BANK LEUMI OF ISRAEL LTD.
AND ITS INVESTEE COMPANIES

Summary of Financial Statements
As at September 30 2018
(Unaudited)

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Supervisor of Banks. The principles applied to the preparation of the interim financial statements are consistent with those applied to the annual report as at December 31 2017. The statements herein should be read in conjunction with the 2017 Annual Report.

Condensed Financial Information and Main Performance Indicators

Following are the main performance indicators (in %)

	As of September 30		As at December 31
	2018	2017	2017
Main Performance Indicators:			
Return on equity[(c)]	**10.2**	9.7	9.8
Return on average assets[(c)(e)]	**0.76**	0.71	0.72
CET1 capital ratio	**11.25**	11.35	11.43
Leverage ratio	**7.05**	7.03	6.94
Liquidity coverage ratio	**121**	122	122
Ratio of income[(b)] to average assets[(c)(e)]	**3.09**	2.99	3.07
Cost-income ratio	**59.8**	62.9	63.1
Ratio of net interest income to average assets[(c)(e)]	**1.97**	1.82	1.84
Ratio of fees and commissions to average assets[(c)(e)]	**0.93**	0.94	0.94
Additional performance indicators:			
Total capital ratio to risk components[(a)]	**14.69**	15.05	14.99
Capital (excluding non-controlling interests) to balance sheet ratio	**7.7**	7.5	7.4
Percentage of tax provision from net income, before taxes	**33.5**	35.1	35.2
Loan loss expenses in respect of loans to the public, net[(c)(f)]	**0.15**	0.07	0.06
Of which: expenses in respect of collective provision out of loans to the public, net[(c)(f)]	**0.22**	0.19	0.20
Net interest income to average outstanding interest-bearing assets (NIM)[(c)]	**2.18**	2.03	2.05
Total income to total assets under management by the Group[(b)(c)(d)]	**0.91**	0.95	0.95
Total operating and other expenses to total assets under management by the Group[(c)(d)]	**0.54**	0.60	0.60
Main credit quality indicators:			
Balance of loan loss provision in respect of loans to the public out of outstanding credit to the public[(f)]	**1.38**	1.38	1.36
Percentage of impaired loans to the public in arrears of 90 days or more of the outstanding credit to the public[(f)]	**1.40**	1.69	1.60
Percentage of accounting write-offs net of average loans to the public[(f)]	**(0.07)**	(0.14)	(0.15)

(a) Capital - including non-controlling interests and various adjustments.
(b) Total income - net interest income and noninterest income.
(c) Annualized.
(d) Including off-balance-sheet operations.
(e) Average assets are total income-generating and other balance sheet assets.
(f) Including balances classified as held-for-sale assets and liabilities. For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

Following are the main income statement data:

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	In NIS millions				
Net income attributable to the Bank's shareholders	**936**	820	**2,569**	2,318	3,172
Interest income, net	**2,196**	1,918	**6,616**	5,956	8,046
Expenses for loan losses	**198**	3	**314**	146	172
Noninterest income	**1,503**	1,306	**3,786**	3,813	5,428
Of which: Fees and commissions	**1,043**	1,043	**3,130**	3,068	4,138
Total operating and other expenses	**2,065**	2,076	**6,216**	6,146	8,501
Of which: Salaries and related expenses[(a)]	**1,119**	1,096	**3,412**	3,332	4,591
Net income attributable to the Bank's shareholders (in NIS):					
Basic, diluted net profit	**0.62**	0.54	**1.69**	1.52	2.08

(a) Reclassified due to retroactive application of the Banking Supervision Department's directive regarding improved presentation of expenses for pension and other post-employment benefits. Please see Note 1.B.3.

Following are the main balance sheet data:

	As of September 30		As at December 31
	2018	2017	2017
	In NIS millions		
Total assets	**450,674**	440,051	450,838
Of which: Cash and deposits with banks	**74,789**	66,953	82,067
Securities	**76,861**	82,098	77,299
Loans to the public, net[(a)]	**275,990**	266,358	267,952
Total liabilities	**415,079**	406,877	417,285
Of which: Deposits from the Public	**358,875**	350,201	362,478
Deposits from banks	**5,168**	5,279	5,156
Bonds, promissory notes and subordinated notes	**17,805**	16,407	15,577
Equity attributable to the Bank's shareholders	**34,759**	32,793	33,167

(a) Including the credit for Leumi Card, which has been classified as a held-for-sale asset since the balance sheet as at March 31 2018. For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

Forward-looking Information in the Report of the Board of Directors and Management

The Report of the Board of Directors and Management includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968 (hereinafter: the "Law") as "forward-looking information". Forward-looking information relates to a future event or matter, the realization of which is uncertain and not under the Bank's exclusive control.

Forward-looking information is generally worded using the following words or phrases: "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", "targets", "likely to impact", and additional phrases indicating that the matter in question is a forecast of the future rather than past facts.

Forward-looking information included in the Report of the Board of Directors and Management is based, inter alia, on forecasts of various matters related to economic developments in Israel and abroad, especially the currency markets and capital markets, legislation, regulators' directives, competitors' behavior, technological developments and human resources 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 differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves risk and uncertainty and the future financial and business results of the Leumi Group may be materially different.

The Bank does not undertake to publish updates on forward-looking information included in its reports. This does not derogate from the Bank's reporting obligations pursuant to any law.

Main Changes in the Reporting Period

Leumi Card

On July 28 2018 - in accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, and after reviewing the various alternatives, and following a procedure for the disposal of the Bank's holdings in the company - an agreement was signed between the Bank and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus, for the sale of the Bank's entire interests in Leumi Card.

Leumi Card is presented as a held-for-sale disposal group. Balance sheet balances of Leumi Card are presented as a single figure under assets and liabilities, without retroactive presentation of comparative results. There has been no change in the presentation format in the income statement.

Following are Leumi Card's balances for the purpose of Leumi Group's consolidated financial statements

	September 30		December 31
	2018	2017	2017
	In NIS millions		
Assets			
Cash and deposits with banks	**67**	33	28
Loans to the public	**8,462**	8,389	8,286
Loan loss provision	**(152)**	(112)	(121)
Loans to the public, net	**8,310**	8,277	8,165
Investments in associates	**6**	4	6
Buildings and equipment	**240**	172	172
Other assets	**183**	137	129
Total assets	**8,806**	8,623	8,500
Liabilities			
Deposits from the public	**84**	88	65
Deposits from banks	**750**	-	-
Other liabilities	**6,261**	6,212	6,404
Total liabilities	**7,095**	6,300	6,469

For more information regarding the investee's held-for-sale operations, please see the section entitled "Major Investee Companies - Leumi Card" and Note 16F.

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

The composite state-of-the-economy index, which is published by the Bank of Israel and reflects the development of the economy's real activity, was up by 2.5 percent from January to September (an annualized 3.3 percent) while the index's rise in the 12 months ended September 2018 reached 3.5 percent. The expected growth rate for 2018, according to a forecast published by the Bank of Israel's Research Department on October 8 2018, is 3.7 percent.

The Global Economy

In October 2018, the International Monetary Fund (IMF) revised the global growth estimates for 2018. By revised forecasts, the global economy is expected to grow by 3.7 percent in real terms in 2018, versus a previous forecast of 3.9 percent released in July 2018. The expected growth rate for the US in 2018 remains 2.9 percent (similarly to the previous forecast). Forecasts for the Euro Zone were revised downward (from 2.2 percent to 2.0 percent), inter alia, on the back of weaker than expected data in the first half of the year.

The State Budget and its Funding

In the first nine months of 2018, the state budget deficit reached NIS 24.1 billion, compared with a NIS 4.8 billion deficit in the same period last year. The planned deficit for the entire 2018 is NIS 38.5 billion - 2.9 percent of the GDP. Due to the Jewish high holidays in September, the Tax Authority sanctioned the postponement of tax payments totaling approximately NIS 6.1 billion from September to October; net of the effect, the deficit would have amounted to NIS 18 billion (2.9 percent of the GDP). The significant increase in the deficit compared to the same period last year is mainly due to the exceptionally high, one-time, tax receipts of the previous year.

Foreign Trade and Capital Flows

Israel's trade deficit reached $18.8 billion from January to September 2018, versus USD 10.3 billion in the corresponding period last year. The increase in the trade deficit stems from a significant increase in imports (all components: Raw materials, investment products and consumption products) vs. a more moderate growth in exports. This significant increase in the trade deficit could lead to a substantial decrease in the balance of payments current account surplus.

In January to August 2018, nonresidents' investments in Israel - through the banking system - totaled $5.1 billion, while nonresidents' financial investments in Israel totaled $6.0 billion. On the other hand, total foreign investments by Israeli residents (direct investments through banks in Israel and financial investments) totaled $9.8 billion, with inbound investments being higher than outbound investments in foreign currency.

Exchange Rate and Foreign Exchange Reserves

In the first nine months of 2018, the shekel depreciated against the dollar by 4.6 percent, and 1.5 percent against the euro.

At the end of September 2018, the Bank of Israel's foreign exchange reserves stood at $115.5 billion versus $113 billion at the end of December 2017.

From January to September 2018, the Bank of Israel purchased $0.94 billion in foreign currency as part of its program to offset the effect of gas production on the shekel exchange rate. In total, the Bank of Israel purchased $2.8 billion in foreign currency from January to September 2018, mostly during the first half of the year.

Inflation and Monetary Policy

The Consumer Price Index (CPI) (the "in lieu" index) was up by 1.1 percent in the first nine months of 2018. The CPI was up 1.2 percent in the twelve months ending in September 2018, a rate that is close to the lower band of the government's inflation target (1-3 percent).

During the reporting period, the ("known") CPI was up 1.1 percent.

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1 Data sources: Central Bureau of Statistics' publications, Bank of Israel, Ministry of Finance, Tel Aviv Stock Exchange.

From January to September 2018, there was no change in the Bank of Israel interest rate, which stands at 0.1 percent, a level that was maintained in October 2018's interest rate announcement. The Monetary Committee indicated it intends to leave the expansionary policy intact as long as it is necessary to establish the inflation environment within the target range.

Israel's Capital Market

The Shares and Convertibles Index was up by 7.6 percent in January to September 2018, mainly on the back of share price increases of 6.7 percent in the third quarter, due share price hikes in the US and positive financial reports.

The average daily trade volume of shares and convertibles was down 1.2 percent from January to September 2018 compared with the 2017 average, totaling NIS 1.387 billion.

The government bond market was characterized, during the first nine months of the year, by slight price declines. The CPI-Linked Government Bond Index was up 0.3 percent, while the Unlinked Government Bond Index was down 0.8 percent.

The Non Government (corporate) CPI-Linked Bond Index was up by 1.8 percent from January to September 2018, following a 6.2 percent increase in 2017.

Financial Assets Held by the Public

The value of the public's financial assets portfolio as at the end of August 2018 was NIS 3,716 billion, a 2.8 percent increase compared to December 2017. The weight of the shares (Israeli and foreign) out of the Israeli public's financial asset portfolio was 23.4 percent at the end of August 2018, compared to 22.7 percent at the end of December 2017.

Material Changes in Financial Statement Items

The net income attributable to shareholders (hereinafter: the "net income") in the first nine months of 2018 (hereinafter: the "Reporting Period") amounted to NIS 2,569 million compared to NIS 2,318 million in the same period last year.Net income in the third quarter of 2018 totaled NIS 936 million compared to NIS 820 million in the third quarter last year.

The return on equity in the reporting period was 10.2 percent compared to 9.7 percent in the first nine months of last year. The return on equity in the third quarter of 2018 was 11.2 percent, compared to 10.3 percent in the third quarter of last year.

The CET1 capital to risk components ratio as at September 30 2018 was 11.25 percent. For more information, please see Note 9B.

On November 12 2018, the Board of Directors approved a dividend of 40 percent of the net income of the third quarter of 2018. The dividend amount approved for the quarter totals NIS 375 million The total dividend for the first nine months of the year was NIS 1,028 million.

It should be noted that - pursuant to the Bank's buyback plan approved in March 2018, totaling up to NIS 700 million - the Bank has purchased shares totaling NIS 642 million as at November 8 2018. For more information, please see the section entitled "Capital and Capital Adequacy."

The dividend approved since the beginning of 2018 and the buybacks executed since the beginning of 2018 total NIS 1,670 million.

Net interest income for the first nine months of 2018 was up NIS 660 million, an 11.1 percent increase compared with the same period last year. The increase in interest income arises from an increase in interest rate spreads and an increase in the average outstanding balance of loans to the public and deposits with banks and from the repayment of bonds and capital notes. The increase was also affected by the CPI's increase in the first nine months of the year - by 1.1 percent compared with 0.2 percent in the same period last year.

Loan loss expenses for the first nine months of 2018 reflect a 0.15 percent expense rate out of the loans to the public, net vs. a 0.07 percent expense rate in the same period last year. The increase in loan loss expenses stems, inter alia, from a decrease in collections from borrowers in the Real Estate and Business operations.

Noninterest financing income in the first nine months of 2018 totaled NIS 594 million, compared with a total of NIS 674 million in the corresponding period last year. Most of the decrease stems from the shekel's devaluation against the US dollar and pound sterling compared with a revaluation in the same period last year and from derivative instruments, which was partially offset by the profit recorded from the sale of Avgol Industries in the amount of NIS 121 million before tax and from a gain from the sale of equity in the Tel Aviv Stock Exchange in the amount of NIS 47 million, before tax.

Fees and commissions were up during the first nine months of the year 2018 by NIS 62 million compared to the corresponding period last year due, in part, to the increased credit card turnovers.

Operating and other expenses in the first nine months of 2018 increased by NIS 70 million, compared with the corresponding period last year. The increase stems from an employee bonus in respect of structural changes.

Tax expenses in the nine months of 2018 totaled NIS 1,298 million, compared with a total of NIS 1,220 million in the corresponding period last year. The provision for tax on income for the reporting period is 33.5 percent of the pretax net income, versus 35.1 percent in the same period last year. The decrease in tax rates from one period to another stems mainly from a statutory tax cut between the periods as well as from recording tax income on the sale of equity in a subsidiary.

Basic net income per share attributable to shareholders in the Reporting Period totaled NIS 1.69 compared to NIS 1.52 per share in the corresponding period last year.

It should be noted that as of the first quarter of 2018, the investment in Leumi Card is classified as a held-for-sale disposal group. As a result, as at the balance sheet date - March 31 2018, Leumi Card's balances of assets and liabilities were classified separately, without classifying comparative results.

For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

Material Developments in Income, Expenses and Other Comprehensive Income

Following is the change in net income in the third quarter of 2018 compared to corresponding period of the previous year:

	For the three months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Interest income, net	**2,196**	1,918	278	14.5
Expenses for loan losses	**198**	3	195	+
Noninterest income	**1,503**	1,306	197	15.1
Operating and other expenses	**2,065**	2,076	(11)	(0.5)
Profit before taxes	**1,436**	1,145	291	25.4
Provision for taxes	**515**	376	139	37.0
Profit after taxes	**921**	769	152	19.8
Bank's share in associates' profits	**35**	60	(25)	(41.7)
Net income attributable to non-controlling interests	**(20)**	(9)	(11)	-
Net income attributable to the Bank's shareholders	**936**	820	116	14.1
Return on equity (%)	**11.2**	10.3		
Basic earnings per share (NIS)	**0.62**	0.54		

Following is the change in the net income in the first nine months of 2018 compared to corresponding period last year:

	For the nine months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Interest income, net	**6,616**	5,956	660	11.1
Expenses for loan losses	**314**	146	168	+
Noninterest income	**3,786**	3,813	(27)	(0.7)
Operating and other expenses	**6,216**	6,146	70	1.1
Profit before taxes	**3,872**	3,477	395	11.4
Provision for taxes	**1,298**	1,220	78	6.4
Profit after taxes	**2,574**	2,257	317	14.0
Bank's share in associates' profits	**47**	85	(38)	(44.7)
Net income attributable to non-controlling interests	**(52)**	(24)	(28)	-
Net income attributable to the Bank's shareholders	**2,569**	2,318	251	10.8
Return on equity (%)	**10.2**	9.7		
Basic earnings per share (NIS)	**1.69**	1.52		

Following is the net income development by quarter:

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Interest income, net	**2,196**	2,414	2,006	2,090	1,918	2,165	1,873
Expenses (income) in respect of loan losses	**198**	(14)	130	26	3	42	101
Noninterest income	**1,503**	1,169	1,114	1,615	1,306	1,220	1,287
Operating and other expenses	**2,065**	2,153	1,998	2,355	2,076	2,020	2,050
Profit before taxes	**1,436**	1,444	992	1,324	1,145	1,323	1,009
Provision for taxes	**515**	521	262	472	376	456	388
Profit after taxes	**921**	923	730	852	769	867	621
Bank's share in associates' profits	**35**	2	10	7	60	15	10
Net income attributable to non-controlling interests	**(20)**	(22)	(10)	(5)	(9)	(6)	(9)
Net income attributable to the Bank's shareholders	**936**	903	730	854	820	876	622
Return on equity (%)	**11.2**	11.1	9.0	10.8	10.3	11.3	8.1
Basic earnings per share (NIS)	**0.62**	0.59	0.48	0.57	0.54	0.57	0.41

Interest income, net

Net interest income of the Leumi Group in the first nine months of the year was NIS 6,616 million, compared with NIS 5,956 million in the corresponding period last year, a 11.1 percent increase.

The increase in interest income arises from an increase in interest rate spreads and an increase in the average outstanding balance of loans to the public and deposits with banks and from a decrease in the average outstanding balance of bonds and capital notes. In addition, the results in the first nine months of the year were positively affected by the CPI, by a total of NIS 241 million vs. a positive effect of NIS 33 million in the first nine months of last year.

Net interest income in the third quarter of 2018 was NIS 2,196 million, compared with NIS 1,918 million in the corresponding period last year, a 14.5 percent increase. The increase stems, inter alia, from the positive effect of the CPI in the third quarter of the year - totaling NIS 33 million - compared to a negative effect of NIS 107 million in the corresponding period last year.

The ratio of net interest income to the average balance of interest-bearing assets (net yield on interest-bearing assets) in the first nine months of the year was 2.18 percent, compared with 2.03 percent in the corresponding period last year.

The total **interest spread** in the reporting period is 1.94 percent, compared with a 1.82 percent spread in the corresponding period last year.

The following table presents interest spread information by segment:

In the index segment, the total interest spread in the reported period was 1.11 percent, compared with a 0.74 percent spread in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reported period was 0.78 percent, compared with 1.04 percent in the corresponding period last year. In the unlinked NIS segment, the total interest spread in the reported period was 2.18 percent, compared with 2.10 percent in the corresponding period last year.

For more information regarding income and interest expenses, please see Appendix 1 – "Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses".

Expenses for Loan Losses

	For the nine months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Income in respect of loan losses - specific	**(135)**	(235)	100	42.6
Expenses in respect of loan losses - general	**449**	381	68	17.8
Total expense for loan losses	**314**	146	168	+
Ratios (in %):				
% of specific income for loan losses out of total loans to the public, net(a)	**(0.07)**	(0.12)		
% of general expense for loan losses out of total loans to the public, net(a)	**0.22**	0.19		
% of total expense for loan losses out of total loans to the public, net(a)	**0.15**	0.07		

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Income in respect of loan losses - specific	**-**	(71)	(64)	(129)	(139)	(33)	(63)
Expenses in respect of loan losses - general	**198**	57	194	155	142	75	164
Total expense (income) for loan losses	**198**	(14)	130	26	3	42	101
Ratios (in %):							
% of specific income for loan losses out of total loans to the public, net(a)	**-**	(0.10)	(0.10)	(0.19)	(0.21)	(0.05)	(0.10)
% of general expense for loan losses out of total loans to the public, net(a)	**0.29**	0.08	0.29	0.23	0.21	0.11	0.25
% of total expense for loan losses (income) out of total loans to the public, net(a)	**0.29**	(0.02)	0.19	0.04	-	0.06	0.15

(a) Including balances classified as held-for-sale assets. For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.

For more information about expenses for loan loss provisions, please see Note 6 and Note 13.

Noninterest Income

	For the nine months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Noninterest finance income	**594**	674	(80)	(11.9)
Fees and commissions	**3,130**	3,068	62	2.0
Other income	**62**	71	(9)	(12.7)
Total	**3,786**	3,813	(27)	(0.7)

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Noninterest finance income	**454**	89	51	245	222	197	255
Fees and commissions	**1,043**	1,042	1,045	1,070	1,043	1,007	1,018
Other income	**6**	38	18	300	41	16	14
Total	**1,503**	1,169	1,114	1,615	1,306	1,220	1,287

The percentage of noninterest income out of total income (i.e., net interest income and noninterest income) in the first nine months of the year was 36.4 percent, compared with 39.0 percent in the corresponding period and 40.3 percent for the 2017 full year.

Following is a breakdown of noninterest finance income:

	For the nine months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Income from derivative instruments and exchange rate differentials, net	**308**	515	(207)	(40.2)
Gains (losses) on sale of available-for-sale bonds, net	**(7)**	82	(89)	-
Gains on investment in shares, including dividends[(b)]	**238**	103	135	+
Gains on sold loans, net	**-**	9	(9)	(100.0)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and shares, net[(a)]	**55**	(35)	90	+
Total	**594**	674	(80)	(11.9)

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and shares, net, mainly include the effect of exchange rate differentials.

(b) In the first nine months of 2018, including a NIS 121 million gain on the sale of Avgol Industries and a NIS 47 million on the sale of the Bank's Tel Aviv Stock Exchange shares.

Breakdown of noninterest finance income (cont.)

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Income (expenses) in respect of derivative instruments and exchange rate differentials, net	**290**	61	(43)	264	4	121	390
Gains (losses) on sale of available-for-sale bonds, net	**(21)**	(11)	25	33	47	30	5
Gains (losses) on investment in shares, including dividends[(b)]	**201**	38	(1)	(42)	15	42	46
Gains on sold loans, net	**-**	-	-	-	9	-	-
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and shares, net[(a)]	**(16)**	1	70	(10)	147	4	(186)
Total	**454**	89	51	245	222	197	255

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and shares, net, also include the effect of exchange rate differentials.

(b) In the third quarter of 2018, including a NIS 121 million gain on the sale of Avgol Industries and a NIS 47 million on the sale of the Bank's Tel Aviv Stock Exchange shares.

Below is a breakdown of fees and commissions:

	For the nine months ended September 30			
	2018	2017	Change	
	In NIS millions		In NIS millions	In %
Account management	**528**	519	9	1.7
Activity in securities and certain derivative instruments	**489**	502	(13)	(2.6)
Credit cards	**843**	797	46	5.8
Handling of loans	**135**	135	-	-
Financial product distribution fees and commissions	**238**	225	13	5.8
Exchange differentials	**270**	244	26	10.7
Loan fees and commissions	**388**	408	(20)	(4.9)
Other fees and commissions	**239**	238	1	0.4
Total fees and commissions	**3,130**	3,068	62	2.0

The fees and commissions in the first nine months of 2018 were up by 2.0 percent compared with the same period last year, mainly on the back of increase in credit card turnovers.

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Account management	**174**	175	179	182	170	171	178
Activity in securities and certain derivative instruments	**155**	166	168	173	170	163	169
Credit cards	**299**	276	268	278	277	265	255
Handling of loans	**42**	47	46	48	44	42	49
Financial product distribution fees and commissions	**79**	79	80	82	78	74	73
Exchange differentials	**89**	87	94	94	83	77	84
Loan fees and commissions	**127**	130	131	133	140	133	135
Other fees and commissions	**78**	82	79	80	81	82	75
Total fees and commissions	**1,043**	1,042	1,045	1,070	1,043	1,007	1,018

Following is a breakdown of other income:

	For the nine months ended September 30			
	2018	2017	Change	
	In NIS millions		In NIS millions	In %
Gains on reserve for severance pay	**15**	30	(15)	(50.0)
Other income, including from sale of buildings and equipment	**47**	41	6	14.6
Total	**62**	71	(9)	(12.7)

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Gains on reserve for severance pay	**6**	6	3	11	11	12	7
Other income, including from sale of buildings and equipment	**-**	32	15	289	30	4	7
Total	**6**	38	18	300	41	16	14

Operating and other expenses

	For the nine months ended September 30			
	2018	2017	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses[(a)]	**3,412**	3,332	80	2.4
Depreciation and amortization	**425**	497	(72)	(14.5)
Maintenance expenses for buildings and equipment	**742**	742	-	-
Other expenses[(a)]	**1,637**	1,575	62	3.9
Total operating and other expenses	**6,216**	6,146	70	1.1

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and related expenses[(a)]	**1,119**	1,225	1,068	1,259	1,096	1,117	1,119
Depreciation and amortization	**139**	126	160	149	155	159	183
Maintenance expenses for buildings and equipment	**241**	250	251	273	251	239	252
Other expenses[(a)]	**566**	552	519	674	574	505	496
Total operating and other expenses	**2,065**	2,153	1,998	2,355	2,076	2,020	2,050

(a) Reclassified due to retroactive application of the Banking Supervision Department's directive regarding improved presentation of expenses for pension and other post-employment benefits. Please see Note 1.B.3.

