorded debt balance after restructuring
	(Unaudited)					
	(NIS millions)					
Activity of borrowers in Israel						
Public - commercial						
Construction & real estate - construction	15	3	48	4	-	-
Construction & real estate - real estate activities	-	-	-	2	4	4
Financial services	-	-	-	-	-	-
Commercial - other	30	5	5	36	31	26
Total commercial	45	8	53	42	35	30
Private individuals - housing loans	-	-	-	-	-	-
Private individuals - other	252	3	3	130	2	2
Total public - activity in Israel	297	11	56	172	37	32
Israeli banks	-	-	-	-	-	-
Government of Israel	-	-	-	-	-	-
Total activity in Israel	297	11	56	172	37	32
Activity of borrowers abroad						
Public - commercial						
Construction & real estate	6	10	9	4	97	97
Commercial - other	7	65	65	18	123	123
Total commercial	13	75	74	22	220	220
Private individuals	2	-	-	9	2	2
Total public - activity abroad	15	75	74	31	222	222
Foreign banks	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-
Total activity abroad	15	75	74	31	222	222
Total public	312	86	130	203	259	254
Total banks	-	-	-	-	-	-
Total governments	-	-	-	-	-	-
Total	312	86	130	203	259	254

(a) Credit to the public, credit to governments, deposits in banks 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[(a)] (cont'd)

2. Additional information on impaired debts (cont'd)

c. Problem debts under restructuring (cont'd)

2. Failed restructurings carried out[(b)]

	For the three months ended 31 March 2015		For the three months ended 31 March 2014	
	Number of contracts	Recorded debt balance (c)	Number of contracts	Recorded debt balance (c)
	(Unaudited)			
	(NIS millions)			
Activity of borrowers in Israel				
Public - commercial				
Construction & real estate - construction	**11**	**8**	7	3
Construction & real estate - real estate activities	**1**	**-**	2	14
Financial services	**-**	**-**	-	-
Commercial - other	**17**	**2**	38	10
Total commercial	**29**	**10**	47	27
Private individuals - housing loans	**-**	**-**	-	-
Private individuals - other	**115**	**1**	70	1
Total public - activity in Israel	**144**	**11**	117	28
Israeli banks	**-**	**-**	-	-
Government of Israel	**-**	**-**	-	-
Total activity in Israel	**144**	**11**	117	28
Activity of borrowers abroad				
Public - commercial				
Construction & real estate	**5**	**5**	1	12
Commercial - other	**5**	**50**	5	7
Total commercial	**10**	**55**	6	19
Private individuals	**3**	**1**	6	1
Total public - activity abroad	**13**	**56**	12	20
Foreign banks	**-**	**-**	-	-
Foreign governments	**-**	**-**	-	-
Total activity abroad	**13**	**56**	12	20
Total public	**157**	**67**	129	48
Total banks	**-**	**-**	-	-
Total governments	**-**	**-**	-	-
Total	**157**	**67**	129	48

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) 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.

(c) Recorded balance of debt at the end of the quarter in which the failure was carried out.

Note 3 – Credit Risk, Credit to the Public and Allowance for Credit Losses (cont'd)

B. Debts[(a)] (cont'd)

3. Additional information on housing loans

Balances at the end of the period by loan to value ratio (LTV)[(b)], type of repayment and type of interest

Balance of housing loans		Total[1]	[1]Of which: bullet and balloon	[1]Of which: variable interest	Off-balance sheet credit risk total
		31 March 2015 (Unaudited)			
		(NIS millions)			
First charge: rate of financing	Up to 60%	**45,814**	**3,205**	**32,882**	**1,952**
	Above 60%	**28,325**	**1,080**	**21,168**	**803**
Second charge or without charge		**751**	**32**	**579**	**57**
Total		**74,890**	**4,317**	**54,629**	**2,812**

Balance of housing loans		Total[1]	[1]Of which: bullet and balloon	[1]Of which: variable interest	Off-balance sheet credit risk total (c)
		31 March 2014 (Unaudited)			
		(NIS millions)			
First charge: rate of financing	Up to 60%	41,463	3,335	31,555	1,585
	Above 60%	27,135	1,222	21,361	620
Second charge or without charge		732	39	589	62
Total		69,330	4,596	53,505	2,267

Balance of housing loans		Total[1]	[1]Of which: bullet and balloon	[1]Of which: variable interest	Off-balance sheet credit risk total (c)
		31 December 2014 (Audited)			
		(NIS millions)			
First charge: rate of financing	Up to 60%	45,206	3,386	33,061	1,794
	Above 60%	28,222	1,172	21,506	605
Second charge or without charge		745	35	582	40
Total		74,173	4,593	55,149	2,439

(a) Credit to the public, credit to governments, deposits in banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) The ratio between the approved facility when the facility was granted and the value of the property, as approved by the Bank when the facility was granted. The LTV ratio is another indication of the Bank as to the assessment of customer risk when the facility was granted. On a quarterly basis, the minimum collective allowance of 0.35% is examined as required in Bank of Israel directives against the ratio of 0.75% required on credit with an LTV higher than 60%. It should be noted that the collective allowance is higher than the allowance required according to the LTV.

(c) Reclassified.

Note 3A – Deposits of the Public

A. Types of deposits by location raised and type of depositor

	31 March 2015	31 March 2014	31 December 2014
	(Unaudited)		(Audited)
	(NIS millions)		
In Israel			
On demand			
Non-interest bearing	**63,099**	41,735 (a)	54,937
Interest bearing	**69,470**	37,593 (a)	55,823
Total on demand	**132,569**	79,328	110,760
Fixed term	**145,405**	173,610	161,900
Total deposits in Israel[1]	**277,974**	252,938	272,660
Outside Israel			
On demand			
Non-interest bearing	**9,917**	12,907	13,945
Interest bearing	**2,775**	2,937	2,919
Total on demand	**12,692**	15,844	16,864
Fixed term	**14,351**	13,950	13,873
Total deposits outside Israel	**27,043**	29,794	30,737
Total deposits of the public	**305,017**	282,732	303,397
[1]Of which:			
Deposits of private persons	**125,648**	123,328	121,943
Deposits of institutional entities	**32,048**	28,909	30,978
Deposits of corporations and others	**120,278**	100,701	119,739

B. Deposits of the public by size

	31 March 2015	31 March 2014	31 December 2014
	(Unaudited)		(Audited)
	(NIS millions)		
Up to 1	**86,624**	84,095	86,042
From 1 to 10	**78,491**	77,740	78,995
From 10 to 100	**53,290**	46,507	52,543
From 100 to 500	**29,141**	30,870	30,537
Above 500	**57,471**	43,520	55,280
Total	**305,017**	282,732	303,397

(a) Reclassified.

Note 3B – Employee Rights

A. Employee benefits

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Post-retirement benefits - pension and severance pay				
Amount of liability	17,709	14,336	16,183	14,224
Fair value of plan assets	7,265	7,235	7,048	7,117
Excess liability over plan assets	10,444	7,101	9,135	7,107
Excess liabilities included inder "Other liabilities"	10,444	7,101	9,135	7,107
Long-service (Jubilee) bonus				
Amount of liability	709	944	1,038	989
Fair value of plan assets	-	-	-	-
Excess liability over plan assets	709	944	1,038	989
Excess liabilities included inder "Other liabilities"	709	944	1,038	989
Other benefits				
Amount of liability	524	363	346	360
Fair value of plan assets	-	-	-	-
Excess liability over plan assets	524	363	346	360
Excess liabilities included inder "Other liabilities"	524	363	346	360
Total				
Excess liabilities in respect of employee benefits over plan assets included in "Other liabilities"[1]	11,677	8,408	10,519	8,456
Of which: in respect of employee benefits overseas[1]	226	129	221	128

Note 3B – Employee Rights

B. Defined benefit pension plan
1. Commitment and state of funding

A. Change in commitment in respect of forecast benefit

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Commitment in respect of forecast benefit at the beginning of the period	16,183	14,224	14,224	13,278
Service cost	65	64	269	264
Interest cost	193	207	843	783
Actuarial loss (profit)	1,422	(83)	1,515	521
Changes in foreign currency exchange rates	2	3	10	(31)
Benefits paid	(156)	(150)	(726)	(666)
Reductions, disposals, special contractual benefits in respect of dismissal	-	71	48	75
Commitment in respect of forecast benefit at the end of the period	17,709	14,336	16,183	14,224
Commitment in respect of accumulated benefit at the end of the period	16,612	13,452	15,089	13,180

B. Change in fair value of plan assets and state of funding of the plan

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Fair value of plan assets at the beginning of the period	7,048	7,117	7,117	6,964
Actual return on plan assets	90	-	-	-
Changes in foreign currency exchange rates	-	3	14	(12)
Actual return on plan assets	145	158	380	570
Benefits paid, net	(18)	(43)	(463)	(405)
Disposals	-	-	-	-
Fair value of plan assets at the end of the period	7,265	7,235	7,048	7,117
State of funding - asset (liability) net recognized at the end othe period (a)	10,444	7,101	9,135	7,107

(a) Including in other liabilities.

C. Amounts recognized in the consolidated balance sheet

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Amounts recognized under other assets	-	-	-	-
Amounts recognized under other liabilities	10,444	7,101	9,135	7,107
Asset (liability) net recognized at the end of the period	10,444	7,101	9,135	7,107

Note 3B – Employee Rights

B. Defined benefit pension plan (cont.)
1. Commitment and state of funding (cont.)

D. Amounts recognized in accumulated other comprehensive income (loss) before the effect of tax

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Net actuarial loss (profit)	3,186	437	1,976	523
Net liability (asset) in respect of transition	987	987	987	987
Cost (credit) in respect of prior service cost	-	-	-	-
Closing balance in accumulated other income	4,173	1,424	2,963	1,510

2. Expense for the period

A. Benefit cost components included in profit and loss

	For the period of three monthe ended 31 March		For the year ended 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Service cost	65	64	269	264
Interest cost	193	207	843	783
Forecast return on plan assets	(90)	(158)	(380)	(570)
Amortization of amounts not recognized:	66	17	79	18
Net actuarial loss (profit)	-	71	48	75
Total cost of benefit, net	234	201	859	570

(a) Amortization of actuarial profits and losses recorded in other comprehensive income from 1 January 2013 that do not result from a change in the discount rate on initial implementation of US GAAP on employee rights. See Note 1.

B. Changes in plan assets and commitment for benefit recognized in other comprehensive income (loss) before the effect of tax

	For the period of three monthe ended 31 March		For the year ended 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Net actuarial loss (profit) for the period	1,276	(83)	1,481	486
Amortization of actuarial profit (loss)	66	17	78	18
Total recognized in other comprehensive income	1,210	(100)	1,403	468
Net cost of benefit	234	201	859	570
Total recognized in cost of benefit, net for the period and in other comprehensive income	1,444	101	2,262	1,038

Note 3B – Employee Rights

B. Defined benefit pension plan (cont.)
2. Expense for the period

C. Estimate of amounts included in accumulated other comprehensive income that are expected to be amortized from accumulated other comprehensive income to the statement of profit and loss as an expense (income) in 2015 before the effect of tax

	31 March 2015
	Unaudited
	NIS million
Net actuarial loss (profit)	173
Net liability (asset) in respect of transition	-
Cost (credit) in respect of previous service	-
Total expected to be amortized from accumulated other comprehensive income	173

Note 3B – Employee Rights

B. Defined benefit pension plan (cont.)
3. Assumptions

A. Assumptions based on a weighted average used for determining the commitment in respect of a benefit and for measuring the cost of the benefit net for the years ended 31 December
1. Basic assumptions used for determining the commitment in respect of the benefit

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Discount rate	1.86%	3.25%	2.63%	3.26%
CPI discount rate	1.91%	2.74%	2.20%	2.74%
Employee turnover rate	0.1% - 3.7%	0.1% - 2%	0.1% - 2%	0.1% - 2%
Rate of growth of remuneration	0.8% - 7.2%	0.8% - 7.2%	0.8% - 7.2%	0.8% - 7.2%

2. Basic assumptions used for measuring the cost of the benefit net for the period

	As at 31 March		As at 31 December	
	2015	2014	2014	2013
	Unaudited			
	NIS millions			
Discount rate	2.63%	3.26%	3.26%	3.41%
Long term forecast return on plan assets (a)	5.50%	5.32%	5.32%	8.25%
Rate of growth of remuneration	0% - 6.3%	0.8% - 7.2%	0.8% - 7.2%	0.8% - 7.2%

(a) Fpr practical reasons the Bank elected to use the actual rates of return for the purpose of determining the expected long-term forecast return during these periods. See also Note 1.C.1.