Operating expenses constitute 59.8 percent of total income, compared with 62.9 percent in the same period last year and 63.1 percent in the entire 2017.

Total (annualized) operating and other expenses constitute 1.84 percent of the balance sheet, compared with 1.87 percent in the same period last year and 1.89 percent in the entire 2017.

Salary Expenses

	For the nine months ended September 30		Change	
	2018	2017		
	In NIS millions		In NIS millions	In %
Salaries and related expenses[a]	**3,142**	3,089	53	1.7
Pension, severance and retirement expenses[b]	**270**	243	27	11.1
Total salary expenses	**3,412**	3,332	80	2.4

(a) In the first nine months of 2017, NIS 43 million was presented in a different line item, as grants outside the ordinary course of business. In the first nine months of 2018, a grant in respect of participation in the Bank's structural changes in excess of the above amount was charged to structural changes. As a result, both last year's NIS 43 million and the grant in respect of the structural changes paid in 2018 were included in the salary line item rather than in the grants outside the regular course of business line item.

(b) Reclassified due to retroactive application of the Banking Supervision Department's directive regarding improved presentation of expenses for pension and other post-employment benefits. Please see Note 1.B.3. Total effect for the first nine months of 2017 was NIS 499 million.

The increase in salary expenses is mainly on the back of the return grant due to the high returns in the first nine months of the year - and on the back of the grant in respect of the Bank's participation in structural changes efforts - which are higher than the grants recorded in the same period last year.

	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and related expenses[a]	**1,027**	1,132	983	1,145	1,012	1,033	1,044
Pension, severance and retirement expenses[b]	**92**	93	85	114	84	84	75
Total salary expenses	**1,119**	1,225	1,068	1,259	1,096	1,117	1,119

(a) In the first quarter of 2017, NIS 43 million was presented in a separate line item, as grants outside the ordinary course of business. In the second quarter of 2018, a grant in respect of Bank's participation in structural change efforts in excess of the above amount was charged to structural changes. As a result, both the NIS 43 million grant in the first quarter of 2017 and the grant in respect of the structural changes in the second quarter of 2018 were included in the salary line item rather than in the grants outside the regular course of business line item.

(b) Reclassified due to retroactive application of the Banking Supervision Department's directive regarding improved presentation of expenses for pension and other post-employment benefits. Please see Note 1.B.3. The total effect for Q1 of 2017 is NIS 172 million, for Q2 of 2017 - NIS 159 million, for Q3 of 2017 - NIS 168 million and for Q4 of 2017 - NIS 182 million.

In addition to salary expenses as detailed above, the depreciation expenses, buildings maintenance and other expenses totaled NIS 2,804 million in the reporting period, compared with NIS 2,814 million in the corresponding period last year, a 0.4 percent decrease.

Tax Expenses

The Leumi Group's provision for tax on income in the reporting period totaled NIS 1,298 million, compared with NIS 1,220 million in the same period last year. The provision for tax on income for the reporting period is 33.5 percent of the pretax net income, versus 35.1 percent in the same period last year – a 1.6 percentage point decrease. The decrease in tax rates from one period to another stems mainly from a statutory tax cut between the periods as well as from recording tax income on the sale of equity in a subsidiary.

Following is a summary of the comprehensive income statement:

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjustments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjust-ments in respect of employee benefits	Total	Other comprehensive loss attributable to non-controlling interests	Other comprehen-sive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at June 30 2017	(91)	(192)	11	(2,254)	(2,526)	(4)	(2,522)
Net change during the period	164	9	(10)	(536)	(373)	-	(373)
Balance as at September 30 2017	73	(183)	1	(2,790)	(2,899)	(4)	(2,895)
Balance as at June 30 2018	(186)	(144)	18	(2,106)	(2,418)	(42)	(2,376)
Net change during the period	(2)	(8)	10	(197)	(197)	(6)	(191)
Balance as at September 30 2018	**(188)**	**(152)**	**28**	**(2,303)**	**(2,615)**	**(48)**	**(2,567)**

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjustments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjust-ments in respect of employee benefits	Total	Other comprehensive income attributable to non-controlling interests	Other comprehen-sive loss attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2016	(86)	(79)	18	(2,169)	(2,316)	(4)	(2,312)
Net change during the period	159	(104)	(17)	(621)	(583)	-	(583)
Balance as at September 30 2017	73	(183)	1	(2,790)	(2,899)	(4)	(2,895)
Balance as at December 31 2017	75	(195)	15	(2,950)	(3,055)	(4)	(3,051)
Net change during the period	**(263)**	**56**	**13**	**647**	**453**	**-**	**453**
Sale of equity in subsidiaries to non-controlling interests	-	**(13)**	-	-	**(13)**	**(44)**	**31**
Balance as at September 30 2018	**(188)**	**(152)**	**28**	**(2,303)**	**(2,615)**	**(48)**	**(2,567)**

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjustments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income attributable to non-controlling interests	Other comprehen-sive income attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2016	(86)	(79)	18	(2,169)	(2,316)	(4)	(2,312)
Net change during the year	161	(116)	(3)	(781)	(739)	-	(739)
Balance as at December 31 2017	75	(195)	15	(2,950)	(3,055)	(4)	(3,051)

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

(b) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) The adjustments for employee benefits in 2017 include the cost of the voluntary retirement plan published in July 2017.

Structure of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy

As at September 30 2018, the Leumi Group's **balance sheet** totaled NIS 450.7 billion, similarly to the balance sheet as at the end of 2017, and a 2.4 percent increase compared to September 2017.

The value of assets denominated in, and linked to, foreign currency out of the Group's total balance sheet is approximately NIS 96.3 billion, 21.4 percent of total assets. In the first nine months of 2018, the shekel devalued against the US dollar by 4.6 percent, 1.5 percent against the euro, and 1.2 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.7 percent increase in the Group's total balance sheet.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,533 billion, compared with a total of NIS 1,425 billion as at the end of 2017.

1. Following are the changes in the main balance sheet items:

	September 30	December 31	Change	
	2018	2017	From	From
	In NIS millions		In %	
Balance sheet total	**450,674**	450,838	-	2.4
Cash and deposits with banks	**74,789**	82,067	(8.9)	11.7
Securities	**76,861**	77,299	(0.6)	(6.4)
Loans to the public, net[(a)]	**275,990**	267,952	3.0	3.6
Buildings and equipment	**2,736**	2,986	(8.4)	(6.7)
Deposits from the public	**358,875**	362,478	(1.0)	2.5
Deposits from banks	**5,168**	5,156	0.2	(2.1)
Bonds, promissory notes and subordinated notes	**17,805**	15,577	14.3	8.5
Equity attributable to the Bank's shareholders	**34,759**	33,167	4.8	6.0

(a) Including the credit for Leumi Card, which has been classified as a held-for-sale asset since March 31 2018. For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

2. Following are the changes in the main off balance sheet items:

	September 30	December 31	Change	
	2018	2017	From December	From
	In NIS millions		In %	
Documentary credit, net	**1,300**	1,202	8.2	8.0
Loan guarantees, net	**5,186**	5,400	(4.0)	(0.3)
Guarantees for home buyers, net	**18,151**	19,297	(5.9)	(5.0)
Guarantees and other commitments, net	**15,714**	15,702	0.1	2.6
Derivative instruments[(a)]	**749,455**	635,790	17.9	9.6
Options - all types	**296,323**	155,751	90.3	+

A. Including forward transactions, financial swap contracts, futures and credit derivatives.
For more information, please see Note 11.

3. Following are the changes in customers' off-balance-sheet financial assets in the Leumi Group:

	September 30	December 31		
	2018	2017	Change	
	In NIS millions		In NIS millions	In %
Securities portfolios[a]	**770,557**	692,085	78,472	11.3
Assets for which operating services are provided:[a][b][c]				
Mutual funds	**47,340**	51,425	(4,085)	(7.9)
Provident and pension funds	**140,202**	118,564	21,638	18.3
Study funds	**124,067**	112,356	11,711	10.4

A. Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.
B. The Group does not manage mutual funds, provident funds and study funds in Israel.
C. Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.

Net Loans to the Public

Net loans to the public in the Leumi Group, including Leumi Card's outstanding credit - which is classified as of March 31 2018 as a held-for-sale asset - totaled as at September 30 2018 NIS 276.0 billion versus NIS 268.0 billion as at the end of 2017, a 3.0 percent increase over December 31 2017.

It should be noted that the exchange rate changes of all foreign currencies against the shekel contributed to a 0.6 percent increase in the total loans to the public, including the outstanding credit balance of Leumi Card - which is classified as a held-for-sale asset.

In addition to loans to the public, the Group invests in corporate securities, which total - as at September 30 2018 - NIS 16,002 million compared to NIS 13,241 million as at the end of 2017, and which also embody credit risk.

Following are the changes in loans to the public, after provision for loan losses by main economic sectors:

	September 30	December 31			Change net of exchange rate differentials
	2018	2017	Change		
	In NIS millions			In %	
Individuals - housing loans	**79,486**	77,506	1,980	2.6	2.5
Individuals – other	**35,946**	36,778	(832)	(2.3)	(6.1)
Construction and real estate	**56,692**	52,729	3,963	7.5	7.2
Commercial	**28,507**	26,923	1,584	5.9	6.0
Industry	**20,318**	19,263	1,055	5.5	5.1
Other	**55,041**	54,753	288	0.5	0.3
Total	**275,990**	267,952	8,038	3.0	2.5
Less balances classified as held-for-sale assets[a]	**8,310**	-			
Total	**267,680**	267,952			

A. For information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

For more information regarding changes in loans and credit risk by economic sector, please see the section entitled "Credit Risk".

Problem Credit Risk

Following is the problem credit risk after specific and general provisions:

	September 30 2018			December 31 2017		
	Balance-sheet	Off balance-sheet	Total	Balance-sheet[b]	Off balance-sheet	Total
	In NIS millions					
Impaired credit risk, net	**2,349**	**77**	**2,426**	2,923	100	3,023
Substandard credit risk, net	**361**	**52**	**413**	719	49	768
Credit risk under special supervision, net	**2,616**	**839**	**3,455**	2,510	876	3,386
Less problem credit risk classified as held-for-sale assets[a]	**(302)**	**(16)**	**(318)**	-	-	-
Total	**5,024**	**952**	**5,976**	6,152	1,025	7,177

	September 30 2018	December 31 2017[b]
	In NIS millions	
Problem credit risk - commercial	**5,962**	6,850
Problem credit risk - retail	**1,850**	1,697
Less problem credit risk classified as held-for-sale assets[a]	**(377)**	-
Total	**7,435**	8,547
Balance of loan loss provision	**1,518**	1,370
Less outstanding loan loss provision classified as held-for-sale assets[a]	**(59)**	-
Problem debt after loan loss provision	**5,976**	7,177

A. For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.

B. Reclassified. For more information, please see Note 6.

For more information regarding problem debt, please see the section entitled “Credit Risk” and Note 13.

Reclassification of credit risk in respect of loans to individuals (excluding housing loans) and loans to small businesses

It should be noted that following the assimilation of a designated system for handling problem debt, a new module was developed recently to improve automated identification of restructured debt in lieu of adequate or problem debt. As a result, the Bank revised its restructured loans amount.

Following the above, as part of the notes to the financial statements as at September 30 2017 and December 31 2017, the outstanding balances of loans to individuals (excluding housing loans) and loans to small businesses were reclassified from non-problem debt to problem debt. A total of NIS 283 million and a total of NIS 282 million were reclassified in respect of loans to individuals, gross (excluding housing loans), respectively. A total of NIS 275 million and a total of NIS 273 million were reclassified in respect of loans to small businesses, respectively.

The total reclassified amount in respect of gross impaired debts for loans to individuals was NIS 270 million as at September 30 2017 (of which NIS 206 million was reclassified from non-problem debts and NIS 64 million from unimpaired problem debts) and a total of NIS 265 million as at December 31 2017 (NIS 205 million was reclassified from non-problem debt and NIS 60 million was reclassified from unimpaired non-problem debts). The total reclassified amount in respect of gross impaired debts for loans to small businesses was NIS 325 million as at September 30 2017 (of which NIS 211 million was reclassified from non-problem debts and NIS 114 million from unimpaired problem debts) and a total of NIS 317 million as at December 31 2017 (NIS 209 million was reclassified from non-problem debt and NIS 108 million was reclassified from unimpaired non-problem debts). Please see also Note 6.

It should also be noted that, as a result, the loan loss provision was revised during the first quarter of the year. The effect of the revision on the financial performance for the first nine month of the year is immaterial.

Securities

As at September 30 2018, the Group's investments in securities amounted to NIS 76.9 billion, compared to NIS 77.3 billion at the end of 2017, a 0.6 percent decrease.

The Group's securities are divided into three classes: held-for-trading, available-for-sale and held-to-maturity securities.

Securities purchased by the Bank are classified either to the held-for-trading, available-for-sale or held-to-maturity portfolio on the date of their purchase, according to the manner in which the Bank intends to use the securities. Securities purchased for trading purposes (or for the purpose of hedging other components of the held-for-trading portfolio) or market making purposes are classified as held-for-trading; securities purchased as part of managing the Bank's assets and liabilities are classified as available-for-sale; and securities purchased to be held until maturity are classified as held-to-maturity.

Held-for-trading securities are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is recorded in the income statement. Available-for-sale securities are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is stated in equity, under other comprehensive income, as a separate line item entitled “Adjustments in respect of presentation of available-for-sale securities at fair value" less related tax. In any case of an other-than-temporary impairment, the difference is charged to profit and loss. Held-to-maturity securities are stated in the balance sheet at amortized cost.

Following is the classification of the securities item in the consolidated balance sheet:

	September 30 2018				December 31 2017			
	Held-to-maturity securities	Available-for-sale securities[(a)]	Held-for-trading securities[(b)]	Total	Held-to-maturity securities	Available-for-sale securities[(a)]	Held-for-trading securities[(b)]	Total
	In NIS millions							
Bonds								
Of the Israeli government	1,433	30,498	4,567	36,498	35	36,633	3,204	39,872
Of foreign governments	-	9,640	55	9,695	-	10,755	82	10,837
Of Israeli financial institutions	-	12	127	139	-	11	90	101
Of foreign financial institutions[(c)]	-	11,913	144	12,057	-	9,653	142	9,795
Asset-backed (ABS) or mortgage-backed (MBS)	1,212	9,270	264	10,746	353	8,529	268	9,150
Of other Israeli entities	-	187	242	429	-	70	111	181
Of other foreign entities	857	2,871	221	3,949	478	2,352	299	3,129
Shares and mutual funds	-	3,343	5	3,348	-	2,927	1,307	4,234
Total - securities[(d)]	3,502	67,734	5,625	76,861	866	70,930	5,503	77,299

(a) Including unrealized gains (losses) from fair value adjustments in the amount of NIS (342) million recorded in other comprehensive income (December 31 2017 - NIS 146 million).
(b) Including unrealized gains (losses) from fair value adjustments in the amount of NIS (17) million recorded in profit and loss (December 31 2017 - NIS 9 million).
(c) Most bonds of foreign financial institutions are rated Supranational or are state-backed.
(d) For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.

As at September 30 2018, approximately 88.1 percent of the Group's nostro (own) portfolio was classified as available-for-sale and 7.3 percent - as held-for-trading. Approximately 4.4 percent of the securities’ value are investments in corporate shares that are not equity-accounted, but rather stated at cost or according to the share price.

For more information regarding the value of securities by type of measurement, please see Note 15A.

Available-for-sale portfolio

1. In the first nine months of 2018, there was a NIS 401 million decrease (before tax) in other comprehensive income in respect of available-for-sale securities, compared with an increase of NIS 256 million (before tax) in the corresponding period last year.
2. In the first nine months of 2018, net losses on the sale of available-for-sale bonds amounting to NIS 7 million were stated in profit and loss, compared with net gains of NIS 82 million in the corresponding period last year, and net gains on investments in available-for-sale shares in the amount of NIS 98 million, compared with NIS 88 million in the corresponding period last year-.

The net accumulated balance of fair value adjustments of available-for-sale securities as at September 30 2018 totaled a negative NIS 188 million (after tax) compared with a positive NIS 75 million as at the end of 2017. These amounts represent net unrealized gains (losses) as at the reporting date.

For information regarding fair value adjustments of available-for-sale securities recognized in equity, please see Note 5.

Held-for-trading portfolio

As at September 30 2018, the held-for-trading portfolio has NIS 5.6 billion in bonds, compared with NIS 4.2 billion as at December 31 2017. As at September 30 2018, the held-for-trading portfolio constitutes 7.3 percent of the Group's total nostro portfolio, compared with 7.1 percent as at December 31 2017.

In the first nine months of 2018, realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 30 million were recorded in the income statement, compared with losses of NIS 78 million in the same period last year.

For more information on the portfolio's composition, please see Note 5.

Investment in foreign securities

A. Investment in foreign asset-backed securities

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to NIS 10.7 billion (about $3.0 billion) as at September 30 2018, compared to NIS 9.2 billion as at the end of 2017. Out of the above portfolio, as at September 30 2018, NIS 9.3 billion (about $2.6 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of September 30 2018, the available-for-sale foreign asset-backed securities, including investment in mortgage-backed bonds, totaled NIS 7.1 billion. 97 percent of all asset-backed mortgages in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and, as of the reporting date, are rated AAA.

As of September 30 2018, the total net decrease in value from mortgage-backed bonds charged to shareholders' equity was NIS 223 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 479 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 3.9 years (average duration). In addition to the mortgage-backed bonds, the Group's available for sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 2.2 billion, of which CLO bonds account for NIS 1.5 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.6 years.

For more information on investment in asset-backed bonds, please see Note 5.

B. Investment in foreign non-asset-backed securities

As of September 30 2018, the Group's securities portfolio includes NIS 31.3 billion ($8.6 billion) in foreign non-asset-backed securities. Out of the above portfolio, NIS 29.3 billion (about $8.1 billion) is classified to the available-for-sale portfolio and the remainder - to the available-for-trade and held-to-maturity portfolios. 98.6 percent of the total securities are investment grade and include mainly securities of the US government, banks and financial institutions as well as bonds of investment grade corporations, and the remainder are mainly securities issued by the Israeli government.

For more information regarding exposure to foreign financial institutions, please see the section entitled "Credit Risk".

As of September 30 2018, the total accumulated impairment of share capital in respect of foreign non-asset backed securities in the available-for-sale portfolio was NIS 207 million (i.e., NIS 136 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 88.9 percent of the securities in the held-for-trading portfolio are investment-grade.

As at September 30 2018, the value of the non-asset-backed held-for-trading portfolio was NIS 0.4 billion ($0.1 billion). The difference between the fair value and the amortized cost, if any, is recorded in the income statement.

Investments in bonds issued in Israel

As at September 30 2018, investments in bonds issued in Israel amounted to NIS 34.3 billion, of which NIS 33.7 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. 35.0 percent of corporate bonds investments - which constitute NIS 0.2 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 0.2 billion - include a positive capital reserve of NIS 5 million.

All corporate bonds in the held-for-trading portfolio are listed and traded on the stock exchange.

Investments in shares and funds

As at September 30 2018, investments in shares and funds totaled NIS 3,348 million, of which NIS 2,311 million was tradable and NIS 1,037 million - non-tradable. Of the total investment, NIS 3,343 million is classified to the available-for-sale portfolio and NIS 5 million - to the held-for-trading portfolio.

As at September 30 2018, the capital required in respect of these investments is NIS 460 million.

For more information, please see Note 5.

Deposits from the Public

As at September 30 2018, the public's deposits with the Group amounted to NIS 358.9 billion, compared to NIS 362.5 billion at the end of 2017, a 1.0 percent decrease and a 2.5 percent increase compared to September 2017.

The change in the shekel exchange rates against all foreign currencies increased the public's total deposits by 1.2 percent, so that net of the change, the public's deposits would have decreased by 2.2 percent.

Bonds, Capital Notes and Subordinated Notes

As at September 30 2018, bonds, capital notes and subordinated notes amounted to NIS 17.8 billion, compared to NIS 15.6 billion at the end of 2017, a 14.3 percent increase and a 8.5 percent increase compared to September 2017.

Shelf prospectus and bond issue

On May 25 2018, the Bank published a shelf prospectus in accordance with a permit received by the Israel Securities Authority.

According to a shelf prospectus dated June 19 2018, the Bank issued, on June 21 2018, a total of NIS 1.29 billion in bonds Series 179 The bonds are repayable in two equal payments on June 30 2024 and June 30 2026. The bonds are linked to the Consumer Price Index and carry an annual interest rate of 0.83 percent, payable annually on June 30 of each year from 2019 to 2026 (inclusive).

The Series 179 bonds are not recognized for regulatory capital purposes.

According to a shelf prospectus dated July 5 2018, the Bank issued, on July 8 2018, a total of NIS 613.8 million in subordinated notes Series 401 and a total of NIS 209.1 million in subordinated notes Series 402.

The subordinated notes Series 401 are repayable by a lump sum on July 31 2028 with an early repayment option for the issuer, not before July 31 2023 and no later than August 31 2023. The subordinated bonds are linked to the Consumer Price Index, carry a fixed annual interest rate of 1.64 percent until the July 31 2023. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest decision date.

The subordinated notes Series 402 are repayable by a lump sum on July 31 2033 with an early repayment option for the issuer, not before July 31 2024 and no later than August 31 2028. The subordinated bonds are linked to the Consumer Price Index, carry a fixed annual interest rate of 2.78 percent until the July 31 2028. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest decision date.

If circumstances of a trigger event (a trigger event for non-occurrence or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the subordinated bonds shall be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set floor rate (NIS 10.9025 per share), the highest of the two.

These subordinated bonds (Series 401 and 402) are eligible for inclusion in Tier 2 as of the issue date.

Capital and Capital Adequacy

Equity attributable to the Bank's equity holders totaled NIS 34,759 million on September 30 2018 compared with NIS 33,167 million as at the end of 2017, a 4.8 percent year-on-year increase. The increase stems mainly from the net income for the period and from other comprehensive income on the back of a decrease in the negative adjustments in respect of an increase the capitalization interest rate. The increase was partially offset by a dividend distribution during the period and the Bank's share buyback plan.

This capital serves as the basis for calculating the regulatory capital which, in turn, is used to calculate the Bank's capital adequacy ratio with the addition of capital instruments and regulatory adjustments as set out in the Supervisor of Banks, Proper Conduct of Banking Business Directive No. 202.

The ratio of equity to balance sheet reached 7.7 percent on September 30 2018, compared with 7.4 percent on December 31 2017.

Capital Adequacy Structure

	September 30		December 31
	2018	2017	2017
	In NIS millions		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments	**35,450**	34,180	34,653
Tier 2 capital, after deductions	**10,827**	11,166	10,811
Total capital	**46,277**	45,346	45,464
Balance of risk-weighted assets[(a)]			
Credit risk	**288,449**	275,318	277,344
Market risk	**4,059**	5,018	4,464
Operational risk	**22,485**	20,867	21,484
Total balance of risk-weighted assets	**314,993**	301,203	303,292
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk components	**11.25%**	11.35%	11.43%
Total capital ratio to risk components	**14.69%**	15.05%	14.99%

(a) For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

Regulatory capital structure

In May 2013, the Banking Supervision Department published the final directives for the implementation of Basel III in Israel, by amending Proper Conduct of Banking Business Directives Nos. 201-211. The directives went into effect on January 1 2014, subject to the transitional provisions included in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 299.

Pursuant to the directives, the Group's capital components for the purpose of calculating capital adequacy are attributed to two tiers:

1. Tier 1 Capital, including Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital.
2. Tier 2 Capital.

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

Common Equity Tier 1 capital and Additional Tier 1 capital

Common Equity Tier 1 capital includes the banking corporation' shareholders' equity, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments and additional deductions.

Additional adjustments to Common Equity Tier 1 Capital arising from the implementation of operational efficiency plans and the method of calculating the discount rate for the employee benefits liability, as detailed below.

Additional Tier 1 Capital includes capital instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. The Leumi Group has no capital instruments in this tier.

Tier 2 Capital

Tier 2 capital mainly includes capital instruments and the balance of the Group's loan loss provisions, subject to the ceiling prescribed by the directives.

Capital instruments included in Tier 2 Capital at December 31 2013, are subject to transitional provisions and a recognition ceiling, such that the amount actually recognized in respect thereof is the lower of the amortized amount of the instruments and the recognition ceiling based on the balance of capital instruments included in Tier 2 Capital as at December 31 2013, which is amortized at the beginning of each year by 10 percent until January 1 2022. The recognition ceiling for 2018 is 40 percent.

From the beginning of 2014, capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. To be included in capital, the main criteria that the instrument must include are as follows: (1) a mechanism for absorbing reserve losses by way of conversion to ordinary shares or amortization of the instrument when the banking corporation's Common Equity Tier 1 capital ratio falls below 5 percent; (2) a clause determining that, on the occurrence of the defining event for non-viability (as defined in Appendix E to Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

For a description of the main features of regulatory capital instruments which have been issued, please see the Bank's website: www.leumi.co.il under About us > Financial information > Disclosure under Pillar 3 of the Basel Accord and Additional information on risks.

Restrictions on capital structure

The following restrictions were provided in Proper Conduct of Banking Business Directive No. 202:

For more information regarding the structure of regulatory capital and restrictions thereon, please see the 2017 Annual Report of the Board of Directors and Management.

Capital Adequacy

The capital ratios are calculated as the ratio of capital to the risk-weighted assets. The Common Equity Tier 1 capital ratio is calculated as the ratio of Common Equity Tier 1 Capital and the risk-weighted assets, and the total capital ratio is calculated as the ratio of total capital to the risk-weighted assets.

The Bank of Israel's capital adequacy targets:

Under Proper Conduct of Banking Business Directive No. 201, Capital Measurement and Adequacy - Introduction, Application and Calculation of Requirements, a large banking corporation whose consolidated balance sheet assets total at least 20 percent of the Israeli banking system's total balance sheet assets, is required to meet a Common Equity Tier 1 capital ratio of at least 10 percent and a total capital ratio of at least 13.5 percent, beginning on January 1 2017. This requirement applies to Leumi.

Additionally, under Amendment to Proper Conduct of Banking Business Directive No. 329, Restrictions on Granting Housing Loans, the banking corporation is required to increase its Common Equity Tier 1 Capital target and total capital target by a rate which reflects 1 percent of the outstanding balance of its housing loans. The effect of this requirement on the capital ratio in the reporting period is 0.25 percent.

As a result, the minimum capital requirements applicable to the Bank as of September 30 2018 are 10.25 percent for the Common Equity Tier 1 capital ratio and 13.75 percent for the total capital ratio.

The Bank’s capital planning and capital adequacy targets:

The Leumi Group’s capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and resulting capital adequacy. Capital planning is approved by the Bank’s management and Board of Directors and takes into account the various P&L centers of the Group and other factors that affect the Bank's compliance with the capital requirements, such as: Profit forecasts, changes in other comprehensive income, regulatory adjustments, the effect of the transitional provisions and the rate of increase in risk-weighted assets. The capital ratios forecast is also subjected to various sensitivity tests and stress scenarios.

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group set targets it would like to meet in case of a stress scenario event.

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank’s Board of Directors approved an increase in the Bank’s internal Tier 1 capital target to 10.5 percent, as of December 31 2017.

Adjustments to Common Equity Tier 1 capital:

Measurement of the employee benefits liability

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the fact that the liability is measured in accordance with market interest rates which are at historical lows, and also due to the considerable volatility that such measurement generates in the Bank’s regulatory capital.

In July 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the capitalized interest to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the capitalized interest is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the financial statements as at December 31 2020 (inclusive). The method change significantly moderates the volatility of the Bank's regulatory capital resulting from changes in the capitalization interest rate.

For more information regarding the capitalization methodology, please see “Accounting Policies and Estimates on Critical Issues”.

Relief for operational efficiency plans

In January 2016, the Banking Supervision Department published a circular, *Operational Efficiency of the Banking System in Israel*. Pursuant to this circular, a banking corporation which meets the prescribed conditions will be granted a relief, according to which it may spread the effect of the plan on the capital adequacy and leverage ratios on a straight-line basis, over a period of five years.

In June 2016, the Bank’s Board of Directors approved an efficiency plan, for a total cost of NIS 438 million (after tax). As of September 30 2018, 45 percent of the plan’s costs are attributable to regulatory capital.

In June 2017, the Banking Supervision Department published an additional letter titled Increasing operational efficiency of the banking system in Israel - increasing efficiency in real estate.” The letter extended the relief in respect of increasing manpower efficiency to the end of June 2018.

In July 2017, the Bank’s Board of Directors approved an additional efficiency plan, for a total cost of NIS 204 million (after tax). As of September 30 2018, 25 percent of the plan’s costs are attributable to regulatory capital.

In September 2018, the Banking Supervision Department published a letter regarding the extension of the validity of the two letters by 18 additional months, until December 31 2019, in an effort to allow for additional efficiency plans.

Regulatory and other changes in measuring the capital requirements

Developments in measuring capital adequacy in the directives of the Basel Committee on Banking Supervision

In December 2017, the Basel Committee on Banking Supervision completed its revision of the overall capital adequacy framework. As part of the revisions, also known as Basel IV, significant revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. Inter alia, changes were made in the method of calculating capital requirements according to the standardized approach to credit risk, a uniform standardized approach was prescribed with regard to operating risk, and changes were made in the measurement of market risks. Under the rules of the Basel Committee, these changes are due to take effect gradually from January 1 2022 to January 1 2027. Presently, the Bank does not know how and when these rules will be adopted by Israel's Banking Supervision Department.

Circulars on amendment of Proper Conduct of Banking Business Directives following the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (the "Strum Law")

In July 2018, the Bank of Israel published circulars on amendment of Proper Conduct of Banking Business, with the objective of granting the credit companies relief immediately following their split from the banks. According to one of the amendments, the banks would weight credit granted to credit card companies similarly to credit granted to banks.

For more information regarding the principal amendments proposed by the draft, please see the section entitled "Laws and Regulations Governing the Banking System".

Draft revision of Proper Conduct of Banking Business Directive No. 332 on Buybacks by banking corporations

On July 16 2018, the Bank of Israel published a draft for public comment for the revision of Proper Conduct of Banking Business Directive No. 332 on Buybacks by banking corporations/ The draft revokes the prohibition on performing buybacks and allows banking corporations to purchase their own shares subject to certain terms and conditions. The draft also includes a revision of the restrictions applicable to granting loans with securities issued by the banking corporation as collateral.

Draft revision of Proper Conduct of Banking Business Directive No. 203 (Measurement and Capital Adequacy - Credit Risk - The Standard Approach) and Proper Conduct of Banking Business Directive No. 313, Limitations on Indebtedness of a Borrower and a Group of Borrowers

On November 1 2018, the Bank of Israel published a draft revision of Proper Conduct of Banking Business Directives 203 and 313. According to the draft, the conversion coefficient for loans on collateral for guaranteeing investments of apartment buyers granted pursuant to the Sale Law (Apartments), 1974, shall be 30 percent in lieu of 50 percent if the apartment has yet to be delivered to the buyer.

Sale of 15 percent of BLC

On May 22 2018, the deal for incorporating strategic partners into BLUSA was completed. Under the terms and conditions of the agreement, each of the partners acquired 7.5 percent of the share capital of Bank Leumi Corporation, an American corporation through which the Bank holds a controlling interest in BLUSA. Under the terms and conditions of the agreement, the consideration paid for the sold shares was $141 million. The transaction was accounted for as a capital transaction and the difference between the consideration and the minority's share in the capital was stated directly in capital.

For more information, please see the section entitled “Major Investee Companies -Bank Leumi USA”.

Sale of Leumi Card Ltd.

According to the provisions of the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017, the Bank is required to sell its interest in Leumi Card Ltd. until February 1 2020. On July 28 2018, an agreement was signed between the Bank and Azrieli (hereinafter: the "Sellers") and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus (hereinafter: the "Acquirer"), for the sale of the Bank’s entire interests in Leumi Card. The agreement includes several conditions precedent, including obtaining the regulatory approval required under law.

For more information, please see the section entitled “Major Investee Companies - Leumi Card” and Note 16F.

Following is a sensitivity analysis of the main factors affecting the capital adequacy of the Leumi Group:

- Change in the volume of risk-weighted assets – Leumi's risk-weighted assets amounted to NIS 315 billion at the end of September 2018. Every 1 percent increase in risk-weighted assets (about NIS 3 billion) will reduce the Common Equity Tier 1 capital ratio by 0.11 percent, and the total capital ratio by 0.15 percent.
- Accrued profit or a change in the capital reserve – Leumi's Common Equity Tier 1 Capital was NIS 35.5 billion at September 30 2018. Total capital amounts to NIS 46.3 billion. Accrual of net income and/or positive change in the capital reserve of each NIS 1 billion will improve the Common Equity Tier 1 capital ratio and the total capital ratio by 0.32 percent.
- Liabilities for employee benefits – The actuarial liability for employees is discounted according to an eight-quarter moving average of market yields, which are affected by the Government of Israel’s bond curve and by the U.S. AA corporate bond spread. A change of 0.1 percent across the discount rate curve, under the assumption that the curve rises and falls uniformly, means a cumulative effect of 0.07 percent on the Common Equity Tier 1 capital ratio and total capital ratio. Of which, according to a moving average calculation for eight quarters, an increase of 0.01 percent in the Common Equity Tier 1 Capital ratio and the total capital ratio for the current quarter.

The above information regarding capital adequacy and its management refers to the Bank's future activities and constitutes "forward-looking information." For the meaning of the term, please see under “Forward-looking information“.

Dividend distribution policy

On March 29 2017, the Bank's Board of Directors approved a dividend distribution policy, effective as of the publication date of the financial statements for the first quarter of 2017. Pursuant to said policy, each quarter, the Bank will distribute a dividend constituting 20 percent of the Bank's net profit according to the Bank's financial statements for the previous quarter, and subject to, among other things, the Bank complying with its capital adequacy targets after the dividend distribution.

On November 20 2017, the Bank's Board of Directors approved a change in the Bank's dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 40 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions of the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

In accordance with the revised policy, on November 12 2018, the Board of Directors approved, in respect of Q3 2018, a dividend of 40 percent of the net income of the quarter. The dividend approved amounted to NIS 375 million, which is 25.04 agorot per share of NIS 1 par value. The Board of Directors designated November 27 2018 as the record date for purposes of payment of the dividend and March 10 2018 as the payment date. The final dividend amount per share is subject to changes due to the Bank's share buyback plan.

Details on paid dividend

Announcement date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
May 25 2017	June 22 2017	8.17	124
August 15 2017	September 11 2017	11.50	175
November 21 2017	December 21 2017	21.51	328
March 6 2018	March 28 2018	22.41	342
May 24 2018	June 19 2018	19.18	292
August 14 2018	September 6 2018	23.96[1]	361

The Bank's Share Buyback Plan

Following the information contained in the financial statements of the first quarter and second quarter of 2018 regarding the Bank's preparations for carrying out a share buyback in the amount of up to NIS 700 million - by way of the safe harbor protection mechanism published by the Israel Securities Authority (Legal Position No. 199-8) - and that on August 2 2018, the first phase of the buyback was completed according to the said plan, in which 13,667,294 shares amounting to NIS 303 million were purchased through an external member of the Tel Aviv Stock Exchange (TASE), and the second phase (which began in mid-August), the Bank remitted NIS 397 million (hereinafter: the "Balance") to the external member of the TASE for the purpose of carrying out the net phase of the buyback according to plan:

Under the second phase and until November 8 2018, the Bank purchased (through the said external member of the TASE) 14,348,602shares in the amount of NIS 339 million. Under the said plan, a total of 28,015,896 shares were purchased in the amount of NIS 642 million (as of November 8 2018). The Balance remitted to the external member of the TASE under the second phase will serve it to continue executing the purchases under the terms of the plan, until the earliest of any of the following: (a) March 31 2019; (b) Upon completion of the buyback phase in the total Balance amount; (c) A legal impediment to the continued validity of the agreement with the Stock Exchange member; (d) The Bank's announcement whereby it no longer meets the Bank of Israel's capital adequacy conditions necessary to conduct the buyback.

1 Further to the supplementary report dated August 27 2018.

Operating Segments - Management Approach

Operating segments reporting according to management's approach presents the Bank's results by business line, in accordance with the Bank's organizational structure. The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

For more information regarding the business lines according to management approach, please see under "Operating Segments" in the 2017 annual report.

Following is a summary of financial performance according to management's approach:

	For the three months ended September 30 2018											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium and Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mercial	Business	Real estate	Capital markets	Other & adjust-ments			
Interest income (expense), net	507	334	232	1,073	290	150	134	179	(2)	98	274	2,196
Noninterest income	336	123	1	460	98	48	77	323	53	380	64	1,503
Total income	843	457	233	1,533	388	198	211	502	51	478	338	3,699
Expenses (income) in respect of loan losses	44	79	12	135	8	5	(7)	1	(2)	22	36	198
Total operating and other expenses	687	289	62	1,038	161	72	41	82	223	229	219	2,065
Profit (loss) before tax	112	89	159	360	219	121	177	419	(170)	227	83	1,436
Tax income (expenses)	38	31	54	123	75	41	61	142	(16)	73	16	515
Net income (loss) attributable to the Bank's shareholders	74	58	105	237	144	80	116	280	(154)	174	59	936

	For the three months ended September 30 2017											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail Premium & Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mercial	Business	Real estate	Capital markets	Other & adjust-ments			
Interest income (expense), net	481	331	217	1,029	265	151	117	38	(7)	77	248	1,918
Noninterest income (expenses)	331	123	(2)	452	104	63	79	253	46	244	65	1,306
Total income	812	454	215	1,481	369	214	196	291	39	321	313	3,224
Expenses (income) in respect of loan losses	52	61	3	116	17	(23)	(140)	1	(4)	20	16	3
Total operating and other expenses	725	254	70	1,049	181	68	31	140	220	174	213	2,076
Profit (loss) before tax	35	139	142	316	171	169	305	150	(177)	127	84	1,145
Tax expenses (income)	12	49	50	111	60	59	108	53	(75)	38	22	376
Net income (loss) attributable to the Bank's shareholders	23	90	92	205	111	110	197	98	(102)	139	62	820

	For the nine months ended September 30 2018											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium & Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mercial	Busi-ness	Real estate	Capital markets	Other & adjust-ments			
Interest income, net	1,509	1,001	680	3,190	848	435	385	675	-	280	803	6,616
Noninterest income	1,010	372	3	1,385	304	155	232	488	115	890	217	3,786
Total income	2,519	1,373	683	4,575	1,152	590	617	1,163	115	1,170	1,020	10,402
Expenses (income) in respect of loan losses	151	192	21	364	(3)	(61)	(85)	4	(9)	70	34	314
Total operating and other expenses	2,083	831	198	3,112	524	219	104	276	681	648	652	6,216
Profit (loss) before tax	285	350	464	1,099	631	432	598	883	(557)	452	334	3,872
Tax expenses (income)	97	120	158	375	216	147	205	302	(146)	125	74	1,298
Net income (loss) attributable to the Bank's shareholders	188	230	306	724	415	285	393	586	(411)	330	247	2,569
Balance as at September 30 2018												
Loans to the public, net	29,608	26,620	80,574	136,802	37,211	34,462	23,580	4,549	5,669	495[(a)]	24,912	267,680
Deposits from the public	155,197	35,870	-	191,067	44,541	20,454	5,479	70,967	227	-[(b)]	26,140	358,875
Assets under management	178,990	20,010	-	199,000	24,070	19,965	1,090	504,074	27,069	288,867	18,031	1,082,166

(a) Excluding balances classified as held-for-sale assets in the amount of NIS 8,310 million.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 84 million.

	For the nine months ended September 30 2017											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium & Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mercial	Busi-ness	Real estate	Capital markets	Other & adjust-ments			
Interest income (expense), net	1,426	971	629	3,026	748	435	337	492	(3)	201	720	5,956
Noninterest income (expenses)	986	365	(1)	1,350	310	172	244	566	96	864	211	3,813
Total income	2,412	1,336	628	4,376	1,058	607	581	1,058	93	1,065	931	9,769
Expenses (income) in respect of loan losses	135	194	(4)	325	26	(88)	(175)	(15)	(18)	52	39	146
Total operating and other expenses	2,174	746	213	3,133	521	203	95	264	634	681	615	6,146
Profit (loss) before tax	103	396	419	918	511	492	661	809	(523)	332	277	3,477
Tax expenses (income)	36	139	147	322	179	172	232	285	(145)	93	82	1,220
Net income (loss) attributable to the Bank's shareholders	67	257	272	596	332	320	429	525	(378)	299	195	2,318
Balances as at September 30 2017												
Loans to the public, net	30,429	27,384	78,612	136,425	36,043	32,680	19,861	3,956	5,679	8,804	22,910	266,358
Deposits from the public	155,718	35,544	-	191,262	41,736	20,901	5,484	66,043	73	88	24,614	350,201
Assets under management	169,634	18,880	-	188,514	24,693	21,016	1,694	410,992	23,112	245,875	18,842	934,738

	For the year ended December 31 2017											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium & Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mercial	Busi-ness	Real estate	Capital markets	Other & adjust-ments			
Interest income, net	1,923	1,308	843	4,074	1,014	581	461	668	-	279	969	8,046
Noninterest income	1,320	492	5	1,817	407	227	325	877	371	1,113	291	5,428
Total income	3,243	1,800	848	5,891	1,421	808	786	1,545	371	1,392	1,260	13,474
Expenses (income) in respect of loan losses	157	273	13	443	26	(72)	(316)	(13)	(27)	77	54	172
Total operating and other expenses	2,984	1,060	296	4,340	725	280	132	360	876	953	835	8,501
Profit (loss) before tax	102	467	539	1,108	670	600	970	1,198	(478)	362	371	4,801
Tax expenses (benefit)	36	163	189	388	235	210	340	420	(143)	89	153	1,692
Net income (loss) attributable to the Bank's shareholders	66	304	350	720	435	390	630	781	(335)	333	218	3,172

Balances as at December 31 2017												
Loans to the public, net	30,214	27,438	78,626	136,278	35,712	33,152	20,684	4,437	5,712	8,773	23,204	267,952
Deposits from the public	154,063	35,369	-	189,432	43,484	21,614	6,425	76,065	93	65	25,300	362,478
Assets under management	173,036	19,750	-	192,786	24,432	21,228	1,293	432,806	22,448	260,155	19,282	974,430

Regulatory operating segments

For more information regarding the business lines according to management approach, please see the section entitled “Regulatory Operating Segments” in the 2017 annual report.

	For the three months ended September 30 2018									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corporati ons	Institu-tionals	Financial manage-ment	Other		
Interest income, net	694	28	536	186	353	33	91	1	274	2,196
Noninterest income	426	43	201	78	156	49	472	14	64	1,503
Total income	1,120	71	737	264	509	82	563	15	338	3,699
Expenses (income) in respect of loan losses	75	-	61	7	28	(4)	(4)	(1)	36	198
Total operating and other expenses	894	31	383	131	119	64	59	165	219	2,065
Profit (loss) before tax	151	40	293	126	362	22	508	(149)	83	1,436
Tax Expenses	38	13	104	45	121	6	164	8	16	515
Net income (loss) attributable to the Bank's shareholders	99	27	188	81	240	16	380	(154)	59	936

	For the three months ended September 30 2017									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
Interest income (expense), net	633	28	521	171	315	18	(16)	-	248	1,918
Noninterest income	406	38	203	84	171	47	251	39	67	1,306
Total income	1,039	66	724	255	486	65	235	39	315	3,224
Expenses (income) in respect of loan losses	60	-	80	12	(165)	(9)	9	-	16	3
Total operating and other expenses	906	25	372	130	122	62	72	174	213	2,076
Profit (loss) before tax	73	41	272	113	529	12	154	(135)	86	1,145
Tax expenses (income)	6	14	103	41	190	3	41	(44)	22	376
Net income (loss) attributable to the Bank's shareholders	57	27	168	72	339	9	174	(90)	64	820

	For the nine months ended September 30 2018									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
Interest income, net	2,036	86	1,586	560	982	89	473	1	803	6,616
Noninterest income	1,244	124	616	245	465	148	660	67	217	3,786
Total income	3,280	210	2,202	805	1,447	237	1,133	68	1,020	10,402
Expenses (income) in respect of loan losses	188	-	225	(129)	(1)	(4)	6	(5)	34	314
Total operating and other expenses	2,606	91	1,172	405	363	202	205	520	652	6,216
Profit (loss) before tax	486	119	805	529	1,085	39	922	(447)	334	3,872
Tax expenses (income)	114	40	297	183	363	12	291	(76)	74	1,298
Net income (loss) attributable to the Bank's shareholders	332	79	506	345	720	28	680	(368)	247	2,569
Balance as at September 30 2018										
Loans to the public, gross[(a)]	105,401	468	59,829	26,206	60,968	1,253	-	-	25,239	279,364
Deposits from the public[(b)]	107,128	25,446	50,187	35,501	49,474	65,084	-	-	26,139	358,959
Assets under management	72,017	49,149	43,010	21,427	82,113	744,969	51,450	-	18,031	1,082,166

(a) Including outstanding balances classified as held-for-sale assets in the amount of NIS 8,462 million

(b) Including balances classified as held for sale liabilities in the amount of NIS 84 million.

	For the nine months ended September 30 2017									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
Interest income, net	1,875	69	1,514	498	888	51	341	-	720	5,956
Noninterest income	1,191	113	603	245	503	135	739	73	211	3,813
Total income	3,066	182	2,117	743	1,391	186	1,080	73	931	9,769
Expenses (income) in respect of loan losses	138	-	200	(13)	(208)	(6)	(4)	-	39	146
Total operating and other expenses	2,630	82	1,125	382	386	187	219	520	615	6,146
Profit (loss) before tax	298	100	792	374	1,213	5	865	(447)	277	3,477
Tax expenses (income)	87	35	273	132	425	1	293	(108)	82	1,220
Net income (loss) attributable to the Bank's shareholders	186	65	518	242	788	4	658	(338)	195	2,318
Balance as at September 30 2017										
Loans to the public, gross	104,136	430	59,185	25,951	55,302	1,303	-	-	23,277	269,584
Deposits from the public	106,803	26,009	47,222	33,024	49,968	62,563	-	-	24,612	350,201
Assets under management	72,956	44,684	38,923	18,944	81,548	620,564	38,277	-	18,842	934,738

	For the year ended December 31 2017									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	House-holds	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
Interest income, net	2,513	87	2,011	679	1,174	72	541	-	969	8,046
Noninterest income	1,607	154	802	326	673	179	1,026	370	291	5,428
Total income	4,120	241	2,813	1,005	1,847	251	1,567	370	1,260	13,474
Expenses (income) in respect of loan losses	178	-	249	(14)	(297)	2	-	-	54	172
Total operating and other expenses	3,659	117	1,546	530	541	264	299	710	835	8,501
Profit (loss) before tax	283	124	1,018	489	1,603	(15)	1,268	(340)	371	4,801
Tax expenses (income)	74	44	356	173	557	(5)	434	(94)	153	1,692
Net income (loss) attributable to the Bank's shareholders	178	80	661	316	1,045	(10)	927	(243)	218	3,172
Balance as at December 31 2017										
Loans to the public, gross	104,389	465	58,428	25,837	56,452	2,087	-	-	23,507	271,165
Deposits from the public	105,715	25,706	46,783	33,300	55,179	70,496	-	-	25,299	362,478
Assets under management	72,819	46,815	40,859	19,408	80,419	655,592	39,236	-	19,282	974,430

Major Investee Companies

Leumi Group operates both in Israel and overseas through subsidiaries, which are either banks or firms providing financing and financial services. In addition, the Group invests in corporations which do not engage in banking.

As of September 30 2018, the Bank's total investments in investee companies (including in capital notes) was NIS 11.6 billion, compared with NIS 11.5 billion as of December 31 2017, with the investee companies contributing NIS 601 million to the Group's net income in the first nine months of 2018, compared with NIS 484 million in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 7,505 million as of September 30 2018, compared with NIS 7,166 million as at December 31 2017. Their contribution to the Group's net income in the first nine months of 2018 was NIS 330 million, compared with NIS 299 million in the corresponding period last year, a 10.4 percent increase. The Group's return on investment in the Israeli consolidated subsidiaries was 7.2 percent in the first nine months of 2018, compared with 6.8 percent in the corresponding period last year.

Leumi Card Ltd.

The Bank holds, through wholly-owned corporations, 80 percent of Leumi Card Ltd. (hereinafter: "Leumi Card" or the "Company") with the Azrieli Group holding 20 percent of the Company's shares.

According to the provisions of the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017, the Bank is required to sell its interest in the company by February 1 2020.