B. Effect of a change of one percentage point on the commitment in respect of a forecast benefit before effect of tax

	Increase of one percentage point				Decrease of one percentage point			
	As at 31 March		As at 31 December		As at 31 March		As at 31 December	
	2015	2014	2014	2013	**2015**	2014	2014	2013
	Unaudited							
	NIS millions							
Discount rate	(2,480)	(1,823)	(2,110)	(1,822)	3,162	2,299	2,668	2,296
CPI discount rate	(254)	(252)	(242)	(284)	260	260	247	287
Employee turnover rate	281	267	279	275	(282)	(227)	(240)	(238)
Rate of growth of remuneration	731	602	745	696	(654)	(536)	(662)	(623)

Note 3B – Employee Rights

B. Defined benefit pension plan (cont.)
4. Plan assets

A. Composition of the fair value of plan assets

	As at 31 March		As at 31 December
	2015	2014	2014
	Unaudited		
	NIS millions		
Cash and deposits in banks	232	253	231
Shares	2,310	2,120	2,173
Government bonds	1,872	2,226	1,861
Corporate bonds	2,098	2,015	2,043
Other	174	111	165

B. The fair value of plan assets by type of assets and target for allocation in 2015

	Allocation target	Percentage of plan assets			
		As at 31 March		As at 31 December	
	2015	**2015**	2014	2014	2013
		Unaudited			
	Percentage	NIS million			
Cash and deposits in banks	3%	3%	4%	4%	4%
Shares	35%	35%	32%	32%	29%
Government bonds	25%	28%	32%	29%	34%
Corporate bonds	32%	31%	30%	32%	31%
Other	5%	3%	2%	3%	2%
Total	100%	100%	100%	100%	100%

Note 3B – Employee Rights

C. Defined benefit pension plan (cont.)
4. Plan assets (cont.)

D. Cash flows

1. Deposits

		Actual deposits			
	Forecast	For the three months ended 31 March		For the year ended 31 December	
	2015	**2015**	2014	2014	2013
	Unaudited				
	NIS millions				
Deposits	127	42	46	176	187

2. Benefits that the Bank expects to pay in the future

Year	NIS millions
2015 (a)	355
2016	504
2017	551
2019	588
2019	628
2020-2024	3,796
2025 and thereafter	35,646
Total	42,068

(a) Estimate of deposits that the Bank expects to pay into a defined benefit pension plan during the remainder of 2015.

Note 4 – Capital and Capital Adequacy

	31 March 2015	31 March 2104 (a)	31 December 2014 (a)
	(Unaudited)	(Unaudited)	(Audited)
	(NIS millions)		
A. Data			
Capital for purposes of calculating capital ratio			
Tier 1 capital, after deductions	**27,960**	26,694 (a) (f)	28,130 (a)
Tier 2 capital, after deductions	**13,329**	14,313	14,684
Total capital	**41,289**	41,007	42,814
Weighted balances of risk assets			
Credit risk	**271,984**	256,119 (f)	274,341
Market risk	**5,952**	10,120	10,839
Operational risk (b)	**20,376**	20,398	20,317
Total weighted balances of risk assets	**298,312**	286,637 (a)	305,497 (a)
Ratio of capital to risk components			
Ratio of Tier 1 capital to risk components	**9.37%**	9.31% (f)	9.21%
Ratio of total capital to risk components	**13.84%**	14.31% (f)	14.01%
Minimum Tier 1 capital ratio required by the Supervisor of Banks (c)	**9.00%** (e)	9.00%	9.00%
Minimum total capital ratio required by the Supervisor of Banks (c)	**12.50%** (e)	12.50%	12.50%
B. Principal subsidiary companies			
Arab Israel Bank			
Ratio of Tier 1 capital to risk components	**11.59%**	11.57%	12.27%
Ratio of total capital to risk components	**12.67%**	12.97%	13.36%
Minimum Tier 1 capital ratio required by the Supervisor of Banks (c)	**9.00%** (e)	9.00%	9.00%
Minimum total capital ratio required by the Supervisor of Banks (c)	**12.50%** (e)	12.50%	12.50%
Leumi Card Ltd.			
Ratio of Tier 1 capital to risk components	**16.34%**	16.10%	16.36%
Ratio of total capital to risk components	**17.29%**	17.10%	17.36%
Minimum Tier 1 capital ratio required by the Supervisor of Banks (c)	**9.00%** (e)	9.00%	9.00%
Minimum total capital ratio required by the Supervisor of Banks (c)	**12.50%** (e)	12.50%	12.50%
Bank Leumi USA (d)			
Ratio of Tier 1 capital to risk components	**11.89%**	11.92%	11.39%
Ratio of total capital to risk components	**14.58%**	14.80%	14.23%
Minimum total capital ratio required by the local authorities	**10.00%**	10.00%	10.00%

(a) Excluding the effect of adoption of US GAAP on employee rights that came into effect on 1 January 2015.
(b) First Pillar capital allocation in respect of operational risk is in accordance with the Standardized Approach.
(c) As of 1 January 2015.
(d) Until 31 December 2014, the U.S. office was not obliged to calculate the capital adequacy ratio according to Basel III, and so the ratios reported are according to Basel I.
(e) Including capital requirements at a rate expressing 1% of the balance of housing loans at the reporting date. This requirement is being implemented gradually in equal quarterly amounts from 1 April 2015 to 1 January 2017.
Accordingly, the minimum Tier 1 shareholders' equity ratio and the minimum total equity ratio required by the Supervisor of Banks as at 1 January 2017, according to data at the reporting date, is 10.25%, 13.75%, respectively.
(f) Restated pursuant to a change in accounting for accumulating employee rights.

Note 4 – Capital and Capital Adequacy (cont'd)

C. Effect of the transitional provisions on Tier 1 shareholders' equity ratio

	31 March 2015	31 March 2014 (a) (b)	31 December 2014 (a)
	(Unaudited)	(Unaudited)	(Audited)
	(%)	(%)	
1. Ratio of capital to risk components			
Ratio of Tier 1 shareholders' equity to risk components before application of the effect of the transitional provisions (a)	**8.43%**	8.95%	8.04%
Effect of the transitional provisions	**0.94%**	0.36%	1.17%
Ratio of Tier 1 shareholders' equity to risk components after application of the effect of the transitional provisions	**9.37%**	9.31%	9.21%

(a) Including the effect of adoption of US GAAP on employee rights that came into effect on 1 January 2015. The comparative figures have been restated to reflect this effect.

(b) Restated pursuant to a change in accounting for accumulating employee rights.

Note 4 – Capital and Capital Adequacy (cont'd)

D. General

In May 2013, the Supervisor of Banks amended Proper Conduct of Banking Business Directives No. 201-211 on *Measurement and Capital Adequacy*, so as to adapt them to the Basel III directives.

It should be emphasized that the Basel III directives set forth significant changes in the calculation of regulatory capital requirements, *inter alia*, relating to:
- Regulatory capital components
- Deductions from capital and regulatory adjustments
- Treatment of exposures to financial corporations
- Treatment of exposures to credit risk in respect of impaired debts
- Allocation of capital in respect of CVA risk.

The amendments to the above directives came into effect on 1 January 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299 on *Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions*.

In addition, on 29 August 2013, a circular of the Banking Supervision Department was published on *Basel Disclosure Requirements relating to the Composition of Capital*, which set forth updated disclosure requirements that banks will be required to include as part of the adoption of the Basel III directives.

E. Changes in the Bank's equity

The cumulative terms set in the remuneration policy were met for the vesting into shares of the first third of the PSU units (that were allocated to the Chairman of the Board of Directors, the President and Chief Executive Officer, and other office-holders in the Bank as part of the approval of the performance-based annual bonus to office holders in the Bank, in respect of half of the bonus for 2013), and one third of the PSU units vested into shares. Accordingly, on 31 March 2015, office holders in the Bank were allocated blocked shares according to the number of PSU units that vested on that date.

In addition, the condition was fulfilled for the vesting of the first third of the RSU units (that were allocated in 2013) and one third of the RSU units vested into blocked shares. Accordingly, on 15 April 2015, office holders in the Bank were allocated blocked shares that vested according to the number of RSU units on that date.

Pursuant to the provisions of the remuneration policy, the shares allocated due to the vesting of the aforesaid PSU and RSU were deposited with the Remuneration Policy Trustee, and are blocked for one year. For further details, see Note 15G and 15H to the 2014 Financial Statements.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis
at 31 March 2015 (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	40,495	248	6,341	862	3,656	167	51,769
Securities	24,817	2,257	29,256	1,962	1,598	4,489	64,379
Securities borrowed or purchased under agreements to resell	2,187	-	-	10	-	-	2,197
Credit to the public, net (c)	159,975	50,308	29,666	4,833	5,275	218	250,275
Credit to governments	61	187	134	51	-	-	433
Investments in companies included on equity basis	-	-	-	-	-	896	896
Buildings and equipment	-	-	-	-	-	3,651	3,651
Assets in respect of derivative instruments	9,270	170	7,996	69	108	1,218	18,831
Other assets, intangible assets and goodwill	5,308	4	1,130	9	43	596	7,090
Total assets	242,113	53,174	74,523	7,796	10,680	11,235	399,521
Liabilities							
Deposits of the public	177,344	26,874	75,972	15,251	9,138	438	305,017
Deposits from banks	1,546	48	3,811	560	222	-	6,187
Deposits from governments	25	1	483	8	-	-	517
Securities lent or sold under agreements to repurchase	1,384	-	-	-	-	-	1,384
Debentures, bonds and subordinated notes	4,528	15,018	-	-	-	50	19,596
Liabilities in respect of derivative instruments	9,364	279	6,964	178	97	1,204	18,086
Other liabilities	8,219	11,168	992	40	215	792	21,426
Total liabilities	202,410	53,388	88,222	16,037	9,672	2,484	372,213
Difference (d)	39,703	(214)	(13,699)	(8,241)	1,008	8,751	27,308
Effect of hedging derivative instruments:							
Derivative instruments (excluding options)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(18,269)	(1,398)	13,867	8,179	(1,729)	(650)	-
Options in the money, net (in terms of underlying asset)	380	-	(546)	49	117	-	-
Options out of the money, net (in terms of underlying asset)	552	-	(427)	(109)	(16)	-	-
Total	22,366	(1,612)	(805)	(122)	(620)	8,101	27,308
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	777	-	(942)	21	144	-	-
Options out of the money, net (discounted par value)	266	-	(82)	(345)	161	-	-

See notes on page 192.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis (cont'd)
at 31 March 2014 (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	29,169	258	6,631	2,060	5,939	105	44,162
Securities	33,278	2,916	15,138	3,747	1,800	3,602	60,481
Securities borrowed or purchased under agreements to resell	1,370	-	-	-	-	-	1,370
Credit to the public, net (c)	148,471	53,046	26,675	6,199	6,718	164	241,273
Credit to governments	63	231	147	46	-	-	487
Investments in companies included on equity basis	-	-	-	-	-	1,630	1,630
Buildings and equipment	-	-	-	-	-	3,626	3,626
Assets in respect of derivative instruments	8,853	289	1,762	257	208	934	12,303
Other assets, intangible assets and goodwill	4,178 (e)	179	797	8	173	516	5,851
Total assets	225,382	56,919	51,150	12,317	14,838	10,577	371,183
Liabilities							
Deposits of the public	154,046	28,840	71,928	16,502	11,043	373	282,732
Deposits from banks	1,773	112	1,591	759	132	-	4,367
Deposits from governments	78	2	343	12	-	-	435
Securities lent or sold under agreements to repurchase	540	-	-	-	-	-	540
Debentures, bonds and subordinated notes	4,583	19,891	-	-	10	-	24,484
Liabilities in respect of derivative instruments	8,650	459	1,899	648	265	940	12,861
Other liabilities	9,931 (e)	7,776 (e)	1,032	29	256	615	19,639
Total liabilities	179,601	57,080	76,793	17,950	11,706	1,928	345,058
Difference (d)	45,781	(161)	(25,643)	(5,633)	3,132	8,649	26,125
Effect of hedging derivative instruments:							
Derivative instruments (excluding options)	697	-	-	-	(697)	-	-
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(23,762)	(2,509)	24,972	4,220	(3,006)	85	-
Options in the money, net (in terms of underlying asset)	714	-	(560)	(144)	(18)	8	-
Options out of the money, net (in terms of underlying asset)	481	-	(1,540)	1,037	16	6	-
Grand total	23,911	(2,670)	(2,771)	(520)	(573)	8,748	26,125
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	1,118	-	(879)	(243)	(9)	13	-
Options out of the money, net (discounted par value)	1,824	-	(3,940)	2,270	(210)	56	-

See notes on page 192.

Note 5 – Consolidated Statement on Assets and Liabilities by Linkage Basis (cont'd) as at 31 December 2014 (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	41,900	263	11,764	1,325	5,277	86	60,615
Securities	19,138	2,294	20,764	3,090	2,133	4,694	52,113
Securities borrowed or purchased under agreements to resell	2,000	-	-	-	-	-	2,000
Credit to the public, net (c)	159,533	51,221	29,813	5,599	6,092	222	252,480
Credit to governments	53	240	176	59	-	-	528
Investments in companies included on equity basis	-	-	-	-	-	2,216	2,216
Buildings and equipment	-	-	-	-	-	3,729	3,729
Assets in respect of derivative instruments	7,602	181	7,174	104	281	1,567	16,909
Other assets, intangible assets and goodwill	5,311 (e)	4	886	7	45	354	6,607
Total assets	235,537	54,203	70,577	10,184	13,828	12,868	397,197
Liabilities							
Deposits of the public	166,479	27,399	83,050	16,107	10,019	343	303,397
Deposits from banks	1,807	91	2,136	423	99	-	4,556
Deposits from governments	22	2	435	8	-	-	467
Securities lent or sold under agreements to repurchase	1,238	-	-	-	-	-	1,238
Debentures, bonds and subordinated notes	4,547	19,121	-	-	10	-	23,678
Liabilities in respect of derivative instruments	7,102	129	6,426	313	154	1,526	15,650
Other liabilities	8,864 (e)	10,184 (e)	1,704	29	168	746	21,695
Total liabilities	190,059	56,926	93,751	16,880	10,450	2,615	370,681
Difference (d)	45,478	(2,723)	(23,174)	(6,696)	3,378	10,253	26,516
Effect of hedging derivative instruments:							
Derivative instruments (excluding options)	-	-	-	-	-	-	-
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(20,221)	(2,177)	22,402	5,684	(4,338)	(1,350)	-
Options in the money, net (in terms of underlying asset)	777	-	(1,694)	936	(19)	-	-
Options out of the money, net (in terms of underlying asset)	517	-	(360)	(132)	(25)	-	-
Total	26,551	(4,900)	(2,826)	(208)	(1,004)	8,903	26,516
Effect of non-hedging derivative instruments:							
Options in the money, net (discounted par value)	1,580	-	(2,555)	978	(3)	-	-
Options out of the money, net (discounted par value)	266	-	(6)	(233)	(27)	-	-

(a) Including linked to foreign currency.
(b) Including derivative instruments whose basis refers to a non-monetary item.
(c) After deducting credit loss allowances attributed to the linkage basis according to the linkage of the credit for which it was created in the amount of NIS 3,948 million (31 March 2014 – NIS 3,838 million, 31 December 2014 – NIS 3,988 million).
(d) Shareholders' equity including minority interests.
(e) Restated pursuant to a change in accounting for accumulating employee rights. See Note 1.R. to the audited financial statements at 31 December 2014.

6 - Contingent Liabilities and Special Commitments

A. Off-balance sheet instruments

	31 March 2015		31 March 2014		31 December 2014	
	Balances of contracts	Balance of allowance for credit losses	Balances of contracts (a)	Balance of allowance for credit losses	Balances of contracts (a)	Balance of allowance for credit losses
	(Unaudited)				(Audited)	
	(NIS millions)					
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	**2,029**	**4**	2,078	5	1,627	3
Credit guarantees	**6,025**	**92**	5,705	82	6,071	102
Guarantees to apartment purchasers	**18,296**	**27**	15,903	23	17,547	24
Other guarantees and liabilities (b)	**17,705**	**192**	15,263	171 (c)	17,079	216
Unutilized credit facilities for credit cards	**27,316**	**34**	25,258	22	26,506	28
Current loan account facilities and other credit facilities on demand not utilized	**13,606**	**42**	13,984	23	14,125	25
Irrevocable commitments to provide credit which has been approved and not yet granted (1)	**24,451**	**58**	20,853	67	22,727	73
Commitments to issue guarantees	**14,084**	**16**	12,774	19	15,097	23
Unutilized facilities for activity in derivative instruments	**5,480**	**-**	5,168	-	5,533	-
Approval in principle to maintain interest rate	**4,971**	**-**	4,186	-	4,565	-

(1) 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 239 million (31 Match 2014 - NIS 209 million, 31 December 2014 - NIS 233 million).
The above commitments represent a relatively small part of the obligations of those securitizing entities.

(a) Balances of the contracts or their denominated amounts at the end of the period, before the effect of the allowance for credit losses.
(b) Including the Bank's liabilities such as its share in the Maof Clearing House Risk Fund in the amount of NIS 230 million (at 31 March 2014 and at 31 December 2014, the amount of NIS 193 million and NIS 284 million, respectively).
(c) Reclassified.

B. Contingent liabilities and special commitments

	31 March 2015	31 March 2014	31 December 2014
	(Unaudited)		(Audited)
	(NIS millions)		
(1) Long-term rental contracts - Rental of buildings, equipment and vehicles and maintenance fees regarding commitments payable in the following years			
First year	**272**	218	227
Second year	**210**	193	186
Third year	**191**	174	169
Fourth year	**172**	161	151
Fifth year	**137**	128	118
After five years	**872**	788	717
Total	**1,854**	1,662	1,568
(2) Commitments to purchase securities	**719**	924	724
(3) Commitments to invest in buildings, equipment and others	**190**	164	31

See notes on next page.

Note 6 - Contingent Liabilities and Special Commitments (cont'd)

There is a general exposure, which cannot be estimated or quantified, resulting from, inter alia, the complexity of the services provided by the Bank and its consolidated companies to their customers. The complexity of these services involves, among other things, a potential for interpretive and other claims, due to information gaps between the Bank and its consolidated companies, and the other parties that use their services, which relate to many commercial and regulatory conditions. It is not possible to anticipate all the kinds of claims raised in this field and the exposure relating to these and other claims in connection with the services of the Bank and its consolidated companies that are raised, inter alia, through the procedural mechanism stipulated in the Class Actions Law.

In addition, there is an exposure due to regulatory changes and guidelines of the Supervisor of Banks. Contracts with customers are, in part, engagements lasting for many years, during which changes may occur in policy, regulations and trends in the law, including court rulings. The Bank and its consolidated companies operate through complex automated systems, which in light of the aforesaid, they have to be adjusted regularly. All these create increased operational and legal exposure.

Furthermore, there is a general exposure resulting complaints against the Bank and its consolidated companies submitted from time to time to the Supervisor of Banks. These complaints are dealt with on an ongoing basis by the Bureau for Public Enquiries of the Bank. Decisions made by the Banking Supervision Department in these complaints, if and to the extent that any decision is made, may be made across-the-board and apply to large groups of customers. Sometimes, complainants even threaten to take legal action in the context of a class action. At this time, it is impossible to assess whether there is an exposure for such complaints and it cannot be estimated if the Banking Supervision Department will make an across-the-board decision on complaints as above and / or if class actions will be filed as a result of such processes, and it is not possible to estimate the potential exposure as above. Accordingly, no provision is included for this exposure.

C. Legal claims

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 112 million.

1. In Note 18 to the financial statements of the Bank at 31 December 2014, information was included regarding the significant claims at the date of the said statements. In the Note below, information is included regarding material claims submitted in the period of the report and after the reporting period, and changes that occurred regarding material claims submitted in previous reporting periods, and does not include information on claims reported in Note 18 to the Annual Report that were filed before the period of the report and in which there was no change.

A. On 12 September 2006, a petition to approve a class action was filed in the Tel Aviv-Jaffa District Court against the Bank, against Bank Hapoalim B.M. and against Israel Discount Bank Ltd. in an amount claimed against all respondents of NIS 7 billion, while in the body of the claim, it is contended that the damage to the group which the claimant wishes to represent amounts to NIS 10 billion. 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. 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. As part of the appeal proceedings against the decision, the Anti-Trust Tribunal on 15 June 2014 gave effect to an agreed order for agreement between the banks appealing to the Anti-Trust Commissioner, under which, inter alia, subject to the deposit of an amount of NIS 70 million (the Bank's share – NIS 21.425 million) with a trustee, the decision would be void. This amount was deposited with a trustee ("the Trustee"). It was also decided in the framework of the agreed order that the banks that are party to it can use these funds to make settlement agreements in various claims, including the claims listed in paragraphs A, B, D and E below, subject to terms set forth in the order. On 21 January 2014, the Court decided to transfer the hearing in the proceedings described in paragraph B. below to the Court dealing with the above proceedings. On 11 December 2014, a petition was filed with the Court to approve a settlement agreement under which the respondent banks would pay the members of the group an amount of NIS 35 million, out of the monies deposited with the Trustee. The members of the group were defined as any person (including a corporation) that held a current and/or checking and/or revolving debit account with the banks that are party to the settlement agreement in the determining period (as defined in the settlement agreement). Pursuant to the decision of the Court on 4 January 2015, the agreement was sent to the parties set forth in the decision and notices published in the press on the settlement agreement. In January 2015, after publication, the plaintiffs filed under the proceedings described in Section B below a petition to cancel the decision or alternatively to postpone it until after a decision in reference between the proceedings here and the proceedings described in Section B below, and subsequently the Court ordered the postponement of its decision until another decision is made. In a hearing that took place on 25 March 2015, the Court canceled its decision regarding publication of the settlement agreement. The Court noted that it had not received a clear answer to the question of whether the settlement arrangement obstructs the procedure described in paragraph B below, and that there is no impediment to the parties reaching a settlement arrangement that does not obstruct the procedure described in paragraph B below, but if it was not possible to reach such a settlement agreement, the Court's proposal is that the petition for approval of the settlement agreement described in this paragraph shall be deleted, and the hearing in this proceeding and in the procedure described in paragraph B below will be joined together. Insofar as the proceedings are joined together, the Court requested that counsel of the petitioners in both procedures would try to reach agreement on the representation of customers who are private customers (households). The partiers were requested to consider the Court's proposal as to the manner of continuing both proceedings and a further hearing set for continuing the proceedings in the claim. The parties in this case are working towards an amended settlement agreement, in due consideration of the comments of the Court.

B. On 23 November 2006, a claim and a petition to approve the claim as a class action were filed in the Jerusalem District Court against the Bank, against Bank Hapoalim B.M. and against Israel Discount Bank Ltd. The petitioners allege that in respect of credit to the household sector, the banks collect interest at a rate that is much higher than that collected from the commercial sector and from the corporate sector. The petitioners claim that this is exploitation of monopolistic power and that there is a real concern that the lack of competition between the respondents, regarding all matters concerning the households sector, is the result of a restrictive arrangement between the parties. It is also alleged that this is misleading consumers regarding the normal price for credit service to the household. The alleged damage is NIS 5.6 billion according to one method, and NIS 5.2 billion according to a second method. The damage claimed attributed to the Bank's customers is at least NIS 1.6 billion. The Bank filed its response to the petition for the approval of the claim as a class action. The District Court granted a stay of these proceedings in this request until the Supreme Court renders a decision regarding the petition for leave to appeal filed by the Bank with respect to the decision to approve as a class action the claim described in Section A above. The plaintiffs submitted a petition, on 29 October 2013, for renewal of proceedings in the claim. On 21 January 2014, the Court decided to transfer the proceedings in the claim to the Tel-Aviv-Jaffa Court that is dealing with the proceedings described in Section A above. See paragraph A above for an update regarding proceedings also in this claim.

C. On 1 April 2007, a petition was filed with the Tel Aviv District Court to approve a class action against the Bank, Bank Hapoalim, Israel Discount Bank and the First International Bank and against other respondents that are, allegedly, members of the Stock Exchange. According to the plaintiffs, the respondents charged the managers of mutual funds under their control commissions for buying and purchase of securities (brokerage commissions) and for performing transactions in foreign currency, which were higher than the fees charged to other institutions and that, according to the plaintiffs, is in violation of the provisions of the Joint Investment Trust Law, 1994, as worded then, and a breach of other obligations. The plaintiffs claimed that the collection of the (alleged) excessive fees continued unlawfully even after the sale of control of the mutual funds by the banks to the other respondents. According to the plaintiffs, the total amount of damages caused to all the members of the group by all the respondents amounts to approximately NIS 386 million, of which damages of NIS 130 million is attributed to the Bank. Summaries have been filed pending the Court's decision.

D. On 30 June 2008, a petition to approve a class action was filed in the Tel Aviv-Jaffa District Court against the Bank, against Israel Discount Bank and against 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 in Section E below). On 16 November 2014, a petition was filed for approval of a compromise agreement in this case, in an additional claim described in paragraph E below and two additional proceedings against Mizrahi-Tefahot Bank Ltd. and the First International Bank of Israel Ltd. Pursuant to the compromise agreement, the Bank and the above four other banks will pay their customers a total amount of NIS 35,000,000 out of the funds deposited with the Trustee pursuant to the agreed order mentioned above (see details in paragraph 1.A above). Proceedings are taking place to approve a settlement by the Court, in which the position was submitted of the Attorney General, who expressed his objection to approval of the settlement. The parties are working to achieve an amended settlement agreement, in due consideration of the comments of the Court.

E. 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. As stated in paragraph D above, hearings in the claim described in this paragraph and in paragraph D above were consolidated, and on 16 November 2014, a petition was filed for approval of a compromise agreement in this case and additional cases as detailed in paragraph D above, As mentioned above, in accordance with the settlement agreement submitted for approval of the court, the settlement amount will be paid out of the monies deposited with the trustee pursuant to the agreed order, (as described in Section 1.A above). Proceedings are taking place to approve a settlement by the Court, in which the position of the Attorney General was submitted, who expressed his objection to approval of the settlement. As mentioned above, the parties are working to achieve an amended settlement agreement, in due consideration of the comments of the Court.

F. On 11 October 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 payment 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. As part of the proceedings taking place in this claim, the position was submitted of the Attorney General, who disagreed with some of the claims of the Bank. In a hearing held after the submission of this position, it was proposed to consider the appointment of a CPA to examine if any damage had been caused to customers.

G. 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 allegedly 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. The plaintiffs claim that the disclosure made by the banks at the time of the transaction refers only to exchange commission and not to exchange rate differences, and 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. At the request of the petitioners, the Court approved dismissing the CEO's of the banks from the petition for approval, leaving only the banks. On 3 February 2014, the petitioners filed a petition to amend the petition for approval of a class action so that the amount claimed would be NIS 11.15 billion. The Bank has filed its response to the petition. On 20 January 2015, the Court decided on the joining of the proceedings in the petition with a petition for approval of a class action filed in a similar matter, against the credit card companies. On 23 April 2015, the plaintiffs filed an "abbreviated" petition in the framework of which they attributed to the Bank, in respect of the damages called (according to the plaintiffs) the "primary damages", in an amount of about NIS 2.6 billion (the plaintiffs claim additional damages that were not quantified. On 27 April 2015, one of the plaintiffs (a customer of the Bank) submitted a petition to the Court to withdraw from the claim.

H. On 17 March 2014, a special manager of a company in liquidation (the "Company" and "the Special Manager") filed a petition in the Central District Court to issue instructions against the Bank, in which it requested that the Court declare that the Bank will bear the payment to the Company (the liquidation fund) of an aggregate amount of NIS 1,200 million, of which an amount of NIS 635 million to cover all the company's debts to its creditors and an amount of NIS 565 million for repayment of the full value of the assets of the Company in the principal amount standing according to the special manager as at 25 March 2001 in the amount of NIS 165 million, plus interest from that date at the rate it was obliged to pay the Bank. According to the special manager, the Bank is to bear individual responsibility for the liabilities of the company, since allegedly the Bank is to be deemed an "office holder" in the company due to its alleged control over the company; since the Bank is to be deemed as a "director de-facto" or a "shadow director " in the company; because of its responsibility in jointly committing and / or jointly misleading in allegedly fraudulent actions detailed in the petition; and because of the Lenders' Liability doctrine.