Sale of the company

On July 28 2018 - in accordance with the provisions of the said Law and after reviewing the various alternatives, and following a procedure for the disposal of the Bank's interests in the company - an agreement was signed between the Bank and Azrieli (hereinafter: the "Sellers") and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus (hereinafter: the "Buyer"), for the sale of the Bank's entire interests in Leumi Card.

Following are the main points of the agreement:

1. The consideration to be paid to the Sellers for all of Leumi Card's shares is NIS 2.5 billion (with the Bank's share being NIS 2 billion).

2. Excluding adjustments for dividend distribution, if and when Leumi Card shall distribute dividends to its shareholders in the period until the transaction has been completed, the consideration amount shall not be adjusted.

3. The consideration amount shall be paid by three installments. Two deferred payments, which shall be completed after the completion date, shall be guaranteed by an autonomous bank guarantee (or an equivalent of an autonomous guarantee by an insurance company), which shall be delivered to the sellers at the completion date to guarantee the abovementioned payments.

   The payments shall be as follows:

   A. A total of NIS 1,047 million shall be paid on the transaction completion date.

   B. A total of NIS 342 million shall be paid 12 months after the transaction completion date.

   C. A total of NIS 1,111 million shall be paid 24 months after the transaction completion date.

4. The agreement includes several conditions precedent, including obtaining the regulatory approval required under law. A period of 3 months was set for meeting the conditions precedent, with an option to extend the period by an additional 3 months at the request of any of the parties, after which the Bank alone shall have the right to extend the period by an additional three months. In addition, a mechanism was set to shorten the period and cancel the agreement in the event that it becomes apparent that the regulatory approvals are not likely to

be obtained. If the transaction is not completed by December 31 2018, the entire consideration amount shall bear an annual interest rate of 8 percent from January 1 2019 until the transaction has been completed.

5. The agreement includes representations typical of company sale transactions, as well as an indemnification mechanism in respect of breach of representations. The reimbursement mechanism determines a 1.5 percent minimum for activating the mechanism and is restricted to a maximum total reimbursement rate of 10 percent of the transaction amount (excluding in respect of breach of material representations or in case of fraud).

6. The agreement includes an appendix which outlines the main finance terms and conditions the Bank shall grant Leumi Card for its ongoing activity following the completion of the transaction. Granting the loan is subject to a separate agreement between the Bank and Leumi Card and to obtaining the approval of the relevant competent organs at the Bank and Company.

As part of the negotiations with the Acquirer, the Bank has agreed to include several terms and conditions in the operating agreement to be signed between the Bank and Leumi Card (hereinafter: the "Operational Agreement"). In exchange to the Bank's agreement to include these conditions, the Bank shall be paid - six years from the effective date of the operating agreement - a total of NIS 50 million to NIS 128 million.

Subject to overachieving the results of Leumi Card outlined in the business model presented to the acquirer as part of the sale procedure, the Bank shall be paid - five years after the operation agreement came into effect - a total of NIS 145 million. Under certain circumstances, provided the Bank shall be eligible for the additional payment, the said payment may be postponed for a period of up to two years, and shall bear interest.

The Acquirer granted Leumi Partners, a wholly-owned subsidiary of the Bank, an option to acquire up to 20 percent of the corporation through which the Acquirer shall acquire Leumi Card, under the same terms and conditions in which the Acquirer shall acquire Leumi Card provided that were the option to be exercised, Leumi Partner's holding would be a passive financial holding, with no influence on directing the activity of the company. The exercise of the above option is subject, inter alia, to obtaining the necessary regulatory approvals. The exercise or non-exercise of the option as aforesaid or the completion of the transaction pursuant to the option shall not affect the execution of Leumi Card's sale agreement.

Subject to the completion of the transaction and under the assumption that the sale shall meet the necessary terms and condition for accounting recognition at the completion date, in light of receiving autonomous bank guarantees for the deferred payments, and taking into account the selling costs - including grants expected to be paid in connection with the transaction, the Bank is expected to record - based on the figures of June 30 2018 and excluding the contingent consideration - a net profit of NIS 234 million. The final profit to be recorded shall be determined at the transaction completion date based on Leumi Card's capital as at that date and subject to additional terms and conditions included in the agreement.

On August 1 2018, the Supervisor of Banks notified the Bank that the Bank of Israel opposes the exercise of the option given to Leumi Partners to acquire an additional 20 percent of the corporation through which the buyer shall acquire Leumi Card. The non-exercise of the option as aforesaid shall not affect the implementation of Leumi Card's sale agreement.

As aforesaid, the completion of the agreement is subject to meeting various conditions precedent. On October 28 2018, the date for meeting the conditions precedent prescribed in the agreement was extended by three months (for more information, please see the immediate report published by the Bank on October 29 2018, Ref. No. 2018-01-101664).

On September 16 2018, Leumi Card filed with the Israel Securities Authority a third prospectus draft for an IPO and a shelf prospectus. The terms of the IPO have not yet been set, and at this stage, it is impossible to assess whether such an IPO will actually take place.

On October 23 2018, Leumi Card raised NIS 1.13 billion in non-tradable bonds (Series A) from institutional entities, at a shekel interest rate of 2.19 percent. The fixed-rate shekel (Series A) bonds have a 3.1-year duration.

For more information regarding the preparations for applying the Law for Minimizing Market Concentration and Promoting Economic Competition (Legislative Amendments), 2017, please see the 2017 Annual Report section entitled "Major Investee Companies", Leumi Card and Note 10.

Regulation

During 2018, various provisions on debit cards were published, including regarding clearing dates of debit card transactions.

For more information, please see the section entitled "Laws and Regulations Governing the Banking System".

Agreement for the issue of credit cards to Shufersal customers

On August 29 2017, Shufersal Ltd. (hereinafter - "Shufersal") notified Leumi Card that it does not wish to renew the agreement for the issue of credit cards that has been in place since 2006 and, later on, Shufersal reported to the Tel Aviv Stock Exchange that it had signed a statement of principles with another company for the issue and operation of credit cards to the Shufersal club customers. Pursuant to the agreement between Shufersal and Leumi Card, the termination date of the agreement was January 18 2018, with Leumi Card continuing to operate the credit card club until the cards' expiry or cancellation by the customers, whichever the earlier.

In addition, on October 19 2017, Shufersal announced its intention to take steps to exercise a call option to purchase all of Leumi Card's holdings in Shufersal Finances according to a valuation of Shufersal Finances Limited Partnership Ltd. - which was responsible for the Shufersal credit cards - to be made by an agreed assessor. There are pending legal proceedings between Leumi Card and Shufersal regarding the option's validity and interpretation and the nature of the business asset which constitutes the object of the option.

Negotiations for acquisition of control

Leumi Card is in advanced negotiations to acquire control over a company offering B2B payment solutions. At this stage, it is uncertain whether the deal will materialize.

Leumi Partners Ltd.

On July 25 2018, Leumi Partners Ltd. completed the sale of its entire stake in Avgol Industries 1953 Ltd. (hereinafter: the "Company") to Indorama Ventures Spain S.L. – a privately held company incorporated in Spain. The sold shares represent 14.96 percent of the equity and voting rights. For the abovementioned transaction, the Bank recorded a pretax gain of NIS 121 million in its financial statements for the third quarter of 2018.

Following the information in the 2017 Annual Report regarding a transaction between Leumi Partners and Direct Insurance Financial Investments Ltd., the transaction shall not be completed, since the transaction's conditions precedent have not been met by July 31 2018.

On August 16 2018, Leumi Partners Ltd. entered into an agreement with Direct Insurance - Financial Investments Ltd., whereby Leumi Partners shall receive - by way of a private placement - ordinary shares of Financial Investments Ltd. of NIS 1 p.v. each in exchange for Leumi Partners' entire stake in Financial Investments Ltd. of the Direct Insurance of the Direct Insurance Group (2006) Ltd., constituting 19.23 percent of the issued and paid up share capital of Direct Financing. The completion of the transaction is subject to the fulfillment of conditions precedent, as is the practice, until December 31 2018 or a later date to be agreed upon by the parties. The Bank is expected to record a pretax gain of NIS 76 million in respect of the sale of Direct Insurance's shares. for more information, please see the immediate report dated August 16 2018.

Bank Leumi of Israel Trust Company Ltd.

On April 17 2018, the deal between the Bank and Hermetic for the sale of 75 percent of Trust Company's shares was completed. The finalized transaction did not have a material effect on the financial results.

Videa Investment Management of the Leumi Group Ltd.

On June 17, 2018, Videa Investment Management of the Leumi Group Ltd., a subsidiary wholly-owned by the Bank, received a license from the Israel Securities Authority to engage in investment portfolio management.

On October 8 2018, the Company commenced operations. The Company is a digital portfolio management company offering services to customers of all banks. In this framework, and pursuant to Proper Conduct of Banking Business Directives Nos. 367 and 462, the Company's customers will be given the option of signing an online power of appointment for portfolio management in favor of the Company, subject to the availability of the option in the banking corporation in which the customer's current account is being managed.

Foreign Consolidated Companies

The Bank’s total investments (including investments in capital notes) in foreign offices as of September 30 2018 totaled NIS 4,011 million compared with NIS 4,143 million as at the end of 2017.

In the first nine months of 2018, the foreign offices’ contribution to the Group's shekel net income was NIS 266 million, compared with a net income of NIS 183 million in the corresponding period last year.

For more information on lawsuits and other matters relating to the consolidated companies, please see Note 10 to the financial statements.

Bank Leumi USA

On January 22 2018, the Bank entered into two agreements to bring in strategic partners to Bank Leumi USA (BLUSA). Under the terms and conditions of the agreement, each of the partners acquired 7.5 percent of the share capital of Bank Leumi Corporation, an American corporation through which the Bank holds a controlling interest in BLUSA. On May 22 2018, the deal was finalized, after several preconditions set in the agreement were met. Under the terms and conditions of the agreement, the consideration paid for the sold shares was $141 million. The transaction was accounted for as a capital transaction and the difference between the consideration and the minority's share in the capital was stated directly in capital. For more information, please see the immediate report dated May 22 2018.

Bank Leumi Romania (BLROM)

On June 14 2018, Leumi signed a binding agreement with British investment fund Argo Capital Management Limited for the sale of the Bank's entire holdings in Bank Leumi Romania. The finalization of the transaction is subject to several preconditions, including regulatory approvals. The transaction is not expected to have a material effect on the Bank’s financial results. For more information, please see the immediate report dated June 14 2018.

Risk Exposure and Management Thereof

This section was written in great detail in the 2017 Annual Report of the Board of Directors and Management and in the 2017 Annual Risk Management Report. It should therefore be read in conjunction with these reports.

Managing risks and maximizing returns against them are fundamental to the Bank's business activity. The key risks managed by the Bank are financial ones: credit risks - which are integral to the Bank's core business, as well as market and liquidity risks. In addition, alongside these managed risks, the Bank's activities give rise to related risks, the management of which forms a crucial precondition to meeting the Group's immediate and long-term objectives. These risks include operational risks, such as technological and cyber risks, legal risks, regulatory risks, reputation risks, compliance risks, conduct risks and strategic risk.
The main objectives of Leumi's risk management are: to maintain the Group's stability and support the achievement of its business goals. These objectives are achieved while meeting the predefined risk appetite, the policy and the limitations deriving therefrom, which form the boundaries for the Bank's business activity. This framework is managed subject to adequate control and reporting mechanisms. The Bank continually upgrades its risk management infrastructure and analyzes the risk outlook, to enable informed decision-making.

During the reporting period, there have been no significant changes in the severity of the risk and threat factors in relation to the table included in the 2017 Annual Report.

Credit Risk

Credit provision and management are a core activity of the Bank and the Group.

Credit risk is the Bank's risk of loss as a result of the possibility that a borrower or counterparty fails to meet its agreed commitments towards the banking corporation.

Activities which increase credit risk include balance sheet credit risk and off-balance sheet credit risk, including: loans to the public, loans to banks, loans to governments, deposits with banks, investments in bonds, capital holdings, transactions in derivatives, guarantees, unutilized commitments to extend credit and unutilized credit lines.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311 and Proper Conduct of Banking Business Directive No. 314, including the accountability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department's directives, implementing corporate governance which includes three "lines of defense".

A group-level credit policy and credit risk paper is a prime expression of the Bank's credit risk strategy, outlining the framework and overarching principles for the policy papers of the Bank and each of the Group's subsidiaries in Israel and abroad. The paper also includes the credit boundaries, which are defined and managed at the group level.

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including adequacy of its provision for credit losses to cover losses embodied in the credit portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; credit granted to individuals; housing loans and leveraged credit.

During the reporting period, there was no significant change in the credit portfolio's risk profile.

For more information and details regarding developments in the credit portfolio and the qualitative indicators characterizing the portfolio, please see below in this section as well as in the Risk Management Report.

Problem credit risk and non-performing assets

	September 30 2018		
	Balance-sheet	Off balance-sheet	Total
	In NIS millions		
1. Problem credit risk:[a]			
Impaired credit risk	2,947	224	3,171
Substandard credit risk	517	58	575
Credit risk under special supervision[b]	3,138	928	4,066
Less problem credit risk classified as held-for-sale assets[c]	(361)	(16)	(377)
Total problem credit risk	6,241	1,194	7,435
Of which: Non-impaired debts, in arrears of 90 days or more[b]	982	-	982
2. Non-performing assets:			
Impaired debts	2,661	-	2,661
Assets received in respect of settled loan	10	-	10
Less impaired debts of balances classified as held-for-sale assets[c]	(37)	-	(37)
Total non-performing assets	2,634	-	2,634

	September 30 2017		
	Balance-sheet[d]	Off balance-sheet	Total
	In NIS millions		
1. Problem credit risk:[a]			
Impaired credit risk	3,750	282	4,032
Substandard credit risk	1,008	66	1,074
Credit risk under special supervision[b]	2,703	1,010	3,713
Total problem credit risk	7,461	1,358	8,819
Of which: Non-impaired debts, in arrears of 90 days or more[b]	836	-	836
2. Non-performing assets:			
Impaired debts	3,075	-	3,075
Assets received in respect of settled loan	14	-	14
Total non-performing assets	3,089	-	3,089

	December 31 2017		
	Balance-sheet[d]	Off balance-sheet	Total
	In NIS millions		
1. Problem credit risk:[a]			
Impaired credit risk	3,462	253	3,715
Substandard credit risk	915	52	967
Credit risk under special supervision[b]	2,915	950	3,865
Total problem credit risk	7,292	1,255	8,547
Of which: Non-impaired debts, in arrears of 90 days or more[b]	886	-	886
2. Non-performing assets:			
Impaired debts	2,716	-	2,716
Assets received in respect of settled loan	13	-	13
Total non-performing assets	2,729	-	2,729

Note: Balance-sheet and off-balance-sheet credit risk is stated before the effect of loan loss provision and the effect of collateral that is deductible for the purpose of specific and general indebtedness.

(a) Credit risk that is either impaired, substandard or under special supervision.

(b) Including for housing loans for which there is provision according to the delinquency period and housing loans for which there is no provision based on the delinquency period and which are in arrears of 90 days or more.

(c) For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.

(d) Reclassified. For more information, please see Note 6.

Following is a breakdown of credit risk indicators

	September 30		December 31
	2018[a]	2017[b]	2017[b]
	In %		
Percentage of impaired loans to the public out of outstanding loans to the public	**1.05**	1.38	1.27
Percentage of non-impaired loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.35**	0.31	0.33
Percentage of problem loans to the public out of credit risk including for loans to the public	**1.90**	2.22	2.15
Percentage of non-accrual impaired loans to the public (NPL) out of total credit to the public	**0.95**	1.14	1.00
Percentage of expenses in respect of loan losses out of the average outstanding balance of loans to the public	**0.12**	0.05	0.06
Percentage of net write-offs in respect of loans to the public out of average balance of loans to the public	**(0.07)**	(0.14)	(0.15)

(a) Including balances classified as held-for-sale assets. For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.
(b) Reclassified. For more information, please see Note 6.

Following is a breakdown of the loan loss provision risk indicators

	September 30		December 31
	2018[a]	2017[b]	2017[b]
	In %		
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding loans to the public	**1.4**	1.4	1.4
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding impaired loans to the public	**130.8**	99.7	107.0
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding impaired loans to the public and the outstanding balance of loans to the public in arrears of 90 days or more	**98.0**	81.4	85.2
Percentage of net write-offs in respect of losses for loans to the public out of the remaining balance of loan losses for loans to the public	**(5.3)**	(10.0)	(11.1)

(a) Including balances classified as held-for-sale assets. For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.
(b) Reclassified. For more information, please see Note 6.

Credit Concentration

Credit portfolio diversification among various economic sectors

To diversify the risk embodied in a high concentration in one sector, the Bank's credit portfolio is split between the various economic sectors. In relatively low risk sectors, we aim to reach a higher share than our share of the banking system.

The Bank's credit policy on various operating segments and economic sectors changes from time to time in accordance with the business environment, the Bank's business focus and risk appetite, as well as the Bank of Israel’s general and specific directives.

The Bank's Total Credit Risk to the Public by Industry

	September 30 2018									
	Total credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Loan losses[(d)]		
					Of which[1]:					
	Total	Credit performance rating[(f)]	Problem[(e)]	Total[1]	Debts[(b)]	Problem[(e)]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of borrower activity in Israel - Public-commercial										
Agriculture	2,078	1,996	82	2,077	1,753	82	39	(24)	-	(27)
Mining and quarrying	993	992	1	880	358	1	1	(2)	-	(1)
Industry	24,332	23,584	748	24,036	15,451	748	413	(22)	(51)	(464)
Construction & real estate - construction[(g)]	52,774	51,961	813	52,628	21,438	813	305	-	(2)	(346)
Construction & real estate - real estate activity	28,155	27,522	633	28,064	24,800	633	450	(87)	(81)	(381)
Power and water supply	4,411	4,001	410	4,320	2,781	410	218	31	1	(86)
Trade	29,227	28,467	760	29,096	24,639	758	316	81	112	(291)
Hotels, accommodation and dining services	3,215	3,102	113	3,204	2,765	113	94	20	(1)	(51)
Transportation and storage	7,841	7,483	358	7,776	6,349	358	69	19	19	(63)
Communications and IT services	5,566	5,495	71	5,325	3,829	71	34	(6)	(2)	(36)
Financial services	24,340	24,316	24	14,669	11,395	15	5	(9)	-	(180)
Business and other services	10,844	10,588	256	10,695	7,508	256	97	56	30	(184)
Public and community services	9,314	9,215	99	9,298	7,689	99	36	23	11	(77)
Commercial - total[(h)]	203,090	198,722	4,368	192,068	130,755	4,357	2,077	80	36	(2,187)
Individuals - housing loans	81,218	80,411	807	81,218	79,465	806	-	27	4	(467)
Individuals - other	64,617	63,638	979	64,612	36,086	979	372	161	125	(767)
Less balances classified as held-for-sale assets[(i)]	(19,742)	(19,365)	(377)	(19,743)	(8,462)	(377)	(37)	-	-	168
Total loans to the public - Activity in Israel	329,183	323,406	5,777	318,155	237,844	5,765	2,412	268	165	(3,253)
Banks in Israel	2,550	2,550	-	1,135	1,112	-	-	(2)	-	(1)
Less balances classified as held-for-sale assets[(i)]	(33)	(33)	-	(33)	(33)	-	-	-	-	-
Banks in Israel - Total	2,517	2,517	-	1,102	1,079	-	-	(2)	-	(1)
Government of Israel	38,034	38,034	-	72	72	-	-	-	-	-
Total activity in Israel	369,734	363,957	5,777	319,329	238,995	5,765	2,412	266	165	(3,254)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed

(b) or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 238,995, 36,999, 1,465, 3,226 and 89,049 million, respectively.

(c) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.

(e) Including for off-balance-sheet credit instruments (presented in the balance sheet under "Other liabilities").

(f) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(g) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(h) Including housing loans extended to certain purchasing groups currently in the process of construction.

(i) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 1,087 million extended to purchasing groups currently in the process of construction.

(j) For more information regarding the investee's held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16F.

	September 30 2018									
	Total credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Loan losses[(d)]		
					[1]Of which:					
	Total	Credit performance rating[(f)]	Problem[(e)]	Total[1]	Debts[(b)]	Problem[(e)]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of foreign borrower activity - Public-commercial										
Agriculture	83	83	-	83	59	-	-	-	-	-
Mining and quarrying	103	103	-	103	30	-	-	-	-	-
Industry	8,902	8,645	257	7,312	5,315	257	118	2	(1)	(42)
Construction and real estate[(g)]	14,247	13,287	960	13,747	11,091	960	364	16	10	(186)
Power and water supply	209	209	-	69	9	-	-	-	-	-
Trade	6,212	6,207	5	5,892	4,166	5	5	27	24	(33)
Hotels, accommodation and dining services	2,073	2,071	2	2,060	2,011	2	-	(6)	-	(14)
Transportation and storage	82	67	15	67	58	15	15	5	6	(1)
Communications and IT services	2,395	2,320	75	1,929	1,089	75	17	3	-	(30)
Financial services	18,760	18,684	76	3,133	2,347	76	76	(2)	-	(31)
Business and other services	7,277	7,073	204	6,192	5,456	204	83	6	(2)	(70)
Public and community services	519	519	-	517	330	-	-	(1)	-	(3)
Commercial - Total	60,862	59,268	1,594	41,104	31,961	1,594	678	50	37	(410)
Individuals - housing loans	529	499	30	529	494	30	30	(1)	-	(6)
Individuals - Other	647	613	34	647	603	34	4	(1)	-	(5)
Total loans to the public - Activity overseas	62,038	60,380	1,658	42,280	33,058	1,658	712	48	37	(421)
Foreign banks	33,886	33,886	-	9,022	8,189	-	-	-	-	-
Less balances classified as held-for-sale assets[(h)]	(34)	(34)	-	(34)	(34)	-	-	-	-	-
Foreign banks - Total	33,852	33,852	-	8,988	8,155	-	-	-	-	-
Foreign governments	10,706	10,706	-	1,010	570	-	-	-	-	-
Total activity outside Israel	106,596	104,938	1,658	52,278	41,783	1,658	712	48	37	(421)
Total	476,330	468,895	7,435	371,607	280,778	7,423	3,124	314	202	(3,675)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 41,783, 36,514, -, 6,601 and 21,698 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.

(d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “Other liabilities").

(e) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(f) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(g) Including housing loans extended to certain purchasing groups currently in the process of construction.

(h) For more information regarding the investee's held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16F.

	September 30 2017									
	Total credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Loan losses[(d)]		
					[1]Of which:					
	Total	Credit perfor-mance rating[(f)]	Problem[(e)]	Total[1]	Debts[(b)]	Problem[(e)]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of borrower activity in Israel - Public-commercial										
Agriculture	2,255	2,112	143	2,254	1,935	143	72	3	3	(54)
Mining and quarrying	922	921	1	899	427	1	-	-	-	(1)
Industry	23,002	21,672	1,330	22,734	15,364	1,611	1,132	97	139	(458)
Construction & real estate - construction[(g)]	49,327	47,949	1,378	49,219	17,987	1,465	309	75	33	(368)
Construction & real estate - real estate activity	27,207	26,325	882	27,110	24,082	799	664	(186)	(131)	(394)
Power and water supply	4,371	4,020	351	4,306	2,913	351	242	(7)	6	(53)
Trade	28,838	28,031	807	28,706	24,001	535	36	19	90	(248)
Hotels, accommodation and dining services	3,058	2,889	169	3,038	2,603	169	60	(4)	(5)	(28)
Transportation and storage	8,328	8,094	234	8,262	6,961	221	153	24	13	(58)
Communications and IT services	5,410	5,314	96	5,101	3,616	96	86	(33)	2	(33)
Financial services	20,346	20,314	32	13,433	10,555	11	4	(68)	(51)	(194)
Business and other services	10,229	10,099	130	10,208	7,516	130	55	24	34	(142)
Public and community services	8,928	8,859	69	8,905	7,563	69	25	17	13	(59)
Commercial - total[(h)]	192,221	186,599	5,622	184,175	125,523	5,601	2,838	2,215 (39)	146	(2,090)
Individuals - housing loans	79,141	78,436	705	79,141	77,608	704	-	(15)	5	(442)
Individuals - Other	66,749	65,842	907	66,744	36,602	899	406	153	181	(744)
Total loans to the public - Activity in Israel[(h)]	338,111	330,877	7,234	330,060	239,733	7,204	3,244	99	332	(3,276)
Banks in Israel	4,189	4,189	-	1,683	1,589	-	-	-	-	(1)
Government of Israel	44,821	44,821	-	150	150	-	-	-	-	-
Total activity in Israel	387,121	379,887	7,234	331,893	241,472	7,204	3,244	99	332	(3,277)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 241,472, 44,060, 872, 3,457 and 97,260 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.