It should be noted that as part of the motion, the special manager retained the right to file additional proceedings against the Bank and / or other officers of the company and / or individuals on behalf of the Bank and lawyers advising the Bank. The Bank has filed its response to the petition.
On 20 April 2015, the Supreme Court decided that insofar as it will be decided to take further action, a new official would be appointed for the Company, unrelated to the previous special manager or his firm, and he will deal with all future matters, if any. The attorney of the firm of the special manager that filed the petition may continue dealing with the pending proceedings only.

I. On 5 August 2014, a petition was filed with the Tel Aviv District Court to approve a class action against the Bank, Bank Hapoalim, Bank Mizrahi, Israel Discount Bank, First International Bank, Bank Otzar Hachayal, and Mercantile Discount Bank. The plaintiff claims that the respondent banks are in violation of the Banking Rules – Service to the Customer (Fees), 2008, in that they charge minimum fees for transferring foreign currency, at different levels, instead of one minimum fee only, which the plaintiff claims is required by the Rules, and that the violation that is shared by all the respondent banks is in fact a restrictive practice that contradicts the Antitrust Law. The amount of damages claimed is estimated by the plaintiff, for all the respondents together, at some NIS 1.5 billion. The Bank's share, according to the plaintiff, is some 30% of the market. In addition, the plaintiff requests that the Court, inter alia, grant an order restricting the banks from charging a fee for a foreign currency transfer to another bank to a maximum of US $30, and the fee for receiving foreign currency from another bank to a maximum amount of US $10. In April 2015, the petitioner filed a petition for a "short form" approval in the framework of which the petitioner set, at this stage, the amount of the overall claim (against all the respondents) at NIS 10 million (as nominal damages).

J. On 6 January 2015, a petition was filed with the Central District Court, for approval of a class action for an amount claimed of NIS 400 million, based on estimates and valuations of the expert of the petitioner. According to the petitioner, the Bank is violating the provisions of the Interest Rate Law (Determination of the Maximum Interest Rate), 1970, under which interest on arrears is not to be charged on index-linked loans at a rate exceeding 17% per annum, in that it charges interest on arrears on index-linked loans at the rate of 18.3891% per annum that according to the petitioner exceeds the rate allowed. The petitioner attached an expert opinion to the request.

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 19 January 2015, a petition was filed in the Tel Aviv District Court (Economic Division), to approve a class action against the Bank, and against 19 other respondents, who were or are directors in the Bank. According to the plaintiffs, as part of investigation proceedings by various agencies in the US, the Bank admitted that it and other companies in the Leumi Group acted to help its (US taxpayer) customers to evade reporting and from tax payments. It is argued that the investigation proceedings led to the Bank writing off NIS 1.438 billion from its equity, and that the members of the Board of Directors who held office in 2002-2010 were negligent in not employing supervision and control that allowed this illegal conduct of the Bank and, as a result, caused damage to members of the Group by writing off funds from the Bank's equity, and cutting the potential return on their investment in the shares of the Bank. The amount of the claim amounts to approximately NIS 475 million and it was argued that minimum damage to the shareholders group that sold their shares between 21 March 2013 (which is, according to the plaintiffs, the date of the initial inclusion of a provision in the financial statements for the investigation) and 15 January 2015 ranged from the above amount to NIS 825 million. The Bank has filed a petition for dismissal of the claim.

B. On 11 February 2015, a petition was filed in the Tel Aviv District Court to approve a class action against the Bank for an amount claimed of NIS 2.3 billion. According to the petition, the Bank allegedly managed a "black list" of customers according to which it marks customer with an asterisk in the Bank's systems, for an unlimited period, in a manner that harms or it alleges makes it difficult for them to get credit or otherwise conduct business with the Bank. According to the petition, the management of such a "list" with no transparent criteria is a violation of the law and of legal and behavioral norms.

C. On 21 April 2015, a petition was filed in the Tel Aviv-Jaffa District Court for approval of a class action against the Bank. The claim pertains to the claim of the plaintiff that the Bank allegedly does not fulfill its duty to make a reasonable effort to locate holders of inactive accounts (which the plaintiff calls in the claim "dormant accounts"), to apprise them of the existence of the account and refund them the "dormant" funds, according to the plaintiff, in these accounts.
The plaintiff also claims that the Bank allegedly charges account management fees during a certain period, at the end of which it closes the account without attempting to locate its owners, and that when the Bank locates the account holder and returns the funds to him, the funds are allegedly returned with value of the date the account was closed, without index linkage and interest from then.
The plaintiff claims personal damages of NIS 320.41, and according to him he is unable at this stage to assess the total damages to all the member of the group he purports to represent.

D. On 28 April 2015, a petition was filed in the Tel Aviv District Court for approval of a class action against the Bank and against an insurance company that insured the Bank's borrowers that took a mortgage loan from the Bank.

The action pertains to the plaintiff's claim that the Bank allegedly requires older mortgagees (over age 55) to purchase a life insurance policy while knowing that they are at an age that is not insurable under the policy. In addition, the plaintiff claims that the Bank continues to require mortgagees to pay premiums for existing life insurance policies even after the borrowers reach the age of 65, even though insurance coverage ends at this age, and in some cases charges them insurance premiums even after their death. The plaintiff's claims relate to loans granted by Leumi Mortgage Bank to new immigrants in the 90's.

The plaintiff claims personal damages of NIS 6,500, and the amount of the group claim is estimated by him at NIS 360 million.

E. On 29 April 2015, a petition was filed in the Tel Aviv District Court for approval of a class action against the Bank.

The action pertains to the plaintiff's claim that the funds of Holocaust survivors, which were deposited before the Second World War in the the Anglo-Palestine Bank and not withdrawn by the customers during the war, were returned to the survivors or their heirs allegedly not revalued in real terms.

The plaintiff claims personal damages of NIS 251,266 and the amount of the group claim is estimated by him at NIS 150 million.

3. Below are details of claims and petitions for approval of class actions in material amounts filed against the Bank's subsidiary companies. In the opinion of the management of the Bank, based on the opinion of the management of the relevant subsidiaries that are based on the opinion of its legal counsel with regard to the chances of these legal proceedings, appropriate provisions have been included in the financial statements, where required, to cover damage resulting from the said claims:

On 17 November 2014, a petition for approval of a class action was filed with the Tel Aviv District Court, against Leumi Card for the amount of NIS 952 million. The petitioner claims that Leumi Card is acting illegally in its conduct concerning identification of customers in the IVR system (call forwarding in service centers) which discloses personal details of customers, in contravention of the Protection of Privacy Law. In addition, the petitioner claims that his request to block the possibility of hearing the information concerning his credit card after the identification was not accepted on the grounds that there is no possibility of effecting such a block. Leumi Card filed a petition for the dismissal out of hand and a response to the petition.

4. Below are details of claims and petitions for approval of class actions in material amounts filed against the Bank's subsidiary companies. In the opinion of the management of the Bank, based on the opinion of the management of the relevant subsidiaries that are based on the opinion of its legal counsel with regard to the chances of these legal proceedings. At this stage it is not possible to evaluate their chances and for this reason no provision has been made in their respect.

On 28 April 2014, a petition for approval of a class action was filed with the Central District Court against Leumi Card, IsraCard, and C.A.L., in the amount of NIS 1.7 billion, relating to the charging of vendors with interchange commission in respect of transactions executed by means of debit cards and prepaid cards that are reloaded in advance. The petitioner claims that the interchange commission charged on these cards (as opposed to credit cards), did not receive approval from the Anti-Trust Court, and is a restrictive arrangement. In addition, the arrangement between the respondents, under which proceeds of transactions are transferred to vendors with a delay of some 20 days, is also a restrictive arrangement or a discriminating condition in a uniform contract. On 24 February, the petitioner submitted a request to the court to remove himself from the petition. The decision of the court has not yet been received. In addition, a petition was filed with the Court to replace the plaintiff and his representative and continuing to hold proceedings in the petition.

D. Contingent liabilities and other special commitments

1. On 1 September 2013, a petition for approval of a derivative action was filed in the Economic Division of the Tel Aviv District Court against former senior officers of the Bank. The petitioner claimed that, as part of investigations of the U.S. tax authorities, it was found that representatives of the Bank and representatives of Bank Leumi USA assisted customers that are U.S. taxpayers to execute transactions that prevented the U.S. tax authorities from collecting taxes from their citizens. The damage caused to the Bank, as claimed by the petitioner, amounts to hundreds of millions of shekels that the Bank plans to pay to the U.S. authorities. The plaintiff argued that, as at the stage the petition was filed, the Bank mentioned a sum of NIS 340 million, with part of the amount paid to consultants and service providers in connection with the investigations. The petitioner claims that the former officers are responsible for the damage caused to the Bank by encouraging it to take part in the illegal activity or at least by doing nothing to prevent it. On 6 January 2015, the petitioner filed an amended petition to approve the filing of a derivative action against officers in the Bank and other corporations controlled by the bank ("Leumi Group") as well as against the Bank's external auditors. According to that claimed in the amended petition, the damage caused to Leumi Group by the investigations of the US authorities and the arrangements signed with them is about NIS 2.1 billion. On 19 February 2015, the Bank filed a petition with the Court to set up an independent claims committee, as mentioned in Section 3 below (that meanwhile was deleted outright as described in Section 3 below) to review filing claims against officeholders and the auditing firms of the Bank, as well as in relation to the advisable course of legal action to the Bank in light of the totality of events in connection with the affair relating to its customers who are taxpayers in the United States. On 11 March 2015, a decision was handed down under which the Tel-Aviv District Court noted the decision of the Board of Directors of the Bank for the establishment of the independent claims committee and agreed to the Bank's petition to postpone proceedings in the action for four months from the date of the decision (after a decision of the Board of Directors regarding the committee's findings).

2. On 16 November 2014 a claim was submitted to the Economic Department of the District Court in Tel Aviv together with a petition for the granting of various forms of relief in connection with the management of negotiations with the US authorities and in connection with the undertaking of an arrangement with the US authorities, including the denial of the involvement of certain parties in the contacts mentioned, and preventing the inclusion of certain provisions in a future agreement with the US authorities. The Bank has filed a statement of defense whose main point is that most of the reliefs requested are no longer relevant in light of the signing of the arrangements with the US authorities. The Bank also filed a motion to dismiss the lawsuit.

3. On 31 December 2014, a petition was filed with the Economic Department of the District Court in Tel Aviv for approval of a derivative action against present and the past officers in the Bank and against the Bank's auditors. According to the plaintiffs, the Bank conducted business in the United States, both through BLUSA and through the Bank and other companies and its branches, in a manner enabling certain customers of the Bank to hide money that they had not reported to the tax authorities in the United States. According to the plaintiffs, following investigations conducted by the US authorities in relation to this activity, damages were caused to the Bank of NIS 2.37 billion, consisting of a fine and a financial sanction the Bank had to pay as part of the agreements with those authorities, non-recognition of expenses for tax purposes and costs of the investigations themselves. The petitioners allege that the officers are responsible for the alleged damage as they did not act and did nothing to stop the illegal acts and for giving permission and consent to carrying them out. It was also argued that the Bank's auditors could and should have discovered these acts, or at least to raise the appropriate questions. The plaintiffs estimate the amount of claim at NIS 1.56 billion, for considerations of the court fee and the scope of insurance of the officers, with the exception of five former officers that are responding with a petition for approval of a different derivative action in relation to the same case, for which it is requested to submit a derivative claim in the amount of NIS 1.220 billion. This, according to the plaintiffs, insofar as the later petition is approved. On 14 April 2015, the Court decided that the claim was

dismissed out of hand. On 7 May 2015, one of the plaintiffs filed a petition for approval of an appeal against this decision.

4. On 3 March 2015, a petition was filed with the Court in the State of New York, USA, by a shareholder in the Bank, who is a resident of Israel, for a derivative action on behalf of the Bank name and on behalf of BLUSA against subsidiaries of the Bank and against 61 directors and officers, who served in the past and some of them still holding office in the Bank and in the subsidiaries of the Bank. The claim pertains to the alleged liability of the respondents for the payment of sums borne by the Bank and its subsidiaries as a result of the arrangements that were signed with the US authorities. The claim was suspended pending completion of the work of the independent claims committee referred to in Section 1 above.

5. As reported in the financial statements as at 31 December 2014, there is an investigation pending by the United States Securities and Exchange Commission (SEC) in connection with the Group's activities in securities and securities counseling vis-à-vis US customers. The Group has raised several issues with the SEC which in the Group’s opinion provide a response to the questions arising in the investigation of the SEC. During the period of the report, a meeting was held with the SEC in which were discussed the documents that the SEC seeks to receive. The Group is still working towards providing the required documents to the SEC, a process that at the date of publication of the statements, has not yet been completed.

   According to the legal advice received by the Group from its attorneys in the US, due to the broad discretion given to the SEC and due to the special facts concerning the Group, the Group is unable at this stage to evaluate the amount that the Group may be required to pay, if at all.
   Since it is not possible to evaluate the total amount of the expense that may be incurred by the Group regarding this investigation, the Group, based on the opinion of the US legal counsel assisting the Group in the SEC investigation, was of the opinion that there is no justification to make any provision in the financial statements in respect of it. Nevertheless, pursuant to the instructions of the Bank of Israel, from 25 May 2015, according to which the Bank is to include a "provision in the amount of the loss expected in respect of the investigation. For reasons of prudence, this provision will not be less than US$ 5 million". The Bank has made a provision of US$ 5 million.

E. Arrangement with the U.S. authorities

As set out in detail in Note 18 to the annual financial statements for 2014, on 22 December 2014, the Leumi Group signed a Deferred Prosecution Agreement with the US Department of Justice (the DOJ) and a Consent Order (an agreed order) arrangement with the New York Department of Financial Services (NYDFS).