(d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “Other liabilities").

(e) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(f) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(g) Including housing loans extended to certain purchasing groups currently in the process of construction.

(h) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 983 million extended to purchasing groups currently in the process of construction.

(i) The figures were reclassified following an improvement process performed in 2018.

	September 30 2017									
	Total credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Loan losses[(d)]		
					Of which[1]:					
	Total	Credit performance rating[(f)]	Problem[(e)]	Total[1]	Debts[(b)]	Problem[(e)]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of foreign borrower activity - Public-commercial										
Agriculture	76	75	1	73	46	1	1	-	-	(1)
Mining and quarrying	24	24	-	24	11	-	-	-	-	-
Industry	7,485	7,026	459	6,248	4,347	459	109	(2)	1	(37)
Construction and real estate[(g)]	14,879	14,078	801	14,134	10,070	801	405	5	8	(177)
Power and water supply	229	229	-	79	23	-	-	-	-	-
Trade	6,542	6,521	21	6,279	4,284	21	21	19	4	(81)
Hotels, accommodation and dining services	1,801	1,798	3	1,784	1,720	3	-	2	1	(12)
Transportation and storage	126	104	22	103	83	22	22	18	19	(19)
Communications and IT services	1,974	1,961	13	1,648	956	13	13	5	-	(6)
Financial services	16,391	16,273	118	2,089	1,505	120	120	(3)	2	(45)
Business and other services	6,342	6,241	101	6,081	5,379	101	32	7	3	(38)
Public and community services	602	602	-	600	396	-	-	-	-	(17)
Commercial - Total	56,471	54,932	1,539	39,142	28,820	1,541	723	51	38	(433)
Individuals - housing loans	529	499	30	529	528	30	29	(3)	1	(7)
Individuals - Other	595	579	16	595	503	16	16	(1)	-	(2)
Total loans to the public - Activity overseas	57,595	56,010	1,585	40,266	29,851	1,587	768	47	39	(442)
Foreign banks	30,230	30,230	-	10,678	9,555	-	-	-	-	-
Foreign governments	15,069	15,069	-	1,218	545	-	-	-	-	-
Total activity outside Israel	102,894	101,309	1,585	52,162	39,951	1,587	768	47	39	(442)
Total	490,015	481,196	8,819	384,055	281,423	8,791	4,012	146	371	(3,719)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 39,951, 35,239, -, 7,503 and 20,201 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.
(d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “Other liabilities").
(e) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.
(f) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(g) Including housing loans extended to certain purchasing groups currently in the process of construction.

	December 31 2017									
	Total credit risk[a]			Debts[b] and off balance sheet credit risk (net of derivatives)[c]						
					[1]Of which:			Loan losses[d]		
	Total	Credit perfor-mance rating[f]	Problem[e]	Total[1]	Debts[b]	Problem[e]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of borrower activity in Israel - Public-commercial										
Agriculture	2,215	2,057	158	2,214	1,914	157	70	9	2	(61)
Mining and quarrying	961	960	1	934	516	1	-	-	-	(1)
Industry	23,178	22,165	1,013	22,945	15,130	1,009	577	104	148	(472)
Construction & real estate - construction[g]	49,920	48,718	1,202	49,859	19,167	1,202	309	72	47	(354)
Construction & real estate - real estate activity	27,695	26,941	754	27,611	24,438	754	672	(302)	(252)	(399)
Power and water supply	4,273	3,928	345	4,193	2,812	345	237	(7)	6	(55)
Trade	27,647	26,683	964	27,519	22,872	719	335	57	87	(309)
Hotels, accommodation and dining services	3,292	3,130	162	3,266	2,813	162	59	(6)	(8)	(29)
Transportation and storage	8,228	7,770	458	8,167	6,860	451	250	38	22	(64)
Communications and IT services	5,281	5,219	62	5,076	3,694	61	50	(28)	3	(38)
Financial services	21,784	21,770	14	14,085	11,253	8	3	(76)	(56)	(145)
Business and other services	10,276	10,139	137	10,250	7,464	137	56	42	40	(154)
Public and community services	9,088	9,026	62	9,074	7,604	62	19	28	22	(62)
Commercial - total[h]	193,838	188,506	5,332	185,193	126,537	5,068	2,637	(69)	61	(2,143)
Individuals - housing loans	79,034	78,313	721	79,034	77,448	984	-	(10)	8	(443)
Individuals - Other	67,210	66,269	941	67,204	36,956	933	372	188	229	(733)
Total loans to the public - Activity in Israel[h]	340,082	333,088	6,994	331,431	240,941	6,985	3,009	109	298	(3,319)
Banks in Israel	3,921	3,921	-	1,701	1,650	-	-	2	-	(3)
Government of Israel	41,161	41,161	-	129	129	-	-	-	-	-
Total activity in Israel	385,164	378,170	6,994	333,261	242,720	6,985	3,009	111	298	(3,322)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 242,722, 40,102, 1,161, 3,286 and 97,893 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.

(d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “Other liabilities").

(e) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.

(f) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(g) Including housing loans extended to certain purchasing groups currently in the process of construction.

(h) The balance of outstanding commercial debts includes outstanding housing loans in the amount of NIS 1,066 million extended to purchasing groups currently in the process of construction.

(i) The figures were reclassified following an improvement process performed in 2018.

	December 31 2017									
	Total credit risk[a]			Debts[b] and off balance sheet credit risk (net of derivatives)[c]						
					Of which[1]:			Loan losses[d]		
	Total	Credit perfor-mance rating[f]	Problem[e]	Total[1]	Debts[b]	Problem[e]	Impaired	Expenses (income) in respect of loan losses	Net write-offs	Balance of loan loss provision
	In NIS millions									
In respect of foreign borrower activity - Public-commercial										
Agriculture	100	100	-	98	60	-	-	-	-	(1)
Mining and quarrying	35	35	-	35	30	-	-	-	-	-
Industry	7,564	7,249	315	6,420	4,567	315	78	(5)	5	(32)
Construction and real estate[g]	14,223	13,313	910	13,496	9,748	910	431	19	80	(136)
Power and water supply	260	260	-	87	22	-	-	-	-	-
Trade	6,371	6,350	21	6,203	4,406	21	21	19	3	(71)
Hotels, accommodation and dining services	2,250	2,250	-	2,234	2,056	-	-	5	1	(15)
Transportation and storage	84	63	21	67	50	21	21	18	8	(15)
Communications and IT services	1,829	1,808	21	1,596	875	21	21	8	-	(9)
Financial services	16,071	15,992	79	2,135	1,527	79	79	(5)	1	(43)
Business and other services	6,430	6,279	151	6,160	5,411	151	14	6	15	(28)
Public and community services	627	627	-	618	441	-	-	-	-	(17)
Commercial - Total	55,844	54,326	1,518	39,149	29,193	1,518	665	65	113	(367)
Individuals - housing loans	510	480	30	509	509	30	29	(3)	1	(7)
Individuals - Other	608	603	5	608	522	5	5	(1)	-	(4)
Total loans to the public - Activity overseas	56,962	55,409	1,553	40,266	30,224	1,553	699	61	114	(378)
Foreign banks	31,247	31,247	-	11,251	10,214	-	-	-	-	-
Foreign governments	12,047	12,047	-	1,210	586	-	-	-	-	-
Total activity outside Israel	100,256	98,703	1,553	52,727	41,024	1,553	699	61	114	(378)
Total	485,420	476,873	8,547	385,988	283,744	8,538	3,708	172	412	(3,700)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debt, bonds, securities borrowed or purchased under agreements to resell, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower credit limitations in the amounts of NIS 41,022, 32,963, -, 6,294 and 19,977 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, excluding for derivatives.
(d) Including for off-balance-sheet credit instruments (presented in the balance sheet under "Other liabilities").
(e) Balance-sheet and off-balance sheet credit risk that is impaired, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans for which there is no provision based on the extent of arrears which are in arrears of 90 days or more.
(f) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(g) Including housing loans extended to certain purchasing groups currently in the process of construction.

Activity and risk boundaries in the construction and real estate industry

The construction and real estate industry is the area of activity to which the Bank has the greatest exposure of all the business economic sectors. As with other industries, the credit policy outlines methodologies and criteria for financing transactions in each of the real estate industry's sub-industries.

The Bank closely monitors the real estate credit portfolio. In addition to examining compliance with internal and regulatory restrictions, the risk's trends and development are examined, including the macroeconomic characteristics of the economy, industry and the sub-industries, including the distribution of internal ratings, the division between the various business lines, key parameters, forward-looking assessment regarding the expected risk level, etc. In addition to the regulatory limit and in order to effectively manage the internal credit risk mix, the Bank is careful to apply geographical diversification to the projects, according to demand and across the different sub-industries.

The Bank's construction and real estate credit risk distribution, by credit to individual borrowers

Credit to a single borrower in NIS thousands		September 30		December 31
		2018	2017	2017
		Outstanding loan balance		
From	To	In NIS millions		
-	300	**2,112**	1,740	1,777
300	600	**1,877**	1,868	1,846
600	1,200	**2,614**	3,057	3,012
1,200	2,000	**2,284**	2,354	2,338
2,000	4,000	**3,414**	3,543	3,483
4,000	8,000	**4,407**	4,283	4,309
8,000	20,000	**6,718**	6,417	6,614
20,000	40,000	**6,773**	6,317	6,624
40,000	200,000	**22,965**	22,949	22,504
200,000	400,000	**11,836**	11,574	12,752
400,000	800,000	**11,427**	11,352	11,520
800,000	1,200,000	**3,774**	4,797	3,045
1,200,000	1,600,000	**-**	-	1,232
1,600,000	2,000,000	**1,856**	-	-
2,000,000	2,400,000	**2,365**	-	-
Total		**84,422**	80,251	81,056

Groups of borrowers[1]

The Group has in place regular monitoring procedures in order to ensure it meets the restrictions of Proper Conduct of Banking Business Directive No. 313. As of September 30 2018, the Bank meets these restrictions.
As at September 30 2018, the Group has no credit exposure to a group of borrowers the indebtedness of which exceeds 15 percent of the Bank's capital (as defined in Proper Conduct of Banking Business Directive No. 313).

1 A group of borrowers are all of the following together: the borrower, a person controlling it and all those controlled by them, excluding banks. If a corporation is controlled by more than one person, it is necessary to include in the same group of borrowers the controlling parties for which the controlled corporation is material (such as from a capital standpoint), including the corporation or any other entity under their control. If a corporation is held by more than one person, the owners should include a non-controlling party, for whom the banking corporation is material (e.g. from a capital standpoint), with the owned corporation and any other entity controlled by the owners in a single group of borrowers. Borrowers that are associated with the investee in such a manner that harming the financial stability of any one of them could affect the financial stability of the other or that the same factors could affect the financial stability of both.

Exposure to Foreign Countries

Part A - Information regarding total exposure to foreign countries and to countries, where the total exposure to each country is more than 1 percent of total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio, the lower of which:

	September 30 2018					
	Balance sheet exposure[a]					
	Cross-border balance sheet exposure			Balance sheet exposure of the Bank's foreign offices to the local residents of their respective foreign country		
	To governments[c]	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction for local liabilities	Net balance sheet exposure after deduction of local liabilities
	In NIS millions					
Country						
United States	5,459	3,112	12,980	24,377	13,487	10,890
UK	54	5,087	2,377	5,705	1,894	3,811
France	1,010	1,146	242	-	-	-
Switzerland	-	1,713	279	22	22	-
Germany	4,106	841	161	-	-	-
Other	3,028	7,191	5,468	1,049	548	501
Total exposure to foreign countries[e]	13,657	19,090	21,507	31,153	15,951	15,202
Total exposure to LDC countries	458	1,274	1,062	1,038	542	496
Total exposure to GIPS countries[d]	471	65	56	-	-	-

	September 30 2018						
	Balance sheet exposure[a]			Off-balance sheet exposure[a][b]			
						Cross-border balance sheet exposure	
						Repayment period	
	Total balance sheet exposure	Problem balance-sheet credit risk	Of which: Balance of outstanding impaired debt	Of which: Total off balance-sheet exposure	Of which: Off balance-sheet problem credit risk	Up to 12 months	More than 12 months
	In NIS millions						
Country							
United States	32,441	988	517	6,611	-	9,125	12,426
UK	11,329	175	121	9,199	78	3,541	3,977
France	2,398	14	6	1,843	-	1,480	918
Switzerland	1,992	78	-	1,677	-	1,425	567
Germany	5,108	45	-	1,968	-	1,603	3,505
Other	16,188	95	86	2,508	-	5,770	9,917
Total exposure to foreign countries	69,456	1,395	730	23,806	78	22,944	31,310
Total exposure to LDC countries	3,290	70	69	1,366	-	335	2,459
Total exposure to GIPS countries[d]	592	8	-	219	-	158	434

Part A - Information regarding total exposure to foreign countries and to countries, where the total exposure to each country is more than 1 percent of total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio, the lower of which (cont.):

	September 30 2017					
	Balance sheet exposure[a]					
	Cross-border balance sheet exposure			Balance sheet exposure of the Bank's foreign offices to the local residents of their respective foreign country		
	To governments[c]	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction for local liabilities	Net balance sheet exposure after deduction of local liabilities
	In NIS millions					
Country						
United States	4,156	2,539	9,963	22,541	11,296	11,245
UK	176	3,618	3,524	6,048	1,938	4,110
France	4,578	1,673	249	-	-	-
Switzerland	-	626	581	80	62	18
Germany	3,610	946	425	-	-	-
Other	3,627	5,350	5,675	1,077	522	555
Total exposure to foreign countries	16,147	14,752	20,417	29,746	13,818	15,928
Total exposure to LDC countries	219	1,191	948	1,062	519	543
Total exposure to GIPS countries[d]	329	15	178	-	-	-

	September 30 2017						
	Balance sheet exposure[a]			Off-balance sheet exposure[a][b]			
						Cross-border balance sheet exposure	
						Repayment period	
	Total balance sheet exposure	Problem balance-sheet credit risk	Of which: Balance of outstanding impaired debt	Of which: Total off balance-sheet exposure	Of which: Off balance-sheet problem credit risk	Up to 12 months	More than 12 months
	In NIS millions						
Country							
United States	27,903	1,291	468	6,504	-	4,532	12,126
UK	11,428	180	180	7,220	-	3,592	3,726
France	6,500	13	12	2,113	-	5,661	839
Switzerland	1,225	-	-	1,929	-	566	641
Germany	4,981	-	-	2,133	-	2,513	2,468
Other	15,207	115	108	2,880	-	7,656	6,996
Total exposure to foreign countries	67,244	1,599	768	22,779	-	24,520	26,796
Total exposure to LDC countries	2,901	100	96	2,022	-	390	1,968
Total exposure to GIPS countries[d]	522	-	-	213	-	458	64

Part A - Information regarding total exposure to foreign countries and to countries, where the total exposure to each country is more than 1 percent of total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio, the lower of which (cont.):

	December 31 2017					
	Balance sheet exposure[a]					
	Cross-border balance sheet exposure			Balance sheet exposure of the Bank's foreign offices to the local residents of their respective foreign country		
	To governments[c]	To banks	To others	Balance sheet exposure before deduction of local liabilities	Deduction for local liabilities	Net balance sheet exposure after deduction of local liabilities
	In NIS millions					
Country						
United States	7,668	1,461	11,073	23,080	12,345	10,735
UK	174	4,534	2,901	6,031	1,729	4,302
France	1,624	1,012	210	-	-	-
Switzerland	92	710	554	44	41	3
Germany	3,063	221	674	-	-	-
Other	996	7,994	5,280	1,077	544	533
Total exposure to foreign countries	13,617	15,932	20,692	30,232	14,659	15,573
Total exposure to LDC countries	237	1,201	1,062	1,065	543	522
Total exposure to GIPS countries[d]	470	74	231	-	-	-

	December 31 2017						
	Balance sheet exposure[a]			Off-balance sheet exposure[a][b]			
						Cross-border balance sheet exposure	
						Repayment period	
	Total balance sheet exposure	Problem balance-sheet credit risk	Of which: Balance of outstandin g impaired debt	Of which: Total off balance-sheet exposure[e]	Of which: Off balance-sheet problem credit risk	Up to 12 months	More than 12 months
	In NIS millions						
Country							
United States	30,937	1,190	418	5,855	-	6,667	13,535
UK	11,911	160	160	7,129	-	4,289	3,320
France	2,846	13	12	1,761	-	1,551	1,295
Switzerland	1,359	-	-	1,898	-	766	590
Germany	3,958	-	-	2,147	-	2,211	1,747
Other	14,803	117	111	2,730	-	7,043	7,227
Total exposure to foreign countries	65,814	1,480	701	21,520	-	22,527	27,714
Total exposure to LDC countries	3,022	96	93	1,833	-	393	2,107
Total exposure to GIPS countries[d]	775	-	-	234	-	659	116

(a) Balance-sheet and off-balance-sheet credit risk, problem commercial credit risk and impaired debts are stated before the effect of the provision for loan losses and the effect of collateral that is deductible for the purpose of specific and general indebtedness and before the effect of bilateral offsetting for derivatives.
(b) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit limitations, before the effect of bilateral offsetting for derivatives.
(c) Including governments, public institutions, and central banks.
(d) Exposure to the GIPS countries includes: Portugal, Italy, Greece and Spain.
(e) Including balances classified as held for sale assets in the amount of NIS 33 million.

Comments:
1. The "Total exposure to LDCs" line item includes total exposure to countries defined as less developed countries (LDCs), which are classified by the World Bank as low or mid-income countries.
2. Balance sheet exposure to a foreign country includes cross-border balance sheet exposure and balance sheet exposure of the Bank's foreign offices to the local residents of their respective foreign country. Cross-border balance sheet exposure includes balance sheet exposure of the Bank's Israel-based offices to residents of the foreign country and balance sheet exposure of the Bank's foreign offices to nonresidents of the country in which the foreign office is located. Balance sheet exposure of the Bank's foreign offices to local residents includes the balance sheet exposure of the Bank's foreign offices in that foreign country to its residents, net of the foreign offices' liabilities (the deduction is made up to the level of the exposure).
3. Exposure to foreign countries is presented based on the final risk.

Part B - As at September 30 2018 and for comparative periods, there is no aggregate balance sheet exposure to foreign countries, the total exposure to each of which ranges between 0.75 percent and 1 percent of total consolidated assets or between 15 percent and 20 percent of equity, whichever the lower.

Part C - The total exposure amount to foreign countries with liquidity issues as defined by the Bank of Israel (a country receiving financial support from the IMF or whose obligations are rated CCC or lower) amounts to NIS 525 million in respect of 8 countries (in September 30 2017 - NIS 639 million in respect of 10 countries and as at December 31 2017 - NIS 610 million in respect of 9 countries).

Credit Exposure to Foreign Financial Institutions

Credit exposure to foreign financial institutions refers to commercial banks, banking holding entities, investment banks, insurers and institutional entities.

The exposure mainly includes short-term deposits with foreign banks for up to one week and bonds of up to 5 years. The Bank closely monitors the position of banks worldwide and analyzes their robustness on a regular basis. The Bank maintains a small list of high-quality banks with which it and its foreign offices make deposits.

Following is the credit exposure to foreign financial institutions[(a)]:

	As of September 30 2018		
	Balance-sheet credit risk[(b)]	Current balance-sheet credit risk[(c)]	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions[(d)]			
AAA to AA-	17,623	790	18,413
A+ to A-	3,861	538	4,399
BBB+ to BBB-	311	215	526
BB+ to B-	28	9	37
Less than: B-	1	-	1
No credit rating	186	-	186
Total current credit exposure to foreign financial institutions[(e)]	22,010	1,552	23,562
Problem Credit Risk	-	-	-

See comments below.

	As of September 30 2017		
	Balance-sheet credit risk(b)	Current balance-sheet credit risk(c)	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions(d)			
AAA to AA-	13,865	969	14,834
A+ to A-	4,091	631	4,722
BBB+ to BBB-	255	198	453
BB+ to B-	4	15	19
Less than: B-	12	1	13
No credit rating	264	-	264
Total current credit exposure to foreign financial institutions	18,491	1,814	20,305
Problem Credit Risk	-	-	-

	As at December 31 2017		
	Balance-sheet credit risk(b)	Current balance-sheet credit risk(c)	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions(d)			
AAA to AA-	14,983	913	15,896
A+ to A-	3,747	613	4,360
BBB+ to BBB-	281	298	579
BB+ to B-	10	11	21
Less than: B-	14	18	32
No credit rating	396	1	397
Total current credit exposure to foreign financial institutions	19,431	1,854	21,285
Problem Credit Risk	-	-	-

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) As at September 30 2018, deposits with banks, credit to the public, securities borrowed or bought under agreements to resell, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including bonds of banks rated "subordinated" total NIS 294 million (on September 30 2017 - NIS 284 million and on December 31 2017 - NIS 253 million).
(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
(d) To rate the foreign financial institutions to which it has credit exposure, the Bank relies solely on the ratings of Moody's and S&P.
(e) Including balances classified as held-for-sale assets and liabilities in the amount of NIS 33 million.

Comments:
1. The credit exposures do not include investment in asset-backed securities (for more information, please see Note 5).
2. Some of the banks received various forms of government support, including by way of direct investment in the bank's capital, government guarantees for certain asset portfolios, guarantees for raising funding for the banks, etc.
3. For more information regarding the composition of credit exposures for derivatives with banks and brokers/dealers (local and foreign), please see Note 11.

Housing Loan Portfolio Risks

Credit risk developments

During the reporting period, the granting of new loans ("performance") increased in relation to demand for housing loans in Israel both by homeowners and investors.

Following trends in recent years, and to ensure effective risk management, the Banks monitors its housing loan portfolio on a regular basis, while analyzing trends in risk characteristics and concentrations, placing main emphasis on the following: loan-to-value (LTV) ratios, monthly repayment capacity, credit ratings under the Bank's internal statistical model.

The Bank adheres to a balanced underwriting policy that takes into account the borrower’s repayment capacity, loan-to-value ratio, linkage base and interest, etc., in compliance with all the requirements of the Banking Supervision Department.

The Bank also extends individual housing loans to members of housing purchase groups. Extending loans to members of housing purchase groups answers market demand by private organizations, non-profits, historical landowners, etc. From a risk standpoint, the loans are extended to various, geographically diversified populations, following close scrutiny of each borrower’s capacity to repay the loan.

Following are data on the performance of new loans and refinancing loans for the purchase of residential apartments with mortgaging of residential apartments in Israel

	For the nine months ended September 30		Rate of change
	2018	2017	
	In NIS millions		In %
By the Bank	**8,513**	5,917	43.9
By the government of Israel:	**72**	41	75.6
Total new loans	**8,585**	5,958	44.1
Recycled loans	**1,352**	833	62.3
Total performance	**9,937**	6,791	46.3

Disclosure on housing loans

Following are data regarding the risk characteristics of housing loans, developments in credit risks and the manner in which they are managed, including measures taken by the Bank to mitigate the risk characteristics.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS millions	In %
December 31 2016	78,184	(2.4)
December 31 2017	77,005	(1.5)
September 30 2018	**78,998**	**2.6**

During the reporting period, there was a slight increase in the amount of housing loans granted by the Bank

Data on new housing loans in Israel

During the reporting period, the Bank granted new housing loans in the amount of NIS 8.5 billion.
During 2017, the Bank granted new housing loans in the amount of NIS 8.0 billion out of its funds.

The average loan extended by the Bank during the reporting period was NIS 732 thousand, compared with NIS 529 thousand in 2017 and NIS 555 in 2016.

It should be noted that on December 31 2017, the Bank's joint loan venture with Harel (hereinafter: the "Joint Venture") came to an end. The data for 2017 and 2016 relate to the Bank's exposure during the Joint Venture period and do not take into account the customers' exposure, which was higher (in 2017, the customer's exposure was NIS 708 thousand). Following the end of the joint venture, the figure for the first nine months of 2018, is the customer’s exposure, which is identical to the Bank’s.

Net development of total outstanding housing loans in Israel, by linkage type

	Unlinked	% of the loans portfolio	CPI-linked	% of the loans portfolio	Foreign currency	% of the loans portfolio	Total portfolio
	In NIS millions	In %	In NIS millions	In %	In NIS millions	In %	In NIS millions
December 31 2016	44,955	57.5	31,986	40.9	1,243	1.6	78,184
December 31 2017	45,588	59.2	30,407	39.5	1,010	1.3	77,005
September 30 2018	**47,310**	**59.9**	**30,710**	**38.9**	**978**	**1.2**	**78,998**

Net development of the outstanding housing loans portfolio, in Israel, by variable and fixed interest

	Fixed		Variable			Total loan portfolio
	Unlinked	Linked	Unlinked	Linked	Foreign currency	
	In NIS millions					
December 31 2016	13,706	11,792	31,249	20,194	1,243	78,184
December 31 2017	13,858	12,002	31,730	18,405	1,010	77,005
September 30 2018	**14,540**	**12,338**	**32,770**	**18,372**	**978**	**78,998**

Development of new housing loans by interest track, in Israel

The following table outlines the development of the new credit performance by variable and fixed interest tracks (a variable-interest loan's interest rate may change over the loan period):

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance							
	In %							
Fixed - linked	**17.7**	15.8	15.0	13.9	15.9	15.1	16.6	18.7
Variable every 5 years or more – linked	**17.5**	16.6	15.6	15.7	16.9	16.8	16.1	13.3
Variable up to 5 years - linked	**-**	0.1	-	0.1	0.1	0.1	0.2	0.6
Fixed - unlinked	**26.1**	28.8	31.3	31.8	28.5	30.0	28.0	30.2
Variable every 5 years or more - unlinked	**5.2**	5.9	6.3	7.0	6.4	7.0	7.3	7.7
Variable up to 5 years - unlinked	**33.1**	32.7	31.2	31.0	32.0	30.8	31.2	29.2
Variable - foreign currency	**0.4**	0.1	0.6	0.5	0.2	0.2	0.6	0.3

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 55.0 percent, similar to 2017. The data refer to all variable interest tracks and the various linkage segments, including loans in which the interest rate changes every five years or more. Excluding loans in which the variable interest rate changes every 5 years or more - which do not qualify as a variable interest loan under the Supervisor of Bank's directive - the percentage of variable-rate housing loans extended during the reporting period is 32.6 percent compared to 31.7 percent in 2017.

Following is the balance of outstanding housing loans and the outstanding loans in arrears of over 90 days, in Israel

	Recorded outstanding debt	Delinquent amount	Percentage of delinquent amount
	In NIS millions		In %
December 31 2016	78,645	747	0.9
December 31 2017	77,448	743	1.0
September 30 2018	**79,465**	**805**	**1.0**

As of September 30 2018, the loan loss provision, which includes the general provision for housing loans (hereinafter: the “general provision”), is NIS 467 million, constituting 0.59 percent of the housing loans’ outstanding balance, compared with NIS 443 million as at December 31 2017, which constitutes 0.57 percent of the outstanding housing loan balance.

Development of new outstanding credit granted in Israel at a loan-to-value ratio of over 60 percent

Following is the development in new credit granted by the Bank at a loan-to-value ratio of over 60 percent, (LVR is the ratio of the total loan granted to the borrower - even if it has not yet been actually granted either in full or in part - out of the value of the mortgaged property during the approval of the credit line).

	2018	2017						2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]							
Over 60 to 70, inclusive	**16.7**	18.0	18.0	19.8	19.8	16.9	15.7	16.1
Over 70 to 80, inclusive	**16.6**	16.3	13.0	16.8	15.9	17.8	14.3	14.7
Over 80	**0.07**	0.05	0.20	0.17	0.08	0.04	0.10	0.12

(a) Out of the total new credit granted by the Bank.

On March 15 2018, Section 72 to Directive 203 of the Bank of Israel was amended, so that the capital allocation for housing loans granted from that date – with a loan to value ratio of 60 percent or more – was reduced from 75 percent to 60 percent.

Development of the loan-to-value (LTV) ratio, outstanding loans portfolio in Israel

The average LTV of the outstanding loan portfolio as at September 30 2018 stands at 45.7 percent, compared with 46.0 percent in 2017.

Development of new loans, in which the repayment ratio is lower than 2.5, in Israel

The percentage of loans with a repayment ratio of less than 2.5 on the loan approval date in the reporting period was 0.5 percent of the total number of new loans granted compared with 1.4 percent in 2017.

The calculation is in accordance with the Bank of Israel’s Reporting Directive No. 876.

Development of new loans, for which the repayment dates are longer than 25 years in Israel

The new percentage of housing loans in which the repayment dates under the loan agreements are more than 25 years, stood at an average of 36.6 percent of the total new loans granted, compared with an average of 34.9 percent in 2017 and 35.9 percent in 2016.

Credit Risk in respect of Loans to Individuals (Excluding Housing Loans)

Credit granted to individuals, whose repayment capacity is largely based on their household's earning capacity, is characterized by a very wide dispersion of borrowers and a variety of credit products (various types of loans, current accounts, credit cards) and to a lesser extent (on average) - credit per individual customer. Individual customers' activity is almost entirely concentrated in the Banking Division.

To ensure effective risk management, the Bank operates under strict internal management restrictions, mainly with the following characteristics: Monthly repayment capacity, credit ratings in accordance with the Bank's internal statistical model.

The retail credit policy, formulated by the Risk Management Division in collaboration with the Banking Division, constitutes an important element in outlining the risk appetite and ongoing management of this domain.

Following are developments in outstanding credit risk (excluding derivatives) in respect of loans to individuals (in Israel, excluding housing loans)

	Balance of credit risk
	In NIS millions
December 31 2016	49,987
December 31 2017[(a)]	47,059
September 30 2018	**45,981**

(a) Reclassified. For more information, please see Note 6.

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans to individuals, by remaining loan period (in Israel, excluding housing loans)

	September 30 2018		December 31 2017[(a)]	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Up to 12 months	**5,511**	**19.3**	5,629	19.3
Over one year to 3 years	**5,111**	**17.9**	4,981	17.0
Over 3 years to 5 years	**9,358**	**32.7**	8,917	30.5
Over 5 years to 7 years	**5,569**	**19.4**	6,342	21.7
Over 7 years	**442**	**1.5**	549	1.9
Without repayment period[(b)]	**2,645**	**9.2**	2,815	9.6
Total	**28,636**	**100.0**	29,233	100.0

(a) Reclassified. For more information, please see Note 6.
(b) The amount includes overdrawn balances in current accounts and loans in arrears.

Following is a distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to individuals, by individual borrower's indebtedness (in Israel, excluding housing loans)

Credit risk amount in NIS thousands		**September 30 2018**		December 31 2017[(a)]	
From	To	In NIS millions	% of portfolio	In NIS millions	% of portfolio
-	25	**5,140**	**11.1**	4,945	10.5
25	50	**7,035**	**15.3**	7,128	15.1
50	75	**6,517**	**14.2**	6,651	14.1
75	100	**5,729**	**12.5**	5,915	12.6
100	150	**8,212**	**17.9**	8,457	18.0
150	200	**5,147**	**11.2**	5,282	11.2
200	300	**4,775**	**10.4**	5,139	10.9
Over 300		**3,426**	**7.4**	3,542	7.6
Total credit risk		**45,981**	**100.0**	47,059	100.0

(a) Reclassified. For more information, please see Note 6.

Following is a distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to individuals, by main credit products (in Israel, excluding housing loans)

	September 30 2018		December 31 2017[(a)]	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Current balances and utilized credit card balances	6,746	14.7	6,928	15.1
Car purchase loans (secured)	1,825	4.0	2,090	4.6
Other loans	20,065	43.6	20,215	43.6
Total balance-sheet credit risk	28,636	62.3	29,233	63.3
Unutilized current account credit facilities	6,654	14.5	6,870	14.2
Unutilized credit card facilities	10,406	22.6	10,617	21.9
Other off balance sheet credit risk	285	0.6	339	0.6
Total off balance-sheet credit risk	17,345	37.7	17,826	36.7
Total credit risk	45,981	100.0	47,059	100.0

(a) Reclassified. For more information, please see Note 6.

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to individuals, by linkage segment and interest tracks (in Israel, excluding housing loans)

	September 30 2018				
	Unlinked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Current account balances	2,154	-	6	2,160	7.5
Utilized credit card balances	4,529	-	57	4,586	16.1
Other variable interest loans	20,657	41	13	20,711	72.3
Total variable interest loans	27,340	41	76	27,457	95.9
Fixed interest loans	1,100	42	37	1,179	4.1
Total balance-sheet credit risk	28,440	83	113	28,636	100.0

	December 31 2017[(a)]				
	Unlinked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Current account balances	2,306	-	11	2,317	7.9
Utilized credit card balances	4,807	-	43	4,850	16.6
Other variable interest loans	21,002	33	17	21,052	72.0
Total variable interest loans	28,115	33	71	28,219	96.5
Fixed interest loans	927	60	27	1,014	3.5
Total balance-sheet credit risk	29,042	93	98	29,233	100.0

(a) Reclassified. For more information, please see Note 6.

Following are the outstanding balances of the financial assets portfolio of private individuals with the Bank, with a total credit risk (in Israel, excluding housing loans)

	September 30	December 31 2017[a]
	2018	2017
	In NIS millions	
Deposits from the public	**99,910**	99,232
Securities portfolios	**69,713**	69,414
Total financial asset portfolio	**169,623**	168,646
Total indebtedness to customers with financial asset portfolios	**35,124**	35,938

(a) Reclassified. For more information, please see Note 6.

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to individuals, by fixed income amount deposited in the customer's current account[a] (in Israel, excluding housing loans)

	September 30 2018		December 31 2017[c]	
Income	In NIS millions	In %	In NIS millions	In %
Accounts without fixed income	**2,198**	**7.7**	2,621	9.0
Of which: Loan accounts[b]	**1,517**	**5.3**	1,949	6.7
Less than NIS 10 thousand	**9,088**	**31.7**	9,474	32.4
More than NIS 10 thousand and less than NIS 20 thousand	**9,675**	**33.8**	9,410	32.2
NIS 20 thousand or more	**7,675**	**26.8**	7,728	26.4
Total	**28,636**	**100.0**	29,233	100.0

(a) The fixed income amount deposited in a customer's current account (by ID number) includes the fixed credits to the customer's account, such as salary, transfers from another bank or bank account, cash deposits, checks, etc. The fixed monthly income is calculated according to the average income on several consecutive months, net of exceptional credits.
(b) A loan repayment account is an account whose only purpose is to repay a loan, while most of the customer's current account activity takes place in another bank.
(c) Reclassified. For more information, please see Note 6.

As aforesaid, the Bank's credit policy towards individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 90 percent of balance-sheet credit is from fixed-income earners, with close to 60 percent being among earners of a fixed income higher than NIS 10 thousand per month.

Following is a distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to individuals in Israel, excluding housing loans)

	September 30	December 31
	2018	2017[a]
	In NIS millions	
Non-problem loans	**28,034**	28,687
Problem unimpaired loans	**264**	135
Problem impaired loans	**338**	411
Total balance-sheet credit risk	**28,636**	29,233
Percentage of problem debt risk out of total balance sheet credit risk to individuals	**2.1%**	1.9%

(a) Reclassified. For more information, please see Note 6.

For more information, including regarding problem debts and loan loss expenses, please see Note 6, Note 13, and the section entitled Risk Exposure, Credit Risk, the Bank's total credit risk to the public by industry.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Directive No. 311, the Bank's credit policy should also address leveraged loans. The Bank's credit policy for this segment is subject to unique principles, including with respect to financial parameters, credit authorizations, etc.

Leveraged loans are defined and managed by the Bank pursuant to the updated directives.

The aggregate outstanding balances of loans for leveraged borrowers, each of which has a credit balance of at least 0.5 percent of the Bank's Tier 1 capital

	September 30						December 31		
	2018			2017			2017		
	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total
Economic sector	In NIS millions								
Mining and quarrying	**80**	**251**	**331**	228	152	380	279	101	380
Industry and manufacturing	**656**	**26**	**682**	443	19	462	426	16	442
Power generation, gas, steam and air conditioning	**322**	**616**	**938**	280	408	688	290	409	699
Trade	**464**	**33**	**497**	500	16	516	198	13	211
Transportation and storage	**180**	**15**	**195**	218	15	233	208	15	223
Hotels, accommodation and food services	**274**	**-**	**274**	-	-	-	281	-	281
Construction and real estate	**19**	**160**	**179**	-	-	-	-	-	-
Public and community services	**212**	**31**	**243**	-	-	-	-	-	-
Financial services	**191**	**-**	**191**	472	25	497	-	-	-
Total	**2,398**	**1,132**	**3,530**	2,141	635	2,776	1,682	554	2,236

Market risk

Market risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair-value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share prices and commodities, as well as in other economic measures). Market risk exposure is reflected in the financial performance, in the fair value of the assets and liabilities, in shareholders' equity and in cash flows.

The Bank complies with the Supervision of Banks Department's directives regarding the management of the Group's market risks, including Proper Conduct of Banking Business Directive No. 333, Interest Rate Risk Management, and No. 339, Market Risk Management. To implement these directives, the Bank established basic principles and control mechanisms for these risks, including the purviews of management and the Board of Directors, defining the means of control and tools for measuring risk and the means of control and oversight of these risks, while implementing corporate governance with three lines of defense.

Market Risk Management Policy

The Market risk management policy is an expression of the Group's market risk management strategy, alongside existing procedures for identifying, measuring, monitoring, developing and controlling market risk. The policy is designed, on the one hand, to support the achievement of business targets while assessing the risks and rewards that may arise from exposure to the risks compared with the expected gains therefrom and, on the other hand, to mitigate the risk level arising from the Bank's ongoing activities, including by maintaining a high level of liquidity.

The policy constitutes an important tool for defining the Bank's risk appetite for its own account, trading rooms and market exposure across the entire Leumi Group. The policy outlines the corporate governance, division of organizational responsibility and escalation mechanisms.

The market risks are routinely managed at a Group level. The foreign subsidiaries determine their market risk management policies in line with the Group's policies and its approved risk frameworks. Information on the actual exposure status according to the established frameworks is reported by the subsidiaries and taken into account in the overall management of the Group's exposures.

Market risk management is performed in two risk centers – the banking portfolio and the held-for-trading portfolio. The definition of the held-for-trading portfolio is derived from the Basel rules and includes the Bank's tradable securities portfolio and derivative transactions as part of its trading activity. The banking portfolio includes those trading transactions which are not included in the held-for-trading portfolio.

Exposure to market risks arising from employee pension obligations

The Bank applies the US GAAP for employee benefits, as prescribed by the Bank of Israel. Managing the market risks in respect of the obligations for employees is partly performed as part of the banking portfolio and partly in an independent and separate manner against "plan assets", which was designed to yield long term returns to serve the obligation's value. The long-duration actuarial obligation to employees is significantly impacted by changes in the discount interest. The discount rate, which is used for calculating the actuarial liabilities for employee rights, is based on the Government of Israel's bond yield curve plus the fixed spread curve of internally AA-graded corporate bonds which match the durations of the liabilities for employee rights.

Interest rate risk

The interest rate risk is the risk of loss as the result of changes in risk-free interest rates in various currencies, arising from several sources, such as: gaps between repayment or interest change dates (the earliest of the two) of the assets and liabilities in each of the linkage segments and the basis spread risk.

The interest exposure policy is to limit the effect of potential changes in interest rates on the potential erosion of economic value[1] and the financing profit for the upcoming year.

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

In reality, the interest rate risk is measured and managed on the basis of various behavioral assumptions as to the repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as long-term liabilities. In addition, there are assumptions referring to prepayments of mortgages, on the basis of a statistical model that attempts to forecast prepayments based on interest rates. These estimates are of great importance in managing interest rate risks, inter alia due to the significant increase in these balances in recent years.

The exposure to interest rate changes is measured for both increases and decreases in interest rates in each linkage segment. The measurement is designed to test the sensitivity of the current structure of the value of assets and liabilities to a change in interest rates, and therefore the calculation is performed without changing the asset and liability structure.

Below is a summary of exposures to unexpected changes in interest rates at the Group Level (before tax, in NIS millions)[(a)]:

	The potential change in economic value as a result of the scenario								
	As of September 30 2018			As of September 30 2017			As at December 31 2017		
Scenario	Increase of 1%	Decrease of 1%	Increase of 0.1%	Increase of 1%	Decrease of 1%	Increase of 0.1%	Increase of 1%	Decrease of 1%	Increase of 0.1%
In NIS									
Banking portfolio	**(619)**	**538**	**(63)**	(403)	304	(41)	(411)	306	(41)
Held-for-trading portfolio	**(15)**	**(1)**	**(1)**	(83)	81	(9)	(38)	25	(3)
In foreign currency									
Banking portfolio	**(37)**	**(97)**	**(1)**	170	(256)	20	175	(249)	22
Held-for-trading portfolio	**9**	**19**	**(1)**	77	87	3	32	47	2

(a) The calculation of exposure to a 1 percent interest rate decrease is based on the interest rate on loans and deposits being reduced by the same rate. Since currently, the interest rate on most deposits is less than 1 percent, and there is a low probability that the interest on deposits will fall below 0 percent, the above exposure calculation should be considered a measure in line with the accepted standards.

Capital exposure to an immediate increase or decrease in interest rates (before tax, in NIS millions):

	Exposure in NIS			Exposure in foreign currency		
	As of September 30 2018					
	Increase of 1%	Decrease of 1%	Increase of 0.1%	Increase of 1%	Decrease of 1%	Increase of 0.1%
Capital exposure to an immediate increase/decrease in interest rates[(a)]	**1,562**	**(1,992)**	**174**	**(587)**	**568**	**(59)**

	As of September 30 2017					
	Increase of 1%	Decrease of 1%	Increase of 0.1%	Increase of 1%	Decrease of 1%	Increase of 0.1%
Capital exposure to an immediate increase/decrease in interest rates[(a)]	1,403	(1,859)	158	(321)	426	(36)

	As at December 31 2017					
	Increase of 1%	Decrease of 1%	Increase of 0.1%	Increase of 1%	Decrease of 1%	Increase of 0.1%
Capital exposure to an immediate increase/decrease in interest rates[(a)]	1,615	(2,083)	180	(349)	352	(34)

(a) The measurement includes exposure to an immediate change in the interest rate of the Bank's own portfolios, revalued according to market value and the actuarial obligation for employees. The measurement does not include the sensitivity effect of the plan assets to changes in interest rates estimated - as at September 30 2018 - in an decrease of NIS 120 million in the value of the assets (on September 30 2017 - NIS 149 million; on December 31 2017 - NIS 134 million) under a scenario of a 1 percent interest rate increase. Neither does the measurement include the effects of the transitional provisions of the Employee Benefits Standard, on which the capital adequacy ratio calculation is based.

The sensitivity of the assets' and liabilities' fair value to the interest rate
Net fair value of financial instruments before the effect of potential interest rate changes:

	September 30 2018					
	NIS		NIS, including NIS linked to foreign currency			
	Unlinked	CPI-linked	USD	Euro	Other	Total
	In NIS millions					
Financial assets	**289,148**	**45,464**	**73,071**	**7,974**	**10,028**	**425,685**
Amounts receivable in respect of derivative and off-balance-sheet financial instruments	**259,272**	**8,260**	**231,690**	**58,258**	**35,326**	**592,806**
Financial liabilities[(a)]	**242,668**	**49,590**	**98,102**	**12,389**	**7,049**	**409,798**
Amounts payable in respect of derivative and off-balance-sheet financial instruments	**278,306**	**12,691**	**208,964**	**54,175**	**39,080**	**593,216**
Net fair value of financial instruments	**27,446**	**(8,557)**	**(2,305)**	**(332)**	**(775)**	**15,477**

	September 30 2017					
	NIS		NIS, including NIS linked to foreign currency			
	Unlinked	CPI-linked	USD	Euro	Other	Total
	In NIS millions					
Financial assets	279,458	45,507	61,466	16,185	9,560	412,176
Amounts receivable in respect of derivative and off-balance-sheet financial instruments	265,030	6,526	197,487	62,375	26,957	558,375
Financial liabilities[(a)]	238,255	49,740	92,579	12,813	6,755	400,142
Amounts payable in respect of derivative and off-balance-sheet financial instruments	283,322	11,500	168,010	66,151	30,506	559,489
Net fair value of financial instruments	22,911	(9,207)	(1,636)	(404)	(744)	10,920

	December 31 2017					
	NIS		NIS, including NIS linked to foreign currency			
	Unlinked	CPI-linked	USD	Euro	Other	Total
	In NIS millions					
Financial assets	293,416	45,077	66,379	10,565	8,431	423,868
Amounts receivable in respect of derivative and off-balance-sheet financial instruments	219,364	7,058	195,057	55,422	30,790	507,691
Financial liabilities[(a)]	247,997	50,252	93,530	13,111	6,749	411,639
Amounts payable in respect of derivative and off-balance-sheet financial instruments	238,904	12,297	169,824	53,188	33,236	507,449
Net fair value of financial instruments	25,879	(10,414)	(1,918)	(312)	(764)	12,471

(a) Including fair value of the actuarial liabilities to employees and excluding the value of the plan assets.

Effect of potential changes in interest rates on the net fair value[c] of financial instruments:

	September 30 2018							
	Net fair value of financial instruments net of interest rate changes[a]						Change in fair value	
	NIS		NIS, including NIS linked to foreign currency					
	Unlinked	CPI-linked	USD[b]	Euro	Other	Total	Total	Total
	In NIS millions						In NIS millions	In %
Immediate concurrent increase of 1%	26,316	(7,089)	(3,175)	(357)	(789)	14,906	(571)	(3.69)
Immediate concurrent increase of 0.1%	27,328	(8,392)	(2,392)	(335)	(777)	15,432	(45)	(0.29)
Immediate concurrent decrease of 1%	28,557	(10,445)	(1,514)	(307)	(760)	15,531	54	0.35

	September 30 2017							
	Net fair value of financial instruments net of interest rate changes[a]						Change in fair value	
	NIS		NIS, including NIS linked to foreign currency					
	Unlinked	CPI-linked	USD[b]	Euro	Other	Total	Total	Total
	In NIS millions						In NIS millions	In %
Immediate concurrent increase of 1%	21,941	(7,544)	(2,179)	(402)	(751)	11,065	145	1.33
Immediate concurrent increase of 0.1%	22,811	(9,022)	(1,689)	(405)	(745)	10,950	30	0.27
Immediate concurrent decrease of 1%	23,856	(11,361)	(1,163)	(381)	(736)	10,215	(705)	(6.46)

	December 31 2017							
	Net fair value of financial instruments net of interest rate changes[a]						Change in fair value	
	NIS		NIS, including NIS linked to foreign currency					
	Unlinked	CPI-linked	USD[b]	Euro	Other	Total	Total	Total
	In NIS millions						In NIS	In %
Immediate concurrent increase of 1%	24,819	(8,690)	(2,404)	(317)	(771)	12,637	166	1.33
Immediate concurrent increase of 0.1%	25,771	(10,222)	(1,964)	(312)	(765)	12,508	37	0.30
Immediate concurrent decrease of 1%	26,912	(12,610)	(1,403)	(310)	(757)	11,832	(639)	(5.12)

(a) The measurement includes exposure to an immediate change in the interest rate of the Bank's own portfolios, revalued according to market value and the actuarial obligation for employees. The measurement does not include the sensitivity effect of the plan assets to changes in interest rates estimated - as at September 30 2018 - a decrease of NIS 120 million in the value of the assets (on September 30 2017 - NIS 111 million; on December 31 2017 - NIS 134 million) under a scenario of a 1 percent interest rate increase. Neither does the measurement include the effects of the transitional provisions of the Employee Benefits Standard, on which the capital adequacy ratio calculation is based.

(b) Of which: The effect of compound financial assets: An immediate concurrent increase of 1 percent - NIS (373) million (as of September 30 2017 - NIS (276) million and as of December 31 2017 - NIS (283) million), an immediate concurrent decrease of 1 percent - NIS 297 million (on September 30 2017 - NIS 195 million; on December 31 2017 - NIS 199 million).
An immediate concurrent increase of 2 percent - NIS (774) million (as of September 30 2017 - NIS (578) million and as of December 31 2017 - NIS (592) million), an immediate concurrent decrease of 2 percent - NIS 470 million (on September 30 2017 - NIS 310 million; on December 31 2017 - NIS 317 million).

(c) Excluding the estimated value of income from early repayment fees.