On 4 January 2015, the Bank, in accordance with these agreements, paid a total of US$ 400 million (US$ 270 million to the DOJ and US$ 130 million to the NYDFS).

The Bank has made provisions for all the amounts stated in previous reporting periods, and therefore the payment of these amounts had no effect on financial results as of 31 March 2015.

Pursuant to the Consent Order, a supervisor (monitor) was appointed by the NYDFS during the reporting period, whose duties are to examine, inter alia, the compliance programs of the Bank and its subsidiaries, including policies and work processes in this regard, to ensure that they meet the requirements of the laws in the US and the State of New York.

In order to comply with the provisions of the arrangements as aforesaid, the Bank has appointed a special steering committee which supervises the fulfillment of the Bank's and the offices' undertakings according to the arrangements and submits regular reports thereon to the Bank's management and Board of Directors.

As a result of the investigations, a number of actions have been served against the Bank and office-holders who served and who are serving in the Bank.

On 11 January 2015, the Ministry of Justice issued a statement that the Attorney General had ordered an extensive examination of the events that are the subject of the Bank's arrangements with the US authorities and ordered the establishment of an integrated team, comprising law enforcement and consultancy agencies to expand the examination. The team is to submit its conclusions to the Attorney General, for the purpose of considering the matters. In addition, the Banking Supervision Department gave notice that is conducting audit proceedings relating to aspects of Proper Conduct of Banking Business Directive and aspects of personal liability of employees and officers in the case.

On 15 February 2015, the Board of Directors decided to establish an independent claims committee in order to make recommendations to the Board of Directors of the Bank on the correct legal course of action for the Bank, in view of all of the circumstances and proceedings relating to the events that led to the Bank's undertaking in arrangements with the U.S. authorities, including to examine (a)whether to serve, and in whose name, one or more monetary claims against any office-holder and/or employee, past or present in the Bank Group, in respect of damages caused to the Bank because of the events which are the subject of the arrangements; (b) whether to work towards one or more of the arrangements in the context of legal proceedings which are pending in connection with U.S. customers, and, if so, in whose name and under what conditions; (c) whether to serve, and in whose name, one or more monetary claims against any office-holder and/or employees, past or present, in the Bank Group, for the return of bonuses on the basis of profits which the corporations of the Bank generated over the years from the customers in relation to whom the Bank has arrived at arrangements with the U.S. authorities.

On 11 March 2015, the Tel-Aviv District Court approved the establishment of the independent claims committee and postponed proceedings in the action for four months, in order to enable the committee to complete its work. Shortly after the decision of the Court, the committee began its work.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates

A. Scope of activity

	31 March 2015 (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 (a)						
Futures contracts						
Forward contracts	-	-	10	-	-	10
Swaps	-	2,376	-	-	-	2,376
Total	-	2,376	10	-	-	2,386
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,376	-	-	-	2,376
b) ALM derivatives (a)(b)						
Futures contracts	-	8,249	407	61,410	398	70,464
Forward contracts	13,156	15,301	229,739	533	25	258,754
Exchange-traded options						
Options written	-	476	12,337	12,399	34	25,246
Options purchased	-	476	12,328	12,399	34	25,237
Other options						
Options written	-	13,875	27,349	4,227	89	45,540
Options purchased	-	10,969	25,994	4,254	127	41,344
Swaps	663	296,716	30,421	23,657	426	351,883
Total	13,819	346,062	338,575	118,879	1,133	818,468
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	147,328	-	-	-	147,328
c) Other derivatives (a)	-	-	-	-	-	-
Total	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spot contracts						
Credit derivatives in which the banking institution is a beneficiary	-	-	-	-	-	-
Spot foreign exchange contracts	-	-	9,703	-	-	9,703
Total	-	-	9,703	-	-	9,703
Grand total	13,819	348,438	348,288	118,879	1,133	830,557

(a) Except credit derivatives and foreign exchange spot contracts.
(b) 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 (cont'd)

	31 March 2015 (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 (a)						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	159	-	-	-	159
b) ALM derivatives (a)(b)						
Gross positive fair value	306	9,583	7,564	1,323	58	18,834
Gross negative fair value	327	9,146	7,087	1,352	57	17,969
c) Other derivatives (a)						
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 (c)	306	9,583	7,564	1,323	58	18,834
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of assets in respect of derivative instruments	306	9,583	7,564	1,323	58	18,834
Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	18	31	300	16	1	366
Gross negative fair value (c)	327	9,305	7,087	1,352	57	18,128
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of liabilities in respect of derivative instruments	327	9,305	7,087	1,352	57	18,128
Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	-	7	904	110	2	1,023

(a) Except credit derivatives.

(b) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

(c) Of which: gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 3 million and gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 42 million.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity (cont'd)

	31 March 2014 (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 (a)						
Forward contracts	-	-	1,412	-	-	1,412
Swaps	-	3,001	-	-	-	3,001
Total	-	3,001	1,412	-	-	4,413
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,661 (c)	-	-	-	2,661
b) ALM derivatives (a)(b)						
Futures contracts	-	11,145	605	42,370	5,620	59,740
Forward contracts	11,391	22,154	140,322	10	475	174,352
Exchange-traded options						
Options written	-	3,834	10,140	11,858	408	26,240
Options purchased	-	3,834	10,438	11,868	408	26,548
Other options						
Options written	-	9,209	20,149	879	98	30,335
Options purchased	-	6,615	18,083	1,439	98	26,235
Swaps	674	294,477	26,816	13,863	406	336,236
Total	12,065	351,268	226,553	82,287	7,513	679,686
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	146,556 (c)	-	-	-	146,556
c) Other derivatives (a)	-	-	-	-	-	-
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	-	-	-	-	-	-
Spot foreign exchange contracts	-	-	7,946	-	-	7,946
Total	-	-	7,946	-	-	7,946
Grand total	12,065	354,269	235,911	82,287	7,513	692,045

(a) Except credit derivatives and foreign exchange spot contracts.
(b) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.
(c) Reclassified.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity (cont'd)

	31 March 2014 (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 (a)						
Gross positive fair value	-	19	11	-	-	30
Gross negative fair value	-	105	16	-	-	121
b) ALM derivatives (a)(b)						
Gross positive fair value	158	8,715	2,220	1,006	180	12,279
Gross negative fair value	276	8,395	2,878	1,029	185	12,763
c) Other derivatives (a)						
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 (c)	158	8,734	2,231	1,006	180	12,309
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of assets in respect of derivative instruments	158	8,734	2,231	1,006	180	12,309
Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	26	36	210	21	6	299
Gross negative fair value (c)	276	8,500	2,894	1,029	185	12,884
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of liabilities in respect of derivative instruments	276	8,500	2,894	1,029	185	12,884
Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	51	33	507	113	6	710

(a) Except credit derivatives.
(b) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.
(c) Of which: gross positive fair value of assets in respect of embedded derivative instruments in the amount of NIS 6 million and gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 23 million.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity (cont'd)

	31 December 2014 (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 (a)						
Forward contracts	-	-	-	-	-	-
Swaps	-	2,468	-	-	-	2,468
Total	-	2,468	-	-	-	2,468
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	2,468	-	-	-	2,468
b) ALM derivatives (a)(b)						
Futures contracts	-	12,153	372	55,940	460	68,925
Forward contracts	12,108	25,847	206,923	304	39	245,221
Exchange-traded options						
Options written	-	498	17,647	12,678	56	30,879
Options purchased	-	498	17,842	12,678	56	31,074
Other options						
Options written	-	12,962	30,441	2,545	242	46,190
Options purchased	-	10,494	28,756	2,174	270	41,694
Swaps	463	273,857	30,182	24,408	395	329,305
Total	12,571	336,309	332,163	110,727	1,518	793,288
Of which: interest rate swap contracts in which the banking institution agreed to pay a fixed rate of interest	-	130,205	-	-	-	130,205
c) Other derivatives (a)	-	-	-	-	-	-
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	-	-	-	-	-	-
Spot foreign exchange contracts	-	-	18,397	-	-	18,397
Total	-	-	18,397	-	-	18,397
Overall total	12,571	338,777	350,560	110,727	1,518	814,153

(a) Except credit derivatives and foreign exchange spot contracts.
(b) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

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Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

A. Scope of activity (cont'd)

	31 December 2014 (Audited)					
	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 (a)						
Gross positive fair value	-	1	-	-	-	1
Gross negative fair value	-	166	-	-	-	166
b) ALM derivatives (a)(b)						
Gross positive fair value	241	7,864	6,927	1,804	77	16,913
Gross negative fair value	254	7,462	5,926	1,800	76	15,518
c) Other derivatives (a)						
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 (c)	241	7,865	6,927	1,804	77	16,914
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of assets in respect of derivative instruments	241	7,865	6,927	1,804	77	16,914
Of which: book value of assets in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	5	32	595	46	11	689
Gross negative fair value (c)	254	7,628	5,926	1,800	76	15,684
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Book value of liabilities in respect of derivative financial instruments	254	7,628	5,926	1,800	76	15,684
Of which: book value of liabilities in respect of derivative instruments not subject to a master netting arrangement or similar arrangements	-	9	574	296	12	891

(a) Except credit derivatives.

(b) Derivatives constituting part of the Bank's asset and liability management not designated for hedging.

(c) Of which: gross positive fair value of assets in respect of embedded derivative instruments in the amount of NIS 5 million and gross negative fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 34 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

	31 March 2015 (Unaudited)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Book balance of assets in respect of derivative instruments (a) (b)	173	11,368	3,438	4	3,851	18,834
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	3,753	1,191	4	929	5,877
Mitigation of credit risk in respect of cash collateral received	-	1,617	650	-	-	2,267
Net amount of assets in respect of derivative instruments	173	5,998	1,597	-	2,922	10,690
Off-balance sheet credit risk in respect of derivative instruments (d)	-	4,176	1,209	86	5,411	10,882
Mitigation of off-balance sheet credit risk	-	243	27	51	1,029	1,350
Net off-balance sheet credit risk in respect of derivative instruments	-	3,933	1,182	35	4,382	9,532
Total credit risk in respect of derivative instruments	173	9,931	2,779	35	7,304	20,222
Book balance of liabilities in respect of derivative instruments (a)	202	9,920	3,057	107	4,842	18,128
Gross amounts not offset in the balance sheet:						
Derivative financial instruments	-	3,753	1,191	4	929	5,877
Cash collateral pledged	-	375	148	74	56	653
Net amount of liabilities in respect of derivative instruments	202	5,792	1,718	29	3,857	11,598

See notes on page 212.

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 (cont'd)

	31 March 2014 (Unaudited)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Book balance of assets in respect of derivative instruments (a) (b)	102	8,463	1,959	104	1,681	12,309
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	3,354	788	-	480	4,622
Mitigation of credit risk in respect of cash collateral received	-	748	76	79	22	925
Net amount of assets in respect of derivative instruments	102	4,361	1,095	25	1,179	6,762
Off-balance sheet credit risk in respect of derivative instruments (d)	-	3,665	840	90	4,352	8,947
Mitigation of off-balance sheet credit risk	-	76	43	-	897	1,016
Net off-balance sheet credit risk in respect of derivative instruments	-	3,589	797	90	3,455	7,931
Total credit risk in respect of derivative instruments	102	7,950	1,892	115	4,634	14,693
Book balance of liabilities in respect of derivative instruments (a)	299	7,925	1,945	-	2,715	12,884
Gross amounts not offset in the balance sheet:						
Derivative financial instruments	-	3,354	788	-	480	4,622
Cash collateral pledged	-	501	41	-	-	542
Net amount of liabilities in respect of derivative instruments	299	4,070	1,116	-	2,235	7,720

See notes on next page.

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 (cont'd)

	31 December 2014 (Audited)					
	Stock Exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	(NIS millions)					
Book balance of assets in respect of derivative instruments (a) (b)	304	9,533	2,560	6	4,511	16,914
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk in respect of financial instruments	-	3,504	1,140	6	888	5,538
Mitigation of credit risk in respect of cash collateral received	-	1,015	409	-	-	1,424
Net amount of assets in respect of derivative instruments	304	5,014	1,011	-	3,623	9,952
Off-balance sheet credit risk in respect of derivative instruments (d)	-	4,118 (e)	1,196	87	5,321 (e)	10,722
Mitigation of off-balance sheet credit risk	-	253	71	52	1,011	1,387
Net off-balance sheet credit risk in respect of derivative instruments	-	3,865 (e)	1,125	35	4,310 (e)	9,335
Total credit risk in respect of derivative instruments	304	8,879 (e)	2,136	35	7,933 (e)	19,287
Book balance of liabilities in respect of derivative instruments (a) (c)	328	8,642	2,292	114	4,308	15,684
Gross amounts not offset in the balance sheet:						
Derivative financial instruments	-	3,504	1,140	6	888	5,538
Cash collateral pledged	-	695	58	97	101	951
Net amount of liabilities in respect of derivative instruments	328	4,443	1,094	11	3,319	9,195

(a) The Bank did not offset master netting arrangements.
(b) Of which a book balance of assets in respect of standalone derivative instruments in the amount of NIS 18,831 million (at 31 March 2014 - NIS 12,303 million, at 31 December 2014 – NIS 16,909 million).
(c) Of which a book balance of standalone derivative instruments in the amount of NIS 18,086 million (at 31 March 2014 - NIS 12,861 million, at 31 December 2014 – NIS 15,650 million).
(d) Credit risk in respect of off-balance sheet financial instruments (except in respect of derivative instruments with negative fair value) before mitigation of credit risk, as calculated for the purpose of single borrower credit limitations.
(e) Reclassified.

Note 7 – Activity in Derivative Instruments – Scope, Credit Risks and Repayment Dates (cont'd)

C. Repayment Dates – Nominal Amounts: Balances

	31 March 2015 (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	**1,490**	**3,433**	**6,011**	**2,885**	**13,819**
Other	**32,896**	**68,339**	**162,841**	**84,362**	**348,438**
Foreign currency contracts	**212,306**	**97,652**	**25,247**	**13,083**	**348,288**
Contracts in respect of shares	**90,536**	**26,856**	**1,487**	**-**	**118,879**
Commodities and other contracts	**699**	**396**	**38**	**-**	**1,133**
Total	**337,927**	**196,676**	**195,624**	**100,330**	**830,557**
Total for 31 March 2014 (Unaudited)	259,344	131,297	190,101	111,303	692,045
Total for 31 December 2014 (Audited)	333,697	187,922	185,343	107,191	814,153

Note 8 – Balances and fair value assessments of financial instruments

	31 March 2015 (Unaudited)				
	Book value	Fair value			
		Level 1 (a)	Level 2 (a)	Level 3 (a)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks	51,769	44,023	6,410	1,379	51,812
Securities (b)	64,379	43,797	17,208	3,374	64,379
Securities borrowed or purchased under agreements to resell	2,197	2,197	-	-	2,197
Credit to the public, net	250,275	2,193	65,805	182,415	250,413
Credit to governments	433	-	12	433	445
Assets in respect of derivative instruments	18,831	751	15,163	2,917	18,831
Other financial assets	1,321	567	509	245	1,321
Total financial assets	389,205 (c)	93,528	105,107	190,763	389,398
Financial liabilities					
Deposits of the public	305,017	2,338	181,689	123,344	307,371
Deposits from banks	6,187	-	5,992	148	6,140
Deposits from governments	517	-	443	104	547
Securities lent or sold under agreements to repurchase	1,384	1,384	-	-	1,384
Debentures, notes and subordinated notes	19,596	15,677	358	6,053	22,088
Liabilities in respect of derivative instruments	18,086	752	17,038	296	18,086
Other financial liabilities	7,513	557	137	6,808	7,502
Total financial liabilitiies	358,300 (c)	20,708	205,657	136,753	363,118
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	324	-	-	324	324

(a) 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.

(b) For further details on the book value and fair value of securities, see Note 2.

(c) Of which: assets and liabilities in the amounts of NIS 121,332 million and NIS 150,052 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)

	31 March 2014 (Unaudited)				
	Book	Fair value			
	value	Level 1 (a)	Level 2 (a)	Level 3 (a)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks	44,162	31,814	11,413	961	44,188
Securities (b)	60,481	43,025	14,371	3,085	60,481
Securities borrowed or purchased under agreements to resell	1,370	1,370	-	-	1,370
Credit to the public, net	241,273	2,469	65,353	174,911	242,733
Credit to governments	487	-	45	463	508
Assets in respect of derivative instruments	12,303	1,080	9,952	1,271	12,303
Other financial assets	897	103	-	794	897
Total financial assets	360,973 (c)	79,861	101,134	181,485	362,480
Financial liabilities					
Deposits of the public	282,732	2,928	143,370	138,534	284,832
Deposits from banks	4,367	-	3,915	452	4,367
Deposits from governments	435	-	367	68	435
Securities lent or sold under agreements to repurchase	540	540	-	-	540
Debentures, notes and subordinated notes	24,484	22,188	388	4,767	27,343
Liabilities in respect of derivative instruments	12,861	1,076	11,448	337	12,861
Other financial liabilities	7,768	93	-	7,666	7,759
Total financial liabilitiies	333,187 (c)	26,825	159,488	151,824	338,137
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	278	-	-	278	278

(a) 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.

(b) For further details on the book value and fair value of securities, see note on securities.

(c) Of which: Assets and liabilities in the amounts of NIS 110,120 million and NIS 97,061 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 information on financial instruments measured for fair value on a recurring and non-recurring basis, see Notes 8A – 8C.

Note 8 – Balances and fair value assessments of financial instruments (cont'd)

	31 December 2014 (Audited)				
	Book value	Fair value			
		Level 1 (a)	Level 2 (a)	Level 3 (a)	Total
	(NIS millions)				
Financial assets					
Cash and deposits with banks	60,615	43,671	15,617	1,367	60,655
Securities (b)	52,113	30,526	17,982	3,605	52,113
Securities borrowed or purchased under agreements to resell	2,000	2,000	-	-	2,000
Credit to the public, net	252,480	2,109	58,238	193,571	253,918
Credit to governments	528	-	51	491	542
Assets in respect of derivative instruments	16,909	1,360	12,546	3,003	16,909
Other financial assets	875	188	-	687	875
Total financial assets	385,520 (c)	79,854	104,434	202,724	387,012
Financial liabilities					
Deposits of the public	303,397	2,682	169,062	134,079	305,823
Deposits from banks	4,556	-	4,313	218	4,531
Deposits from governments	467	-	400	95	495
Securities lent or sold under agreements to repurchase	1,238	1,238	-	-	1,238
Debentures, notes and subordinated notes	23,678	18,960	382	6,604	25,946
Liabilities in respect of derivative instruments	15,650	1,306	14,193	151	15,650
Other financial liabilities	7,990	176	-	7,815	7,991
Total financial liabilitiies	356,976 (c)	24,362	188,350	148,962	361,674
Off-balance sheet financial instruments					
Transactions whose balance represents credit risk	356	-	-	356	356

(a) 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.

(b) For further details on the book value and fair value of securities, see the note on securities.

(c) Of which: Assets and liabilities in the amounts of NIS 105,782 million and NIS 132,246 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 at fair value

A. Items measured for fair value on a recurring basis

	As at 31 March 2015 (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	18,311	1,601	-	19,912
Foreign government bonds	11,753	418	-	12,171
Bonds of Israeli financial institutions	-	48	-	48
Bonds of overseas financial institutions	94	6,525	-	6,619
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	5,420	1,968	7,388
Other bonds in Israel	577	258	-	835
Other bonds abroad	331	1,143	-	1,474
Shares and mutual funds available for sale	2,369	-	-	2,369
Total securities available for sale	33,435	15,413	1,968	50,816
Securities held for trading:				
Government of Israel bonds	7,725	323	-	8,048
Foreign government bonds	1,400	7	-	1,407
Bonds of financial institutions in Israel	244	-	-	244
Bonds of financial institutions abroad	-	234	-	234
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	980	-	980
Other bonds in Israel	279	-	-	279
Other bonds abroad	-	251	-	251
Shares and mutual funds held for trading	714	-	-	714
Total securities held for trading	10,362	1,795	-	12,157
Assets in respect of derivative instruments:				
Shekel-index contracts	-	77	229	306
Interest contracts	8	9,083	489	9,580
Foreign currency contracts	1	5,412	1,999	7,412
Share contracts	373	588	153	1,114
Commodities and other contracts	8	3	47	58
Activity in Maof market	361	-	-	361
Total assets in respect of derivative instruments:	751	15,163	2,917	18,831
Others:				
Credit and deposits in respect of lending of securites	2,192	3	-	2,195
Securities borrowed or purchased under agreements to resell	2,197	-	-	2,197
Other	559	-	-	559
Total others	4,948	3	-	4,951
Total assets	49,496	32,374	4,885	86,755

Note 8A – Items measured at fair value (cont'd)
A. Items measured at fair value on a recurring basis (cont'd)

	As at 31 March 2015 (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:				
Shekel-index contracts	-	278	49	327
Interest contracts	8	9,296	1	9,305
Foreign currency contracts	1	6,646	246	6,893
Share contracts	373	769	-	1,142
Commodities and other contracts	8	49	-	57
Activity in Maof market	362	-	-	362
Total liabilities in respect of derivative instruments	752	17,038	296	18,086
Others:				
Deposits in respect of lending of securites	2,339	27	15	2,381
Securities lent or sold under agreements to repurchase	1,384	-	-	1,384
Others	556	-	-	556
Total others	4,279	27	15	4,321
Total liabilities	5,031	17,065	311	22,407

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis (cont'd)

	As at 31 March 2014 (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	27,818	1,471	-	29,289
Foreign government bonds	2,939	1,125	6	4,070
Bonds of Israeli financial institutions	41	61	-	102
Bonds of overseas financial institutions	359	3,780	121	4,260
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	4,949	1,513	6,462
Other bonds in Israel	392	310	9	711
Other bonds abroad	915	1,250	-	2,165
Shares and mutual funds available for sale	1,600	-	-	1,600
Total securities available for sale	34,064	12,946	1,649	48,659
Securities held for trading:				
Government of Israel bonds	7,110	-	-	7,110
Foreign government bonds	518	29	-	547
Bonds of financial institutions in Israel	412	-	-	412
Bonds of financial institutions abroad	-	170	-	170
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	701	-	701
Other bonds in Israel	345	-	-	345
Other bonds abroad	10	525	-	535
Shares and mutual funds held for trading	566	-	-	566
Total securities held for trading	8,961	1,425	-	10,386
Assets in respect of derivative instruments:				
Shekel-index contracts (a)	-	41	117	158
Interest contracts (a)	18	8,291	425	8,734
Foreign currency contracts	9	1,318	724	2,051
Share contracts	503	276	5	784
Commodities and other contracts	154	26	-	180
Activity in Maof market	396	-	-	396
Total assets in respect of derivative instruments	1,080	9,952	1,271	12,303
Others:				
Credit and deposits in respect of lending of securites	2,469	6	-	2,475
Securities borrowed or purchased under agreements to resell	1,370	-	-	1,370
Other	93	-	-	93
Total others	3,932	6	-	3,938
Total assets	48,037	24,329	2,920	75,286

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis (cont'd)

	As at 31 March 2014 (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:				
Shekel-index contracts (a)	-	192	84	276
Interest contracts (a)	18	8,482	-	8,500
Foreign currency contracts	5	2,439	253	2,697
Share contracts	503	304	-	807
Commodities and other contracts	154	31	-	185
Activity in Maof market	396	-	-	396
Total liabilities in respect of derivative instruments	1,076	11,448	337	12,861
Others:				
Deposits in respect of lending of securites	2,928	23	-	2,951
Securities lent or sold under agreements to repurchase	540	-	-	540
Others	93	-	-	93
Total others	3,561	23	-	3,584
Total liabilities	4,637	11,471	337	16,445

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis (cont'd)

	As at 31 December 2014 (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	12,678	1,612	-	14,290
Foreign government bonds	3,944	771	-	4,715
Bonds of Israeli financial institutions	18	47	-	65
Bonds of overseas financial institutions	409	5,267	-	5,676
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	5,678	2,009	7,687
Other bonds in Israel	641	266	-	907
Other bonds abroad	1,026	1,576	-	2,602
Shares and mutual funds available for sale	1,584	-	-	1,584
Total securities available for sale	20,300	15,217	2,009	37,526
Securities held for trading:				
Government of Israel bonds	7,523	392	-	7,915
Foreign government bonds	496	9	-	505
Bonds of financial institutions in Israel	374	-	-	374
Bonds of financial institutions abroad	-	266	-	266
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	1,438	-	1,438
Other bonds in Israel	319	-	-	319
Other bonds abroad	-	660	-	660
Shares and mutual funds held for trading	1,514	-	-	1,514
Total securities held for trading	10,226	2,765	-	12,991
Assets in respect of derivative instruments:				
Shekel-index contracts	-	96	145	241
Interest contracts	9	7,428	423	7,860
Foreign currency contracts	5	4,366	2,307	6,678
Share contracts	707	656	64	1,427
Commodities and other contracts	13	-	64	77
Activity in Maof market	626	-	-	626
Total assets in respect of derivative instruments	1,360	12,546	3,003	16,909
Others:				
Credit and deposits in respect of lending of securites	2,109	5	-	2,114
Securities borrowed or purchased under agreements to resell	2,000	-	-	2,000
Other	181	-	-	181
Total others	4,290	5	-	4,295
Total assets	36,176	30,533	5,012	71,721

Note 8A – Items measured for fair value (cont'd)
A. Items measured for fair value on a recurring basis (cont'd)

	As at 31 December 2014 (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:				
Shekel-index contracts	-	213	41	254
Interest contracts	9	7,619	-	7,628
Foreign currency contracts	5	5,582	110	5,697
Share contracts	707	715	-	1,422
Commodities and other contracts	12	64	-	76
Activity in Maof market	573	-	-	573
Total liabilities in respect of derivative instruments:	1,306	14,193	151	15,650
Others:				
Deposits in respect of lending of securites	2,680	23	11	2,714
Securities lent or sold under agreements to repurchase	1,238	-	-	1,238
Others	176	-	-	176
Total others	4,094	23	11	4,128
Total liabilities	5,400	14,216	162	19,778

Note 8A – Items measured for fair value (cont'd)
B. Items measured for fair value on a non-recurring basis

	As at 31 March 2015 (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	-	-	1,842	1,842	(4)
Other assets	-	-	-	-	-
Total	-	-	1,842	1,842	(4)

	As at 31 March 2014 (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	-	-	1,804	1,804	(9)
Other assets	-	-	-	-	-
Total	-	-	1,804	1,804	(9)

	As at 31 December 2014 (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	-	-	1,518	1,518	(274)
Other assets	-	-	-	-	-
Total	-	-	1,518	1,518	(274)

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3

	For the three months ended 31 March 2015 (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	Adjustments from translation of financial statements	Transfers to Level 3 (1)	Transfers from Level 3	Fair value at 31 March 2015	Unrealized profits (losses) in respect of instruments held at 31 March 2015
	(NIS millions)										
Assets											
Securities available for sale:											
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,009	19	4	95	(100)	(59)	-	-	-	1,968	5
Total bonds available for sale	2,009	19	4	95	(100)	(59)	-	-	-	1,968	5
Shares available for sale	-	-	-	-	-	-	-	-	-	-	-
Total bonds available for trading	-	-	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:											
Shekel-index contracts	145	75	-	-	-	-	-	9	-	229	17
Interest contracts	423	92	-	-	-	(26)	-	-	-	489	69
Foreign currency contracts	2,307	(821)	-	513	-	-	-	-	-	1,999	970
Share contracts	64	89	-	-	-	-	-	-	-	153	114
Commodities and other contracts	64	(17)	-	-	-	-	-	-	-	47	2
Total assets in respect of derivative instruments	3,003	(582)	-	513	-	(26)	-	9	-	2,917	1,172
Total others	-	-	-	-	-	-	-	-	-	-	-
Total assets	5,012	(563)	4	608	(100)	(85)	-	9	-	4,885	1,177
Liabilities											
Liabilities in respect of derivative instruments:											
Shekel-index contracts	41	6	-	-	-	-	-	2	-	49	(14)
Interest contracts	-	1	-	-	-	-	-	-	-	1	-
Foreign currency contracts	110	136	-	-	-	-	-	-	-	246	178
Total liabilities in respect of derivative instruments	151	143	-	-	-	-	-	2	-	296	164
Total others	11	4	-	-	-	-	-	-	-	15	15
Total liabilities	162	147	-	-	-	-	-	2	-	311	179

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd)

	For the three months ended 31 March 2014 (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	Adjustments from translation of financial statements	Transfers to Level 3 (a)	Transfers from Level 3 (a)	Fair value at 31 March 2014	Unrealized profits (losses) in respect of instruments held at 31 March 2014
	(NIS millions)										
Assets											
Securities available for sale:											
Foreign government bonds	7	-	-	-	(1)	-	-	-	-	6	-
Bonds of financial institutions in Israel	-	-	-	-	-	-	-	-	-	-	-
Financial institutions abroad	120	1	-	-	-	-	-	-	-	121	-
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,733	(122)	(1)	69	(160)	(6)	-	-	-	1,513	7
Others in Israel	9	-	-	-	-	-	-	-	-	9	-
Total bonds available for sale	1,869	(121)	(1)	69	(161)	(6)	-	-	-	1,649	7
Shares available for sale	-	-	-	-	-	-	-	-	-	-	-
Total bonds for trading	-	-	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:											
Shekel-index contracts (a)	86	28	-	-	-	-	-	3	-	117	26
Interest contracts (a)	391	56	-	-	-	(22)	-	-	-	425	49
Foreign currency contracts	1,334	(695)	-	85	-	-	-	-	-	724	119 (a)
Share contracts	-	5	-	-	-	-	-	-	-	5	-
Total assets in respect of derivative instruments	1,811	(606)	-	85	-	(22)	-	3	-	1,271	194
Total others	-	-	-	-	-	-	-	-	-	-	-
Total assets	3,680	(727)	(1)	154	(161)	(28)	-	3	-	2,920	201
Liabilities	-	-	-	-	-	-	-	-	-	-	-
Liabilities in respect of derivative instruments:	-	-	-	-	-	-	-	-	-	-	-
Shekel-index contracts (a)	75	6	-	-	-	-	-	3	-	84	11
Foreign currency contracts	304	(51)	-	-	-	-	-	-	-	253	(69)
Total liabilities in respect of derivative instruments	379	(45)	-	-	-	-	-	3	-	337	(58)
Total others	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	379	(45)	-	-	-	-	-	3	-	337	(58)

(a) Restated

Note 8B – Changes in items measured for fair value on a recurring basis included in Level 3 (cont'd)

	For the year ended 31 December 2014 (Audited)										
		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	Adjustments from translation of financial statements	Transfers to Level 3	Transfers from Level 3	Fair value at 31 December 2014	Unrealized profits (losses) in respect of instruments held at 31 December 2014
	(NIS millions)										
Assets											
Securities available for sale:											
Foreign government bonds	7	-	-	-	(7)	-	-	-	-	-	-
Bonds of financial institutions in Israel	-	-	-	-	-	-	-	-	-	-	-
Financial institutions abroad	120	(1)	-	-	-	(119)	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,733	77	(5)	557	(160)	(192)	(1)	-	-	2,009	289
Others in Israel	9	-	-	-	-	(9)	-	-	-	-	-
Total bonds available for sale	1,869	76	(5)	557	(167)	(320)	(1)	-	-	2,009	289
Shares available for sale	-	-	-	-	-	-	-	-	-	-	-
Total bonds for trading	-	-	-	-	-	-	-	-	-	-	-
Shares for trading	-	-	-	-	-	-	-	-	-	-	-
Assets in respect of derivative instruments:	-	-	-	-	-	-	-	-	-	-	-
Shekel-index contracts	86	18	-	-	-	-	-	41	-	145	88
Interest contracts	391	137	-	-	-	(105)	-	-	-	423	73
Foreign currency contracts	1,334	(622)	-	1,595 (b)	-	-	-	-	-	2,307	1,273 (a)
Share contracts	-	64	-	-	-	-	-	-	-	64	64
Commodities and other contracts	-	64	-	-	-	-	-	-	-	64	64
Total assets in respect of derivative instruments	1,811	(339)	-	1,595	-	(105)	-	41	-	3,003	1,562
Total others	-	-	-	-	-	-	-	-	-	-	-
Total assets	3,680	(263)	(5)	2,152	(167)	(425)	(1)	41	-	5,012	1,851
Liabilities	-	-	-	-	-	-	-	-	-	-	-
Liabilities in respect of derivative instruments:	-	-	-	-	-	-	-	-	-	-	-
Shekel-index contracts	75	(71)	-	-	-	-	-	37	-	41	38
Interest contracts	-	-	-	-	-	-	-	-	-	-	-
Foreign currency contracts	304	(194)	-	-	-	-	-	-	-	110	(181)
Total liabilities in respect of derivative instruments	379	(265)	-	-	-	-	-	37	-	151	(143)
Total others	-	11	-	-	-	-	-	-	-	11	11
Total liabilities	379	(254)	-	-	-	-	-	37	-	162	(132)

(a) Reclassified.

(b) Including premiums in the amount of NIS 822 million in respect of options that expired during the year and are not expressed in year-end balances.

Note 8C – Additional information on significant unobservable data and assessment techniques used in fair value measurement of items classified in Level 3

As at 31 March 2015

A. Quantitative information regarding Level 3 fair value measurement (in NIS millions)

	Fair value	Assessment technique	Unobservable inputs	Range	Average (3)
A. Items measured for fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	1,968	Discounting cash flows	Margin	70-160 bp	15 bp
			Probability of default	2.5%-6%	4.25%
			Rate of early repayment	20%	20%
			Loss rate	30%	30%
Assets in respect of derivative instruments (2)					
Shekel-index interest contracts	121	Discounting cash flows	Inflationary expectations	0.3%-0.7%	0.50%
	108	Discounting cash flows	Transaction counterparty risk	0.03%-100%	2.35%
Interest contracts	489	Discounting cash flows	Transaction counterparty risk	0.03%-100%	2.35%
Foreign currency contracts	118	Discounting cash flows	Inflationary expectations	0.3%-0.7%	0.25%
	1,881	Discounting cash flows	Transaction counterparty risk	0.03%-100%	2.35%
Share contracts	153	Discounting cash flows	Transaction counterparty risk	0.03%-100%	2.35%
Commodities and other contracts	47	Discounting cash flows	Transaction counterparty risk	0.03%-100%	2.35%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Interest contracts	49	Discounting cash flows	Inflationary expectations	0.3%-0.7%	0.25%
Foreign currency contracts	246	Discounting cash flows	Inflationary expectations	0.3%-0.7%	0.25%
B. Items measured for fair value on a non-recurring basis					
Collateral-contingent impaired debt	1,842	Fair value of 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 – Additional information on significant unobservable data and assessment techniques used in fair value measurement of items classified in Level 3 (cont'd)

As at 31 March 2014

A. Quantitative information regarding Level 3 fair value measurement (in NIS millions)

	Fair value	Assessment technique	Unobservable inputs	Range	Average (3)
A. Items measured for fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	1,513	Discounting cash flows	Margin	75-235 bp	166 bp
			Probability of default	2.5%-6%	4.25%
			Rate of early repayment	20%	20%
			Loss rate	30%-40%	35%
Assets in respect of derivative instruments (2)					
Shekel-index interest contracts	103	Discounting cash flows	Inflationary expectations	0.2%-1.58%	0.89%
	14	Discounting cash flows	Transaction counterparty risk	0.03%-100%(*)	1.62%
Interest contracts	425	Discounting cash flows	Transaction counterparty risk	0.03%-100%(*)	1.62%
Foreign currency contracts	242	Discounting cash flows	Inflationary expectations	0.2%-1.58%	0.89%
	482	Discounting cash flows	Transaction counterparty risk	0.03%-100%(*)	1.62%
Share contracts	5	Discounting cash flows	Transaction counterparty risk	0.2%-1.58%	0.89%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Interest contracts	84	Discounting cash flows	Inflationary expectations	0.2%-1.58%	0.89%
Foreign currency contracts	253	Discounting cash flows	Inflationary expectations	0.2%-1.58%	0.89%
B. Items measured for fair value on a non-recurring basis					
Collateral-contingent impaired debt	1,804	Fair value of 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 – Additional information on significant unobservable data and assessment techniques used in fair value measurement of items classified in Level 3 (cont'd)

As at 31 December 2014

A. Quantitative information regarding fair value measurement in Level 3 (in NIS million)

	Fair value	Assessment technique	Unobservable inputs	Range	Average (3)
A. Items measured for fair value on a recurring basis					
Assets					
Securities available for sale (1)					
Asset-backed securities (ABS) or Mortgage-backed securities (MBS)	2,009	Discounting cash flows	Margin Probability of default Rate of early repayment Loss rate	75-240 bp 2.5%-6% 10%-20% 30%-40%	167 bp 4.25% 15% 35%
Assets in respect of derivative instruments (2)					
Shekel-index interest contracts	89	Discounting cash flows	Inflation forecasts	0.19%-1.66%	0.90%
	56	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.69%
Interest contracts	423	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.69%
Foreign currency contracts	178	Discounting cash flows	Inflation forecasts	0.1%-0.39%	0.25%
	2,129	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.69%
Share contracts	64	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.69%
Commodities contracts	64	Discounting cash flows	Transaction counterparty risk	0.03%-100% (*)	1.69%
Liabilities					
Liabilities in respect of derivative instruments (2)					
Shekel-index interest contracts	41	Discounting cash flows	Inflation forecasts	0.1%-0.39%	0.25%
Foreign currency contracts	304	Discounting cash flows	Inflation forecasts	0.1%-0.39%	0.25%
B. Items measured for fair value on a non-recurring basis					
Collateral-contingent impaired debt	1,518	Fair value of collateral			

* In respect of a failed counterparty.

B. Qualitative information regarding fair value measurement in Level 3

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 9 – Interest income and expenses

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	
	(NIS millions)	
A. Interest income (a)		
From credit to the public	**1,347**	1,938
From credit to governments	**1**	3
From deposits with Bank of Israel and cash	**17**	46
From deposits with banks	**20**	13
From securities borrowed or purchased under agreement to resell	**2**	4
From debentures (b)	**115**	197
Total interest income	**1,502**	2,201
B. Interest expenses (a)		
On deposits of the public	**(14)**	(308)
On deposits from governments	**(1)**	(2)
On deposits from banks	**(3)**	(7)
On securities lent or sold under agreement to repurchase	**(2)**	(2)
On debentures, bonds and subordinated notes	**34**	(125)
Total interest expenses	**14**	(444)
Total interest income, net	**1,516**	1,757
C. Details of the net effect of hedging derivative instruments interest income and expenses		
Interest income	**(8)**	(11)
Interest expenses	**-**	-
D. Details of accumulated interest income from bonds		
Available for sale	**105**	179
For trading	**10**	18
Total included in interest income	**115**	197

(a) Including the effective component of hedging relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 31 million for the three month period ended on 31 March 2015 (NIS 95 million for the three month and nine month period ended on 31 March 2014).

Note 10 – Non-interest financing income

	For the three months ended 31 March	
	2015	2014
	(Unaudited)	
	(NIS millions)	
A. Non-interest financing income in respect of activities not for trading purposes		
A.1. From activity in derivative instruments		
Ineffective portion of hedging relationships (a)	**-**	1
Net income (expense) from ALM derivative instruments (b)	**(331)**	115
Total from activity in derivative instruments	**(331)**	116
A.2. From investment in bonds		
Profits from sale of bonds available for sale (g)	**111**	82
Losses from sale of bonds available for sale (g) (h)	**(7)**	-
Total from investment in bonds	**104**	82
A.3. Exchange rate differentials, net	**252**	(132)
A.4. Profits (losses) from investment in shares		
Profits from sale of shares available for sale (d) (g)	**529**	138
Losses from sale of shares available for sale (g)	**(27)**	(11)
Profit from sale of shares in companies included on equity basis	**522**	-
Dividend from shares available for sale	**1**	2
Total from investment in shares	**1,025**	129
A.5. Profits in respect of loans sold (c)	**-**	-
Total non-interest financing income in respect of activities not for trading purposes	**1,050**	195
B. Non-interest financing income in respect of activities not for trading purposes		
Income (expenses) net in respect of other derivative instruments	**-**	(13)
Realized and unrealized profits (losses) from fair value adjustments of bonds held for trading, net (e)	**207**	157
Realized and unrealized profits (losses) from fair value adjustments of shares held for trading, net (f)	**62**	(16)
Total from trading activities	**269**	128
Total non-interest financing income in respect of activities not for trading purposes	**1,319**	323

See notes on next page.

Note 10 – Non-interest financing income (cont'd)

Notes

(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) During the first quarter of 2014, a loan was sold of NIS 94.
(d) Including mainly profit from the sale of the Mobileye in the amount of NIS 288 million, before the effect of tax in the first quarter of 2015, and profit on the sale of shares in Partner and Tower of NIS 70 million and NIS 39 million respectively, before the effect of tax in the first quarter of 2014, and profit from the sale of Safra Fund of NIS 52 million, before the effect of tax, in the first quarter of 2015.
(e) Of which part of the profits (losses) related to bonds held for trading still held at the balance sheet date in the amount of NIS 36 million for the three month period ended 31 March 2015 (for the three month period ended 31 March 2014, NIS 67 million).
(f) Of which part of the profits (losses) related to shares held for trading still held at the balance sheet in the amount of NIS 87 million for the three month period ended 31 March 2015 (for the three month period ended 31 March 2014, NIS 11 million).
(g) Reclassified from accumulated other comprehensive income.
(f) For interest income from the investment in bonds for trading, see Note 8.

Note 11 - Operating Segments

	For the three months ended 31 March 2015 (Unaudited)							
	Household segment	Small business segment	Corporate segment	Commercial segment	Private banking segment	Financial management segment	Other segment	Total consolidated
	(NIS millions)							
Interest income, net - from outside entities	**399**	**264**	**31**	**393**	**273**	**156**	**-**	**1,516**
Non-interest income (expenses) - from outside entities	**416**	**142**	**139**	**130**	**(44)**	**1,621**	**21**	**2,425**
Intersegmental income (expenses)	**270**	**(12)**	**30**	**(29)**	**223**	**(470)**	**(12)**	**-**
Total income	**1,085**	**394**	**200**	**494**	**452**	**1,307**	**9**	**3,941**
Expenses (income) in respect of credit losses	**43**	**17**	**16**	**(53)**	**83**	**(25)**	**-**	**81**
Net profit (loss) attributable to shareholders of the banking corporation	**22**	**89**	**(36)**	**157**	**132**	**758**	**49**	**1,171**

	For the three months ended 31 March 2014 (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	596 (a)	282 (a)	13	379 (a)	427 (a)	60	- (a)	1,757
Non-interest income (expenses) - from outside entities	407 (a)	133 (a)	137	162 (a)	160 (a)	378	17 (a)	1,394
Intersegmental income (expenses)	101	(34)	60	(72)	(88)	39	(6)	-
Total income	1,104	381	210	469	499	477	11	3,151
Expenses (income) in respect of credit losses	38	19	(1)	(28)	(87)	8	-	(51)
Net profit (loss) attributable to shareholders of the banking corporation	51	87	2	143	266	38	(22)	565

(a) Reclassified.

Note 11 - Operating Segments (cont'd)

	For the year ended 31 December 2014 (Audited)							
	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	3,057	1,170	(8)	1,630	1,936 (a)	(422)	-	7,363
Non-interest income - from outside entities	1,639	548	567	463	1,137 (a)	784	67	5,205
Intersegmental income (expenses)	(249)	(170)	320	(144)	(1,048)	1,254	37	-
Total income	4,447	1,548	879	1,949	2,025	1,616	104	12,568
Expenses (income) in respect of credit losses	407	182	14	153	(489)	205	-	472
Net profit (loss) attributable to shareholders of the banking corporation	148	292	(1,018)	473	1,170	235	120	1,420

Note 12 – Accumulated Other Comprehensive Income (Loss)

A. Changes in accumulated other comprehensive income (loss), after effect of tax (c)

1. Changes in accumulated other comprehensive income (loss) for the three month period ended 31 March 2015 and 2014

	Other comprehensive income before attribution to non-controlling interests						
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments (a), net after effect of hedges (b)	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Adjustments in respect of employee benefits	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)						
Balance at 31 December 2013	179	(314)	100	(1,020)	(1,055)	(4)	(1,051)
Net change in the period	(46)	15	(15)	65	19	1	18
Balance at 31 March 2014	133	(299)	85	(955)	(1,036)	(3)	(1,033)
Balance at 31 December 2014	**394**	**(65)**	**22**	**(1,928)**	**(1,577)**	**(4)**	**(1,573)**
Net change in the period	**355**	**40**	**25**	**(781)**	**(361)**	**1**	**(362)**
Balance at 31 March 2015	**749**	**(25)**	**47**	**(2,709)**	**(1,938)**	**(3)**	**(1,935)**

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

A. Changes in accumulated other comprehensive income (loss), after effect of tax (c) (cont'd)

2. Changes in accumulated other comprehensive income (loss) for the years 2013 and 2014

	Other comprehensive income before attribution to non-controlling interests						
	Adjustments for presentation of securities available for sale at fair value	Translation adjustments (a), net after effect of hedges (b)	Banking corporation's share in other comprehensive income of investee companies dealt with under the equity method	Adjustments in respect of employee benefits	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	(NIS millions)						
Balance at 1 January 2013	494	(149)	112	-	457	(1)	458
Effect of first-time implementation of US GAAP on employee rights	-	-	-	(725)	(725)	-	(725)
Balance at 1 January 2013 after first-time implementation of US GAAP on employee rights	494	(149)	112	(725)	(268)	(1)	(267)
Net change in the period	(315)	(165)	(12)	(295)	(787)	(3)	(784)
Balance at 31 December 2013	179	(314)	100	(1,020)	(1,055)	(4)	(1,051)
Net change in the period	215	249	(78)	(908)	(522)	-	(522)
Balance at 31 December 2014	394	(65)	22	(1,928)	(1,577)	(4)	(1,573)

(a) 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.

(b) Profits (losses), net in respect of a net hedge of investment in foreign currency.

(c) As of 1 January 2015 the Bank implements US GAAP in the accounting treatment of employee rights. The new rules were implemented retroactively from 1 January 2013. Comparative figures for previous periods have been restated. See Note 1.C.1.

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

B. Changes in accumulated other comprehensive income (loss), before and after effect of tax (c)

	For the three months ended 31 March					
	2015			2014		
	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	**1,155**	**(279)**	**876**	201	(79)	122
(Profits) losses in respect of securities available for sale reclassified to the statement of profit and loss	**(606)**	**85**	**(521)**	(209)	41	(168)
Net change in the period	**549**	**(194)**	**355**	(8)	(38)	(46)
Translation adjustments (a)						
Adjustments for translation of financial statements	**71**	**-**	**71**	21 (d)	10 (d)	31
Hedges (b)	**(50)**	**19**	**(31)**	(21)	5	(16)
Net change in the period	**21**	**19**	**40**	-	15	15
Banking corporation's share in other comprehensive income of investee companies dealt with under the equity base method	**20**	**5**	**25**	(7) (d)	(8) (d)	(15)
Net change in the period	**20**	**5**	**25**	(7)	(8)	(15)
Employee benefits (c)						
Actuarial loss (profit) in the period	**(1,319)**	**498**	**(821)**	**87**	**(33)**	**54**
Amortization of actuarial profit (loss)	**65**	**(25)**	**40**	**17**	**(6)**	**11**
Net change in the period	**(1,254)**	**473**	**(781)**	**104**	**(39)**	**65**
Total net change in the period	**(664)**	**303**	**(361)**	89	(70)	19
Changes in components of other comprehensive income (loss) 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	**(665)**	**303**	**(362)**	88	(70)	18

(a) 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.

(b) Profits (losses), net in respect of a net hedge of investment in foreign currency.

(c) As of 1 January 2015 the Bank implements US GAAP in the accounting treatment of employee rights. The new rules were implemented retroactively from 1 January 2013. Comparative figures for previous periods have been restated. See Note 1.C.1.

(d) Reclassified.

Note 12 – Accumulated Other Comprehensive Income (Loss) (cont'd)

B. Changes in accumulated other comprehensive income (loss), before and after effect of tax (c)

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	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	1,002	(273)	729	229	2	231
(Profits) losses in respect of securities available for sale reclassified to the statement of profit and loss	(647)	133	(514)	(747)	201	(546)
Net change in the period	355	(140)	215	(518)	203	(315)
Translation adjustments (a)						
Adjustments for translation of financial statements	459	(41)	418	(318)	23	(295)
Hedges (b)	(267)	98	(169)	203	(73)	130
Net change in the period	192	57	249	(115)	(50)	(165)
Banking corporation's share in other comprehensive income of investee companies dealt with under the equity base method	(108)	30	(78)	(6)	(6)	(12)
Net change in the period	(108)	30	(78)	(6)	(6)	(12)
Employee benefits						
Actuarial loss (profit) in the period	(1,536)	579	(957)	(492)	186	(306)
Amortization of actuarial profit (loss)	78	(29)	49	18	(7)	11
Net change in the period	(1,458)	550	(908)	(474)	179	(295)
Total net change in the period	(1,019)	497	(522)	(1,113)	326	(787)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests:						
Total net change in the period	-	-	-	(3)	-	(3)
Changes in components of other comprehensive income (loss) attributed to shareholders of the banking corporation:						
Total net change in the period	(1,019)	497	(522)	(1,110)	326	(784)

(a) 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.

(b) Profits (losses), net in respect of a net hedge of investment in foreign currency.

(c) As of 1 January 2015 the Bank implements US GAAP in the accounting treatment of employee rights. The new rules were implemented retroactively from 1 January 2013. Comparative figures for previous periods have been restated. See Note 1.C.1.

Note 13 – Events after the balance sheet date

1. The Israel Corporation Ltd.

The Bank holds 11.1% of the means of control in the Israel Corporation Ltd. which is considered to be a significant non-bank corporation according to the Banking Law (Licensing), as amended through the Concentrations Law on 11 December 2013. The Bank is obliged to reduce its holdings in the Israel Corporation to a rate of 10% by 11 December 2019.

On 7 January 2015, the Israel Corporation announced the completion of a process of splitting wherein holdings in a number of subsidiaries were transferred from the Israel Corporation to Kenon Holdings, all of whose shares were allocated, prior to the transfer of the assets, to the shareholders in the Israel Corporation (hereinafter, "the split"). The shares of Kenon are listed for trading on the New York Stock Exchange and on the Tel Aviv Stock Exchange. At the beginning of January 2015, the Bank's investment in the shares of Kenon is presented in the available-for-sale securities portfolio.

In anticipation of the aforementioned split, the Bank updated the Banking Supervision Department, that as a result of the split, the Bank will hold two non-bank corporations.

On 11 February 2015, the Bank sold 531,550 shares of the Israel Corporation Ltd. to a number of entities (hereinafter, "the purchasers") at a price of NIS 1,330 per share and aggregate consideration of NIS 707 million. The shares sold represent 6.904% of the issued and paid-up capital of the Israel Corporation.

The sale generated for the Bank a total of NIS 522 million, before the effect of tax, which is included in the financial statements for the first quarter of 2015.

In accordance with a directive of the Banking Supervision Department, dated 4 March 2015, the Bank will take steps to discontinue its significant influence in the Israel Corporation, including by way of a permanent waiver of the Bank's representation in the board of directors of the Israel Corporation and its right to appoint directors therein.

On 15 March 2015, the Board of Directors of the Bank resolved to confirm the cancelation of a shareholder agreement, and pursuant thereto, to waive the right to recommend the appointment of directors in the Israel Corporation.

Further to this resolution, a document was signed between the Bank and the companies which hold a controlling interest in the Israel Corporation, pursuant to which the shareholder agreement was canceled, including the right to recommend the appointment of directors. In addition, a notice was sent to the Israel Corporation by the two directors, who were appointed to the Israel Corporation in accordance with the Bank's recommendation, on the termination of their term of office in the Israel Corporation, with effect from 30 March 2015.

On 31 March 2015, as a result of the decrease in the shareholder percentage and the permanent waiver on the Bank's representation on the board of directors of the Israel Corporation, the Bank classified the investment in the Israel Corporation in the available-for-sale securities portfolio at the market value of the investment as of 31 March 2015. The Bank's share in the profits of the Israel Corporation for the first quarter of 2015 was accounted for on an equity basis.

In April 2015, the Bank sold 2,146,000 shares of Kenon Holdings for aggregate proceeds of NIS 174 million. The shares sold represent 4% of the issued and paid-up share capital of Kenon Holdings.

This sale is expected to generate for the Bank a profit, before the effect of tax, of NIS 8.6 million, which will be included in the financial statements for the second quarter of 2015.

Note 13 – Events after the balance sheet date (cont'd)

2. Wage agreement

In January, a new collective wage agreement was signed. For the effects of the agreement on the financial statements, see Note 3B on employee rights.

3. Merger of Arab Israel Bank

On 4 May 2015, the Board of Directors of the Bank approved the execution of the Bank's merger with Arab Israel Bank. On 4 May 2015, the Board of Directors of Arab Israel Bank approved the execution of the aforesaid merger. The merger is expected to be effected on 1 January 2016. Pursuant to the merger agreement, Arab Israel Bank, which is an almost wholly-owned subsidiary of the Bank, will be merged within the Bank.

In the context of the merger, the employees of the Arab Israel Bank will be absorbed as employees of the Bank, and all of the liabilities of the Arab Israel Bank in respect of its employees will be transferred to the Bank.

As part of the structural change, all minority shareholders will have the right to receive from Bank Leumi cash payment in new Israeli shekels equivalent to the amount to be approved by the General Meeting of the Arab Israel Bank which will discuss the merger, times the number of shares of the Arab Israel Bank that they hold, less taxes, as required by law ("the proceeds"). In the absence of the approval of the General Meeting of the Arab Israel Bank, it is possible that the proceeds will be determined by the court in an appropriate proceeding pursuant to the Companies Law.

4. Prospectus

On 26 May 2015, the Bank received a permit for a shelf prospectus.