Exposure to interest rate changes

	September 30 2018						
	Demand of up to one month	More than one month to three months	More than three months to one year	More than one year to three years	More than three years to five years	More than five years to ten years	More than ten years to twenty years
	In NIS millions						
Unlinked NIS							
Financial assets, amounts receivable in respect of derivatives and off-balance-sheet financial instruments							
Financial assets[(a)]	216,395	11,054	28,491	14,141	8,450	7,182	2,332
Derivative financial instruments (excluding options)	39,480	72,322	57,090	46,368	20,701	16,938	208
Options (by underlying asset)	1,206	1,157	2,824	879	1	45	-
Off balance-sheet financial instruments	-	-	-	-	-	-	-
Total fair value	257,081	84,533	88,405	61,388	29,152	24,165	2,540
Financial liabilities, amounts payable in respect of derivatives and off-balance-sheet financial instruments							
Financial liabilities[(a)]	206,975	4,485	9,350	18,208	1,721	1,827	102
Derivative financial instruments (excluding options)	52,865	73,351	68,292	39,483	19,344	17,599	195
Options (by underlying asset)	2,239	2,706	1,516	482	5	143	15
Off balance-sheet financial instruments	-	-	45	-	-	-	-
Total fair value	262,079	80,542	79,203	58,173	21,070	19,569	312
Financial instruments, net							
Sector's exposure to interest rate changes	(4,998)	3,991	9,202	3,215	8,082	4,596	2,228
Sector's cumulative exposure	(4,998)	(1,007)	8,195	11,410	19,492	24,088	26,316
CPI-linked NIS							
Financial assets, amounts receivable in respect of derivatives and off-balance-sheet financial instruments							
Financial assets[(a)]	2,154	1,866	7,841	13,719	10,240	5,000	2,745
Derivative financial instruments (excluding options)	655	152	1,840	2,518	1,577	1,518	-
Options (by underlying asset)	-	-	-	-	-	-	-
Off balance-sheet financial instruments	-	-	-	-	-	-	-
Total fair value	2,809	2,018	9,681	16,237	11,817	6,518	2,745
Financial liabilities, amounts payable in respect of derivatives and off-balance-sheet financial instruments							
Financial liabilities[(a)]	1,688	1,126	4,739	14,801	5,939	3,887	836
Derivative financial instruments (excluding options)	291	316	2,289	5,431	3,001	1,245	-
Options (by underlying asset)	-	-	-	-	-	-	-
Off balance-sheet financial instruments	-	-	118	-	-	-	-
Total fair value	1,979	1,442	7,146	20,232	8,940	5,132	836
Financial instruments, net							
Sector's exposure to interest rate changes	830	576	2,535	(3,995)	2,877	1,386	1,909
Sector's cumulative exposure	830	1,406	3,941	(54)	2,823	4,209	6,118

(a) Excluding balance sheet outstanding derivatives, the fair value of off-balance-sheet financial instruments and of fair value of compound financial instruments. The "No repayment period" column features the non-capitalized balance sheet balances, including outstanding balances with past due dates totaling NIS 849 million as at September 30 2018.

(b) Weighted average by fair value of the average duration.

					As of September 30 2017			As at December 31 2017		
Over twenty years	Without repayment period	Total fair value	Internal rate of return	Average effective life(b)	Total fair value	Internal rate of return	Average effective life(b)	Total fair value	Internal rate of return	Average effective life(b)
			In %	In years		In %	In years		In %	In years
544	559	289,148	3.14	0.60	279,458	3.18	0.60	293,416	2.97	0.59
53	-	253,160	-	1.33	256,991	-	1.64	211,445	-	1.48
-	-	6,112	-	0.51	8,039	-	0.86	7,919	-	0.76
-	-	-	-	-	-	-	-	-	-	-
597	559	548,420	3.14	0.94	544,488	3.18	1.09	512,780	2.97	0.96
-	-	242,668	0.96	0.26	238,255	0.59	0.31	247,997	0.85	0.27
26	-	271,155	-	1.22	275,858	-	1.53	231,365	-	1.34
-	-	7,106	-	0.46	7,440	-	0.83	7,509	-	0.77
-	-	45	-	0.30	24	-	0.50	30	-	0.50
26	-	520,974	0.96	0.76	521,577	0.59	0.95	486,901	0.85	0.79
571										
26,887										
1,889	10	45,464	2.21	4.17	45,507	2.55	3.88	45,077	2.42	4.09
-	-	8,260	-	2.70	6,526	-	2.65	7,058	-	2.38
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
1,889	10	53,724	2.21	3.94	52,033	2.55	3.72	52,135	2.42	3.85
-	-	33,016	0.49	2.90	32,555	0.61	2.95	32,634	0.47	2.97
-	-	12,573	-	2.55	11,371	-	2.52	12,170	-	2.57
-	-	-	-	-	-	-	-	-	-	-
-	-	118	-	-	129	-	-	127	-	-
-	-	45,707	0.49	2.80	44,055	0.61	2.83	44,931	0.47	2.85
1,889										
8,007										

Exposure to interest rate changes

	September 30 2018						
	Demand of up to one month	More than one month to three months	More than three months to one year	More than one year to three years	More than three years to five years	More than five years to ten years	More than ten years to twenty years
	In NIS millions						
Foreign currency and foreign currency-linked[(d)]							
Financial assets, amounts receivable in respect of derivatives and off-balance-sheet financial instruments							
Financial assets[(a)]	41,405	13,097	10,087	10,214	5,391	8,226	1,869
Of which: Compound financial instruments	3,067	501	514	1,281	1,900	2,278	1,087
Derivative financial instruments (excluding options)	73,998	86,640	100,582	26,262	12,682	16,583	216
Options (by underlying asset)	2,608	3,619	2,027	(7)	(22)	-	-
Off balance-sheet financial instruments	-	-	-	-	-	-	-
Total fair value	118,011	103,356	112,696	36,469	18,051	24,809	2,085
Financial liabilities, amounts payable in respect of derivatives and off-balance-sheet financial instruments							
Financial liabilities[(a)]	87,787	11,139	15,581	2,085	496	47	4
Derivative financial instruments (excluding options)	58,683	81,724	94,972	24,564	13,279	20,940	390
Options (by underlying asset)	1,472	1,761	3,105	844	(15)	16	97
Off balance-sheet financial instruments	-	-	11	-	-	-	-
Total fair value	147,942	94,624	113,669	27,493	13,760	21,003	491
Financial instruments, net							
Sector’s exposure to interest rate changes	(29,931)	8,732	(973)	8,976	4,291	3,806	1,594
Sector’s cumulative exposure	(29,931)	(21,199)	(22,172)	(13,196)	(8,905)	(5,099)	(3,505)
Total exposure to interest rate changes							
Financial assets, amounts receivable in respect of derivatives and off-balance-sheet financial instruments							
Financial assets[(a)(c)]	259,954	26,017	46,419	38,074	24,081	20,408	6,946
Derivative financial instruments (excluding options)	114,133	159,114	159,512	75,148	34,960	35,039	424
Options (by underlying asset)	3,814	4,776	4,851	872	(21)	45	-
Off balance-sheet financial instruments	-	-	-	-	-	-	-
Total fair value	377,901	189,907	210,782	114,094	59,020	55,492	7,370
Financial liabilities, amounts payable in respect of derivatives and off-balance-sheet financial instruments							
Financial liabilities[(a)(c)(e)]	296,450	16,750	29,670	35,094	8,156	5,761	942
Derivative financial instruments (excluding options)	111,839	155,391	165,553	69,478	35,624	39,784	585
Options (by underlying asset)	3,711	4,467	4,621	1,326	(10)	159	112
Off balance-sheet financial instruments	-	-	174	-	-	-	-
Total fair value	412,000	176,608	200,018	105,898	43,770	45,704	1,639
Financial instruments, net							
Sector’s exposure to interest rate changes	(34,099)	13,299	10,764	8,196	15,250	9,788	5,731
Sector’s cumulative exposure	(34,099)	(20,800)	(10,036)	(1,840)	13,410	23,198	28,929
And interest rate exposure in respect of liabilities for employee benefits, gross - Pension and severance pay	62	125	562	1,315	1,377	3,501	5,547

(a) Excluding balance sheet outstanding derivatives, the fair value of off-balance-sheet financial instruments and of fair value of compound financial instruments. The “No repayment period" column features the non-capitalized balance sheet balances, including outstanding balances with past due dates totaling NIS 849 million as at September 30 2018.
(b) Weighted average by fair value of the average duration.
(c) Including non-monetary items featured in the “No repayment period" column.
(d) Including foreign-currency linked NIS.
(e) Excluding fair value of the actuarial liabilities to employees and excluding the value of the plan assets.

Over twenty years	Without repayment period	Total fair value	Internal rate of return	Average effective life(b)	Total fair value	Internal rate of return	Average effective life(b)	Total fair value	Internal rate of return	Average effective life(b)
					As of September 30 2017			As at December 31 2017		
			In %	In years		In %	In years		In %	In years
492	292	91,073	2.77	1.61	87,211	2.76	1.15	85,375	2.21	1.21
89	-	10,717	2.57	4.37	9,309	2.60	3.49	9,150	2.60	3.49
86	-	317,049	-	0.95	276,274	-	1.02	273,787	-	1.05
-	-	8,225	-	0.17	10,545	-	0.75	7,482	-	0.32
-	-	-	-	-	-	-	-	-	-	-
578	292	416,347	2.77	1.08	374,030	2.76	1.03	366,644	2.21	1.07
1	6	117,146	2.03	0.13	111,772	1.17	0.16	113,013	1.83	0.14
376	-	294,928	-	1.15	253,524	-	1.24	248,447	-	1.29
-	-	7,280	-	0.56	11,123	-	1.64	7,785	-	1.21
-	-	11	-	0.08	20	-	0.50	16	-	0.50
377	6	419,365	2.03	0.85	376,439	1.17	0.89	369,261	1.83	0.94
201										
(3,304)										
2,925	5,030	429,854	2.72	1.20	416,344	2.86	1.07	429,634	2.60	1.06
139	2,324	580,793	-	1.14	541,924	-	1.34	494,645	-	1.26
-	199	14,536	-	0.31	19,021	-	0.80	15,641	-	0.55
-	-	-	-	-	-	-	-	-	-	-
3,064	7,553	1,025,183	2.72	1.15	977,289	2.86	1.20	939,920	2.60	1.16
1	827	393,651	0.87	0.44	384,043	0.69	0.49	395,323	0.77	0.46
402	1,744	580,400	-	1.21	542,623	-	1.41	495,111	-	1.35
-	38	14,424	-	0.51	18,643	-	1.32	15,342	-	0.99
-	179	353	-	0.10	354	-	0.08	364	-	0.09
403	2,788	988,828	0.87	0.89	945,663	0.69	1.01	906,140	0.77	0.95
2,661										
31,590										
4,479	-	16,968	2.27	15.10	17,560	2.21	15.52	17,995	2.36	14.24

General comments:

1. The periodic data in the table state the present value of future cash flows discounted at the internal rate of return that brings them to the fair value of the financial instrument, in accordance with the assumptions used to calculate the fair value of the financial instrument. For more information regarding the assumptions used to calculate the fair value of the financial instruments, please see Note 15A.
2. An internal rate of return is the interest rate that discounts the expected cash flows from a financial instrument to the fair value included in respect thereof.
3. The average effective average duration of a class of financial instruments is an approximation of the percentage change in the fair value of the financial instrument class which will result from a small change (0.1 percent increase) in each financial instrument's internal rate of return.
4. The effect of hedge transactions is included in Total assets or Total liabilities, as relevant.
5. Estimates of early mortgage repayments and of deposit withdrawals by the public, respectively, were taken into account in calculating the average duration of the assets and liabilities. Net of the effect of the original average duration models, in the CPI-linked segment, the assets' average duration is 4.72 years, the liabilities' average duration is 2.87 years, and the IRR gap is 1.32 percent. In the NIS unlinked segment, the assets' average duration is 0.94 years, the liabilities' average duration is 1.03 years, and the IRR gap is 2.04 percent. In addition, in managing interest-rate exposures, the Bank treats a portion of the NIS-denominated current account and foreign currency balances as a long-term liability (spread over one and ten years), rather than up to one month according to the Reporting to the Public directives.
6. More information on the exposure to interest rate changes in each financial assets and liabilities segment, by balance sheet item, will be provided on request.

Liquidity Risk

Liquidity risk is the risk arising due to uncertainty regarding the possibility of raising sources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss. The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management, and the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, which adopts the recommendations of the Basel III Committee for calculating the liquidity coverage ratio (LCR), with adjustments for the Israeli economy. The minimum liquidity coverage ratio for the Bank and the Group is 100 percent.

Leumi maintains a proper liquidity level by investing its own portfolio in high-quality and diversified assets in NIS and foreign currencies, to enable it to meet all liquidity needs under a variety of stress scenarios, as well as through a policy of raising diversified and solid sources with different time ranges and emphasis on raising deposits from retailers and issuing long duration bonds.

Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by way of a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel directives and accepted international standards.

For more information regarding liquidity risk, please see the 2017 Annual Risk Management Report on the Bank's website and Note 9B.

Operational Risks

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.

The Leumi Group engages in a wide range of financial activities and is therefore exposed to operational risks which include, inter alia: information security and cybersecurity risks, technological risk, business continuity risk as well as embezzlement and fraud risks.

The Group's operational risk management policy outlines Leumi's operational risk management principles, guidelines and approach, including: risk-oriented management adapted to each business line and a focus on risks with potentially significant consequences.

For more information, please see the section entitled "Operational Risks" in the 2017 Report of the Board of Directors and Management and Risk Management Report.

Other Risks

Regulation and compliance risks

Regulation risk

In the past few years, capital and liquidity requirements from banks – both in Israel and around the world – have been extended, following the lessons drawn from the financial crisis (Basel III Rules). In addition, international guidelines regarding recently issued new standards may affect the Bank's capital and risk-weighted assets. These trends affect the capital allocation for the Group's various business activities. In addition, laws and regulations were recently published which focus on the consumer environment and which aim, among other things, to increase competition.

The increase in regulatory requirements in Israel and abroad affects the Group's business model, profitability and capital adequacy requirements.
The Bank monitors these developments, studies them and prepares accordingly.

Compliance Risk

A. Compliance risk, prohibition of money laundering and financing of terrorism

To effectively manage compliance risk, Leumi has in place a compliance and enforcement array, headed by the Chief Compliance Officer. The latter is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and financing of terrorism. The Chief Compliance Officer also serves as the securities law enforcement officer and the responsible officer for FATCA.

The Compliance and Enforcement Department reports to the Chief Legal Counsel.

The Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole and implementation of the Group's compliance policy.

Pursuant to the developing trends around the world, the Bank handles a range of compliance issues, including the prohibition on money laundering and on the financing of terrorism and taxation aspects, including FATCA and CRS.

Among other things, the Bank focuses on risk areas in financial technology domains (such as FinTech, P2P, hedge funds, virtual currencies, etc.) – managing compliance risk and prohibition on money laundering risk in a developing financial technology environment characterized by a lack of well-defined regulation on the one hand, and on the other hand – by professional complexity and the lack of practices incorporated into the control processes due to the novelty of the issues at hand.

B. Administrative enforcement

The Law of Efficiency of Enforcement Procedures in the Israel Securities Authority (Legislative Amendments), 2011 was designed to streamline the enforcement of legislative provisions in the securities domain. The law allows to impose various sanctions on a corporation, its officeholders and employees if they have violated the relevant provisions.

Further to the law, the Israel Securities Authority published a list of criteria for recognition of an internal enforcement program in the securities domain (hereinafter: the "Criteria Document").

The Criteria List instructs corporations, inter alia, to appoint an enforcement officer. His/her function, according to the Criteria List, is to be responsible for implementing the enforcement program.

C. FATCA - Foreign Account Tax Compliance Act

According to Amendment 227 to the Income Tax Authority and Income Tax Regulations (Implementation of the FATCA Agreement), 2016 - the Bank is required to identify customers and forward information on accounts held by U.S. customers to the Israel Tax Authority, to be forwarded to the US's Internal Revenue Service.

The Bank implements a declared money policy while ensuring that no funds managed by the Bank go undeclared to the relevant tax authorities. In this context, various measures were taken to locate and identify the relevant target audiences, and reports were made to the tax authorities in accordance with the FATCA rules, as agreed between Israel and the US tax agencies.

The Bank acts on several levels to ensure the compliance of Leumi Group and individuals therein with the provisions of the law, including: Appointment of a compliance as the party responsible; adoption of appropriate policy and work procedures; development of automated tools supporting the working processes; formulation of training and assimilation, testing, control and operation mechanisms required for complying with the directives and instructing the Group's subsidiaries on adequate preparations.

D. Common Reporting Standard (CRS)

The OECD published a uniform standard for implementing the Automatic Exchange of Information regarding Intergovernmental Financial Accounts (hereinafter: the "Standard"). The Standard is formulated in the spirit of the US FATCA and is intended to increase transparency and supervision over tax reporting by residents of the countries holding financial accounts outside their countries of residence. In July 2016, Amendment 227 to the Income Tax Ordinance was published, regarding the implementation of the FATCA and the Standard. Regulations for applying the Standard have not yet been published.

Leumi is prepared for complying with the legislative requirements. The branches of Bank Leumi in the UK and Romania have begun to implement the Standard on January 1 2016, in accordance with the local applicable regulatory directives.

Legal Risk

There is a general exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services provided by the Bank and the consolidated companies to their customers. The complexity of these services embodies, inter alia, a potential for claims, interpretations and others, relating to several commercial and regulatory terms and conditions. It is impossible to foresee all of the types of claims which may be raised in this area and the exposure deriving from these and other claims in connection with the services provided by the Bank and the consolidated companies, which are filed, inter alia, via the procedural mechanism provided in the Class Action Law.

There is also exposure due to regulatory changes and directives issued by the Banking Supervision Department. Some engagements with customers last many years, in the course of which policies, regulations and legal trends, as well as court rulings, may change. The Bank and the consolidated companies use complex automated systems, which are adjusted on a regular basis in light of the changes as aforesaid. All these create an increased operating and legal exposure.

There is also a general exposure arising from complaints filed from time to time with the Banking Supervision Department against the Bank and the consolidated companies, which may, under certain circumstances, result in legal proceedings against the Bank. Currently, it is impossible to assess whether there is exposure in respect of such complaints and whether the Banking Supervision Department will issue an industry-wide decision about the complaints and/or whether class actions or other type of lawsuits will be brought as a result of such proceedings. It is therefore impossible to assess the potential exposure for the such complaints. Accordingly, no provision was included in respect of the said exposure.

During the reporting period, there have been no material changes in the legal risk and its management by the Bank.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2017 Report of the Board of Directors and Management.

Reputational Risk

Reputational risk is the risk of damaging the trust of the Bank's various stakeholders, including customers, shareholders, employees, counter parties to transactions, suppliers, regulators and any other stakeholder whose trust in the Bank is essential for its business activity.

During the reporting period, there have been no material changes in the reputational risk and its management by the Bank.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2017 Report of the Board of Directors and Management.

Strategic Risk

Strategic risk is defined as the risk of a material decline in profitability arising from a decrease in income which cannot be compensated for through a sufficient reduction in expenses or by finding other sources of income. Such a decline may result from erroneous strategic decisions, an inability to implement adequate strategies, inadequate implementation of decisions or lack of response to or preparation for changes in the business environment (industry-specific, economic, regulatory, consumer-related or technological).

Strategic risk may be one whose damage affects the Bank's business model or one of its material business lines. This type of risk may have an effect on profit that is insignificant in the immediate term, but which may become dramatic in the long term.

During the reporting period, there have been no material changes in the strategic risk and its management by the Bank.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2017 Annual Report of the Board of Directors and Management.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on global trade – the US's economic policy, social and political processes in Europe and geopolitical instability in conflict zones around the world, inter alia on the back of the increased threat of terrorism. Lately, some risks have risen from possible international trade developments, especially the trade relations between the US and China. If the situation escalates to an ongoing "trade war", it may have an adverse effect on global growth. As a result, the Israeli economy may be indirectly affected as well.

The Bank monitors such risks. However, during the reporting period, there have been no material changes in the macroeconomic risk and its management by the Bank.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2017 Annual Report of the Board of Directors and Management.

Conduct Risk

Conduct risk is the risk that the Bank's conduct vis-à-vis its customers will lead, by act or omission, to an unwanted outcome for them, without the customer being able to take that outcome into account. As a result, the Bank may incur losses from legal damages, fines or reputational damage.

During the reporting period, there have been no material changes in the conduct risk and its management by the Bank.

For more information about legal risk and its management, please see the section entitled "Other Risks" in the 2017 Annual Report of the Board of Directors and Management.

Accounting Policies and Estimates on Critical Issues

Overview

The financial statements are prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department regarding the preparation of annual and quarterly financial statements of a banking corporation as detailed in Note 1 to the Annual Financial Statements as at December 31 2017.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and directives of the Banking Supervision Department requires Management to use of estimates and assessments which affect the reported amounts of assets and liabilities as well as income and expense amounts.

The actual results of these estimates may differ from the estimates and/or assessments. In most cases, the estimates and assessments are based on economic forecasts, assessments regarding different markets and past experience, while exercising discretion, and which Management believes to be reasonable at the time of signing the financial statements.

The main critical accounting issues in the December 31 2017 Annual Report are as follows: Provision for loan losses and classification of problem debts, derivatives, securities, liabilities for employee benefits, liabilities for legal claims and income tax.

Liabilities for Employee Benefits

Retirement and pension benefits are determined according to a classification of employment periods at the Bank: Employees who began working at the Bank from January 1 1999 have ongoing pension and provident fund contributions, for which the Bank has no pension liability, except for supplementary severance pay. Employees who began working at the Bank prior to January 1 1999 may choose, on reaching retirement age, to either receive severance pay and compensation or a pension annuity from the Bank, all in accordance with, and subject to, the provisions of the various agreements applicable to the employees. For these employees, the Bank deposits contributions in the employees' provident and severance pay fund, which is managed by a management company held by the fund's members (hereinafter: the "Fund").

In recent years, the Bank took several measures to mitigate the effect of these liabilities on the financial statements. Following these measures, the Bank began assessing alternatives to the current situation according to which all the funds are deposited in said Fund. At this stage, it is impossible to determine whether this will lead to forming a plan which will be approved and implemented and it is impossible to determine whether the required agreements will be reached in order to implement the above.

The calculation of pension liability amounts is based on actuarial models. The discount rate used to calculate the actuarial liabilities for employee benefits is based on market yields according to the alternative chosen by the Bank from among those prescribed by the Bank of Israel, according to which the yield curve is composed of yields of Israeli government bonds plus a fixed-spread curve of AA-graded corporate bonds which match the average durations of the liabilities for employee rights.

Based on past experience, the actuarial calculations also take into account the forecasted real pay raises that change according to the employee's age.

The actuarial models include assumptions about: life expectancy, disability rates, departure rates, exit rates with preferential terms and conditions, percentage of utilizing pension benefits and percentage of withdrawal of severance pay and benefits, etc. Although the criteria have been set with adequate caution and professionalism, a change in any or several of the actuarial criteria and/or capitalization rate and/or pay raise rates will alter the Bank's liabilities amount.

The actuarial assessment of the employees benefits is on the Israel Securities Authority's website, on the following address www.magna.isa.gov.il.

As at September 30 2018, the balance of accumulated other comprehensive income for employee benefits amounted to a negative balance of NIS 2,303 million, after the tax effect, a NIS 647 million decrease after taxes in the fund's negative balance, compared with December 31 2017.

The outstanding balance of the liability for employee benefits as at September 30 2018, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 62 million more than the actual outstanding balance of the liability.

Controls and Procedures Regarding Financial Statements Disclosures

The Banking Supervision Department's directives impose the requirements of Sections 302 and 404 of the SOX Act on banking corporations. The SEC and the Public Company Accounting Oversight Board have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal controls over financial reporting.

The Supervisor of Bank's directives require the following:

(a) Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.

(b) Adequate internal control requires an auditing system that follows a predefined, recognized framework. The 1992 COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2018, the Bank is validating and updating material control processes and conduct effective evaluations of its entire internal system of control over financial reporting.

Disclosure controls and procedures

The Bank's management, President and Chief Executive Officer and Head of the Finance Division and the Chief Accountant have evaluated the effectiveness of the Bank's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, the Bank's President and Chief Executive Officer and the Head of the Finance Division and the Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Changes in internal control

In the quarter ended September 30 2018, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

Board of Directors

From January to September 2018, Leumi's Board of Directors held 24 plenum meetings and its committees held 55 meetings.

At a Board meeting held on November 12 2018, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at September 30 2018 and for the period then ended.

The Bank's Board would like to express its appreciation and gratitude to the employees and managers of the Bank and the Group's subsidiaries - both in Israel and overseas - for their dedicated work and contribution to the Group's business.

David Brodet
Chairman of the Board

Rakefet Russak-Aminoach
President and CEO

November 12 2018

Certification

I, Rakefet Russak-Aminoach, hereby certify as follows:

A. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the “Bank") for the quarter ended September 30 2018 (hereinafter: the “Report").

B. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.

C. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.

D. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding “Report of the Board of Directors and Management"). In addition:

   a. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;

   b. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;

   c. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and

   d. The Report discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

E. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ committees, based on our most recent evaluation of the internal control over financial reporting, the following:

   a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

November 12 2018

Rakefet Russak-Aminoach
President and CEO

Certification

I, Omer Ziv, hereby certify as follows:

A. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the “Bank") for the quarter ended September 30 2018 (hereinafter: the “Report").

B. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.

C. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.

D. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding “Report of the Board of Directors and Management"). In addition:

   c. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;

   d. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;

   e. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and

   f. The Report discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

E. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ committees, based on our most recent evaluation of the internal control over financial reporting, the following:

   a. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

November 12 2018

Omer Ziv
First Executive Vice President
Head of Finance Division

Certification

I, Shlomo Goldfarb, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi of Israel Ltd. (hereinafter: the “Bank") for the quarter ended September 30 2018 (hereinafter: the “Report").

2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the quarterly report and other financial information included in the Report fairly represent, in all material aspects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding “Report of the Board of Directors and Management"). In addition:

   c. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and companies, especially during the preparation of the Report;

   d. We have established such internal controls over the financial reporting or have caused such controls to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department;

   e. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and

   f. The Report discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ committees, based on our most recent evaluation of the internal control over financial reporting, the following:

   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Bank’s ability to record, process, summarize and report financial information; and

   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

November 12 2018

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

Review Report of the Joint Independent Auditors to the Shareholders of Bank Leumi of Israel Ltd.

Introduction

We have reviewed the accompanying financial information of Bank Leumi of Israel Ltd. and its subsidiaries (hereinafter: the "Bank"), which includes the condensed consolidated interim balance sheet as at September 30 2018 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and instructions. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

We performed our review pursuant to Review Standard 1 of the Institute of Certified Public Accountants in Israel, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and a review standard applied in the review of banking corporations pursuant to the Banking Supervision Department's directives and instructions. A review of interim financial information consists of inquiries, mostly of persons responsible for financial and accounting issues, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Israeli GAAP for interim financial reporting and in accordance with the directives and guidelines of the Supervisor of Banks.

Emphasis of matter

Without qualifying the above conclusion, we would like to draw attention to Note 10, Section B. Subsection 3 deals with lawsuits filed against a consolidated company, including petitions to approve them as class actions.
The Bank is unable to assess the implications of said matters, if any, on the Bank, its financial position and financial performance, and whether they shall be material.

Somekh Chaikin Kasierer
CPAs

Kost Forer Gabay
CPAs

Joint Independent Auditors

November 12 2018

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Income Statement
For the period ended September 30 2018

	Note	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2018	2017	2018	2017	2017
		Unaudited				Audited
		In NIS millions				
Interest income	2	**2,811**	2,294	**8,420**	7,500	10,069
Interest expense	2	**615**	376	**1,804**	1,544	2,023
Interest income, net	2	**2,196**	1,918	**6,616**	5,956	8,046
Expenses for loan losses	6, 13	**198**	3	**314**	146	172
Interest income, net of expenses for loan losses		**1,998**	1,915	**6,302**	5,810	7,874
Noninterest income						
Noninterest finance income	3	**454**	222	**594**	674	919
Fees and commissions		**1,043**	1,043	**3,130**	3,068	4,138
Other income		**6**	41	**62**	71	371
Total noninterest income		**1,503**	1,306	**3,786**	3,813	5,428
Operating and other expenses						
Salaries and related costs		**1,119**	1,096(a)	**3,412**	3,332(a)	4,591(a)
Buildings and equipment - maintenance and depreciation		**380**	406	**1,167**	1,239	1,661
Other expenses		**566**	574(a)	**1,637**	1,575(a)	2,249(a)
Total operating and other expenses		**2,065**	2,076	**6,216**	6,146	8,501
Profit before taxes		**1,436**	1,145	**3,872**	3,477	4,801
Provision for taxes on profit		**515**	376	**1,298**	1,220	1,692
Profit after taxes		**921**	769	**2,574**	2,257	3,109
The Bank's share in associates' profits, after tax		**35**	60	**47**	85	92
Net income						
Before attribution to non-controlling interests		**956**	829	**2,621**	2,342	3,201
Attributable to non-controlling interests		**(20)**	(9)	**(52)**	(24)	(29)
Attributable to the Bank's shareholders		**936**	820	**2,569**	2,318	3,172
Basic and diluted earnings per share (in NIS)						
Basic net income attributable to the Bank's shareholders	3A	**0.62**	0.54	**1.69**	1.52	2.08
Diluted net income attributable to the Bank's shareholders	3A	**0.62**	0.54	**1.69**	1.52	2.08

(a) Reclassified due to retroactive application of the Banking Supervision Department's directive regarding improved presentation of expenses for pension and other post-employment benefits. Please see Note 1.B.3.

The notes to the condensed financial statements form an integral part thereof.

David Brodet
Chairman of the Board

Rakefet Russak-Aminoach
President and CEO

Omer Ziv
First Executive Vice President
Head of Finance Division

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

Date the financial statements were approved: November 12 2018

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES

Condensed Consolidated Statements of Comprehensive Income

For the period ended September 30 2018

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Net income before amount attributable to non-controlling interests	**956**	829	**2,621**	2,342	3,201
Net income attributable to non-controlling interests	**20**	9	**52**	24	29
Net income attributable to the Bank's shareholders	**936**	820	**2,569**	2,318	3,172
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale securities at fair value, net	**(5)**	259	**(401)**	256	259
Adjustments from translation of financial statements, net[(a)], net of hedges[(b)]	**(3)**	2	**(4)**	(32)	(39)
Adjustments of liabilities in respect of employee benefits[(c)]	**(311)**	(806)	**971**	(943)	(1,177)
The Bank's share in other comprehensive income (loss) of associates	**13**	(13)	**16**	(24)	(10)
Other comprehensive income (loss), before taxes	**(306)**	(558)	**582**	(743)	(967)
Relevant tax effect	**109**	185	**(142)**	160	232
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(197)**	(373)	**440**	(583)	(735)
Other comprehensive (loss) attributable to non-	**(6)**	-	**(44)**	-	-
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**(191)**	(373)	**484**	(583)	(735)
Comprehensive income before attribution to non-controlling interests	**759**	456	**3,061**	1,759	2,466
Other comprehensive (loss) attributable to the Bank's	**14**	9	**8**	24	29
Comprehensive income attributable to the Bank's shareholders	**745**	447	**3,053**	1,735	2,437

(a) Adjustments from the translation of the financial statements of a foreign operation whose functional currency is different from Bank's functional currency.

(b) Hedges - net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the period, of defined benefit plans and a deduction of amounts previously recorded in "Other comprehensive income."

See also Note 4, under "Other comprehensive income (loss)."

The notes to the condensed financial statements form an integral part thereof.

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Balance Sheet as at September 30 2018

		September 30		December 31
		2018	2017	2017
		Unaudited		Audited
	Note	In NIS millions		
Assets				
Cash and deposits with banks		74,789	66,953[e]	82,067
Securities[a][b]	5	76,861	82,098	77,299
Securities borrowed or purchased under agreements to resell		1,465	872	1,161
Loans to the public	6, 13	270,902	269,584[e]	271,165[e]
Loan loss provision	6, 13	(3,222)	(3,226)[e]	(3,213)[e]
Loans to the public, net		267,680	266,358	267,952
Loans to governments		642	695	715
Investments in associates		792	923	807
Buildings and equipment		2,736	2,931	2,986
Intangible assets and goodwill		17	16	16
Assets in respect of derivatives	11	9,820	10,954	9,573
Other assets[a]		7,066	8,251	8,262
Held-for-sale assets[d]		8,806	-	-
Total assets		450,674	440,051	450,838
Liabilities and capital				
Deposits from the public	7	358,875	350,201	362,478
Deposits from banks		5,168	5,279[e]	5,156
Deposits from governments		790	539	452
Securities loaned or sold under agreements to repurchase		655	637	558
Bonds, promissory notes and subordinated notes		17,805	16,407	15,577
Liabilities in respect of derivative instruments	11	9,315	11,275	9,740
Other liabilities[a][c]		15,376	22,539	23,324
Held-for-sale liabilities[d]		7,095	-	-
Total liabilities		415,079	406,877	417,285
Equity attributable to the Bank's shareholders	9	34,759	32,793	33,167
Non-controlling interests		836	381	386
Total capital		35,595	33,174	33,553
Total liabilities and capital		450,674	440,051	450,838

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) For more information on securities pledged to lenders, please see Note 5.
(c) Of which: a provision for loan losses for off-balance-sheet credit instruments, NIS 468 million (as at September 30 2017 - NIS 492 million; as at December 31 2017 - NIS 484 million).
(d) For more information, please see Note 16F.
(e) Reclassified.

The notes to the condensed financial statements form an integral part thereof.

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity
For the period ended September 30 2018

	For the three months ended September 30 2018 (unaudited)		
		Capital reserves	
	Shareholder's equity	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at June 30 2018	7,104	1,600	30
Net income for the period	-	-	-
Other comprehensive loss, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	(13)	(295)	-
Sale of equity in subsidiaries to non-controlling interests	-	4	-
Balance as at September 30 2018	7,091	1,309	30

	For the three months ended September 30 2017 (unaudited)		
		Capital reserves	
	Shareholder's equity	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at June 30 2017	7,110	1,729	38
Net income for the period	-	-	-
Other comprehensive loss, net of tax	-	-	-
Dividend paid	-	-	-
Balance as at September 30 2017	7,110	1,729	38

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

The notes to the consolidated financial statements form an integral part thereof.

Total shareholder's equity and capital reserves	Accumulated other comprehensive (loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,734	(2,376)	28,321	34,679	835	35,514
-	-	936	936	20	956
-	(191)	-	(191)	(6)	(197)
-	-	-	-	(20)	(20)
-	-	(361)	(361)	-	(361)
(308)	-	-	(308)	-	(308)
4	-	-	4	7	11
8,430	(2,567)	28,896	34,759	836	35,595

Total Shareholder's equity and capital reserves	Accumulated other comprehensive (loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,877	(2,522)	26,166	32,521	372	32,893
-	-	820	820	9	829
-	(373)	-	(373)	-	(373)
-	-	(175)	(175)	-	(175)
8,877	(2,895)	26,811	32,793	381	33,174

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2018

	For the nine months ended September 30 2018 (unaudited)		
		Capital reserves	
	Shareholder's equity	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at December 31 2017 (audited)	7,110	1,729	38
Effect of first-time application of IFRS 9 on foreign subsidiaries	-	-	-
Net income for the period	-	-	-
Other comprehensive income, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Share buyback	(20)	(448)	-
Sale of equity in subsidiaries to non-controlling interests	-	21	-
Balance as at September 30 2018	**7,091**	**1,309**	**30**

	For the nine months ended September 30 2017 (unaudited)		
		Capital reserves	
	Shareholder's equity	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at December 31 2016 (audited)	7,109	1,722	36
Net income for the period	-	-	-
Other comprehensive loss, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Employee benefit in respect of stock compensation	-	-	10
Balance as at September 30 2017	7,110	1,729	38

	For the year ended December 31 2017 (audited)		
		Capital reserves	
	Shareholder's equity	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at December 31 2016	7,109	1,722	36
Implementation of the US tax reform[(b)]	-	-	-
Net income	-	-	-
Other comprehensive loss, net of tax	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Employee benefit in respect of stock compensation	-	-	10
Balance as at December 31 2017	7,110	1,729	38

(b) Including NIS 10 million in other capital reserves.

(c) Effect of income taxes arising from tax rate changes following the tax reform; the taxes were reclassified from other comprehensive income to retained earnings.

The notes to the condensed financial statements form an integral part thereof.

Total Shareholder's equity and capital reserves	Accumulated Other Comprehensive Income (Loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,877	(3,051)	27,341	33,167	386	33,553
-	-	(19)	(19)	-	(19)
-	-	2,569	2,569	52	2,621
-	453	-	453	-	453
-	-	-	-	(30)	(30)
-	-	(995)	(995)	-	(995)
-	-	-	-	-	-
(468)	-	-	(468)	-	(468)
21	31	-	52	428	480
8,430	(2,567)	28,896	34,759	836	35,595

Total shareholder's equity and capital reserves	Accumulated other comprehensive (loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,867	(2,312)	24,792	31,347	367	31,714
-	-	2,318	2,318	24	2,342
-	(583)	-	(583)	-	(583)
-	-	-	-	(10)	(10)
-	-	(299)	(299)	-	(299)
-	-	-	-	-	-
10	-	-	10	-	10
8,877	(2,895)	26,811	32,793	381	33,174

Total shareholder's equity and capital reserves	Accumulated other comprehensive (loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,867	(2,312)	24,792	31,347	367	31,714
-	(14)	14	-	-	-
-	-	3,172	3,172	29	3,201
-	(725)	(10)	(735)	-	(735)
-	-	-	-	(10)	(10)
-	-	(627)	(627)	-	(627)
-	-	-	-	-	-
10	-	-	10	-	10
8,877	(3,051)	27,341	33,167	386	33,553

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Cash Flow Statement
For the period ended September 30 2018

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Cash flows from operating activities					
Net income for the period	**956**	829	**2,621**	2,342	3,201
Adjustments:					
Group's share in undistributed profits of associates[a]	**(30)**	(59)	**54**	(60)	68
Depreciation of buildings and equipment (including impairment)	**139**	155	**426**	497	662
Expenses for loan losses	**198**	3	**314**	146	172
Gains on sale of loan portfolios	**-**	(9)	**-**	(9)	(9)
Gains on sale of available-for-sale securities	**(58)**	(57)	**(91)**	(170)	(187)
Realized and unrealized gain (loss) from adjustments to fair value of held-for-trading securities	**16**	(147)	**(55)**	35	45
Gain on sale of investees' shares	**(121)**	-	**(128)**	-	-
Profit (loss) on disposal of buildings and equipment	**3**	(16)	**(27)**	(18)	(278)
Provision for impairment of available-for-sale shares	**-**	-	**-**	-	11
Deferred taxes - net	**25**	(134)	**221**	(203)	(231)
Severance pay and pension - increase (decrease) in excess reserves over fund	**(316)**	31	**1,040**	(109)	(42)
Interest received (receivable) for available-for-sale bonds over the interest accrued during the period	**(88)**	32	**(33)**	94	100
Interest payable on bonds and subordinated notes	**147**	97	**436**	545	671
Effect of exchange rate differentials on cash and cash equivalent balances	**60**	(261)	**(252)**	219	447
Other, net	**3**	(2)	**3**	(3)	(2)
Net change in current assets:					
Assets in respect of derivatives	**2,255**	408	**(245)**	(303)	1,077
Held-for-trading securities	**788**	3,842	**(64)**	2,195	2,948
Other assets	**101**	(267)[b]	**434**	(170)	(111)
Net change in current liabilities:					
Liabilities in respect of derivative instruments	**(1,981)**	(827)	**(351)**	607	(915)
Other liabilities	**1,077**	36	**(1,682)**	(107)	317
Net cash provided from current activities	**3,174**	3,654[b]	**2,621**	5,528[b]	7,944[b]

(a) Net of dividend received.
(b) Reclassified, including in respect of the application of US GAAP ASC 230, Statement of Cash Flows. Please see Note 1.B.2.

The notes to the condensed financial statements form an integral part thereof.

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed consolidated cash flow statement (cont.)
For the period ended September 30 2018

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Cash flows from investing activities					
Net change in deposits with banks with original maturities of more than three months	**2,081**	(371)[(a)]	**59**	(1,023)[(a)]	(1,085)[(a)]
Net change in loans to the public	**(4,432)**	(1,644)[(a)]	**(7,574)**	(6,067)[(a)]	(8,017)[(a)]
Net change in loans to governments	**115**	(76)[(a)]	**73**	(53)[(a)]	(73)[(a)]
Net change in securities borrowed or purchased under agreements to resell	**(534)**	159[(a)]	**(304)**	412[(a)]	123[(a)]
Purchase of held-to-maturity bonds	**(1,118)**	-	**(2,639)**	-	(74)
Proceeds from redemption of held-to-maturity bonds	**13**	-	**46**	80	128
Purchase of available-for-sale securities	**(16,174)**	(31,374)	**(71,003)**	(73,419)	(90,845)
Proceeds from the sale of available-for-sale securities	**9,020**	11,416	**35,773**	30,921	42,394
Proceeds from redemption of available-for-sale securities	**12,979**	12,909	**38,231**	35,290	45,187
Proceeds from disposal of investment in associates	**260**	6	**108**	15	17
Proceeds from disposal of an investment in a previously-consolidated subsidiary	**-**	-	**11**	-	-
Proceeds from sale of loan portfolios	**63**	65	**77**	65	96
Purchase of buildings and equipment	**(175)**	(144)	**(499)**	(463)	(637)
Proceeds from disposal of buildings and equipment	**-**	29	**44**	38	315
Proceeds from disposal of assets transferred to the Group's ownership	**-**	-	**-**	2	-
Central severance pay fund	**39**	50	**216**	347	373
Other	**2**	-	**(17)**	-	-
Net cash from (for) investing activities	**2,139**	(8,975)[(a)]	**(7,398)**	(13,855)[(a)]	(12,098)
Cash flows from financing activities					
Net change in deposits from banks with original maturities of more than three months	**2,220**	941[(a)]	**705**	2,170[(a)]	2,094[(a)]
Net change in deposits from the public	**(2,245)**	7,233[(a)]	**(4,639)**	5,168[(a)]	17,817[(a)]
Net change in deposits from governments	**239**	(91)[(a)]	**329**	(307)[(a)]	(387)[(a)]
Net change in securities loaned or sold under agreements to resell	**96**	393[(a)]	**97**	98[(a)]	19[(a)]
Issue of bonds and subordinated notes	**820**	-	**2,109**	-	-
Redemption of bonds and subordinated notes	**(116)**	(6,027)	**(317)**	(6,778)	(7,734)
Dividend paid to shareholders	**(361)**	(175)	**(995)**	(299)	(627)
Dividend paid to external shareholders in consolidated companies	**(20)**	-	**(30)**	(10)	(10)
Gains on disposal of investments in investees	**11**	-	**512**	-	-
Share buyback	**(308)**	-	**(468)**	-	-
Net cash from (for) financing activities	**336**	2,274	**(2,697)**	42	11,172
Increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified as held-for-sale assets and liabilities[(b)]	**5,649**	(3,047)	**(7,474)**	(8,285)	7,018
Net of increase (decrease) in cash and cash equivalents classified as held-for-sale assets and liabilities[(b)]	**32**		**35**		
Increase (decrease) in cash and cash equivalents	**5,617**	(3,047)	**(7,509)**	(8,285)	7,018
Balance of cash and cash equivalents at beginning of period	**66,026**	66,551	**78,840**	72,269	72,269
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(60)**	261	**252**	(219)	(447)
Balance of cash and cash equivalents at end of period	**71,583**	63,765	**71,583**	63,765	78,840

(d) Reclassified, including in respect of the application of US GAAP ASC 230, Statement of Cash Flows. Please see Note 1.B.2.
(e) For more information, please see Note 16F.

BANK LEUMI OF ISRAEL LTD. AND ITS CONSOLIDATED COMPANIES
Condensed consolidated cash flow statement (cont.)
For the period ended September 30 2018

Interest and taxes paid and/or received and dividends received

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Interest received	**2,663**	2,414	**7,842**	7,589	10,057
Interest paid	**(625)**	(807)	**(1,974)**	(1,825)	(2,447)
Dividends received	**6**	6	**114**	40	176
Income tax paid	**(426)**	(491)	**(734)**	(1,392)	(1,855)

Appendix A - Non-Cash Investments and Financing Activities in the Reporting Period:

For the year ended December 31 2017

On January 1 2017, a NIS 957 million balance was reclassified from the available-for-sale securities portfolio to the held-to-maturity portfolio.

On April 6 2017, the bank issued PSUs. As a result, NIS 10 million was reclassified from “Other liabilities” line item to the stock compensation transactions reserve.

For more information, please see Note 25A to the 2017 Annual Financial Statements.

Appendix B - Proceeds from disposal of investments in a previously-consolidated subsidiary[(a)]:

Assets and liabilities of the previously consolidated subsidiary and cash flow from disposal of investments in a previously consolidated subsidiary as of the sale date:

	As at September 30 2018
	Unaudited
	In NIS millions
Derecognized cash	7
Assets (excluding cash)	1
Liabilities	3
Identified assets and liabilities	5
Less transfer to available-for-sale securities	1
Derecognized assets and liabilities	4
Capital gain from disposal of investments in a previously-consolidated subsidiary	7
Total proceeds from disposal of investments in a previously-consolidated subsidiary	11

(b) For more information, please see Note 16C.

The notes to the consolidated financial statements form an integral part thereof.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of financial reporting

1. Reporting principles

The condensed interim financial statements are prepared as at September 30 2018, in accordance with Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department regarding preparation of quarterly financial statements by a banking corporation. In most topics, the directives are based on US GAAP for banks. In other, less material, topics, the directives are based on certain IFRSs, interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Israeli GAAP.

When IFRSs allow for several alternatives, or do not include a specific reference to a particular situation, the Banking Supervision Department’s directives provide specific application guidelines that are usually based on US GAAP for banks.

The accounting principles applied to the preparation of the financial statements are consistent with those applied to the audited annual financial statements as at December 31 2017, except as outlined in Section B below. The financial statements should be read in conjunction with the annual financial statements as at December 31 2017 and their accompanying notes. On November 12 2018, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

Preparing the condensed consolidated interim financial statements in accordance with Israeli GAAP and directives and guidance of the Banking Supervision Department requires management to use estimates, assessments and judgment, which affect the reported amounts of assets and liabilities as well as income and expense amounts during the reporting period. It is clarified that the actual results may differ from such estimates.

When developing accounting estimates used in the preparation of the Bank's financial statements, the Bank's management is required to make assumptions regarding circumstances and events involving significant uncertainty. In exercising its judgment to determine the accounting estimates, the Bank's management relies on past experience, various facts, external factors and reasonable assumptions, in accordance with each estimate’s particular circumstances.

Changes in estimates

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were restated and for any future affected periods.

B. First-time application of new accounting standards, accounting standard revisions, and new directives issued by the Banking Supervision Department

As of the reporting periods commencing on January 1 2018, the Bank applies the following accounting standards and directives:

(a) Revenue recognition

On January 11 2015, a circular was published regarding the adoption of revised accounting principles, Revenue from Contracts with Customers. The circular revises Reporting to the Public Directives following the publication of Update No. 2014-09, which adopts a new standard on revenue recognition for the US GAAP. According to the Standard, revenue should be recognized in the amount expected to be received in return for the transfer of goods or provision of services to customers.
The Standard provides a five-stage model for determining the timing and amount for recognizing revenue.

The Standard also outlines the rules for presenting these revenues and the costs incurred in respect thereof.

Note 1 - Significant Accounting Policies (cont.)

The new standard is not applicable, inter alia, to financial instruments and contractual rights or obligations within the scope of Accounting Standards Codification (ASC) Topic 310. According to the Bank of Israel directives, the provisions of the new standard are not applicable to the accounting treatment of interest income and expenses and noninterest finance income. As a result, the new directives have no effect on most of the Bank's revenues.

The circular’s guidelines were implemented prospectively from January 1 2018, by charging the cumulative effect to retained earnings.

The application of the circular had no material effect on the financial statements.

2. Reporting by banking corporations pursuant to US GAAP

On October 13 2016, the Banking Supervision Department published a circular titled “Reporting by Banking Corporations Pursuant to US GAAP.”

The circular revises, inter alia, the Reporting to the Public Directives and adopts the US GAAP on the following topics:

C. Discontinued operations in accordance with ASC Subtopic 205-20 on “Non-Current Assets Held for Sale and Discontinued Operations.”

D. Property, plant, and equipment in accordance with ASC Topic 360 “Property, Plant, and Equipment.”

E. Earnings per share in accordance with ASC Topic 260, “Earnings per Share.”

F. Statement of cash flows in accordance with ASC Subtopic 230-10, "Statement of Cash Flows."

G. Interim reporting in accordance with ASC Topic 270, "Interim Reporting."

H. Capitalization of interest costs pursuant to ASC Subtopic 835-20, “Capitalization of Interest.”

I. Measurement and disclosure of guarantees in accordance with ASC Topic 460, “Guarantees.”

The circular’s guidelines shall apply as of January 1 2018.

The application of the circular had no material effect on the financial statements.

3. Improved presentation of pension and other post-employment benefits

On January 1 2018, the Banking Supervision Department published a circular titled “Improved presentation of pension and other post-employment benefits.”

Pursuant to the circular, the salary expenses in the income statement should only include the cost of service, while all other cost components of the benefit should be presented under “Other expenses.”

In addition, the circular clarified that only the cost of service component may be capitalized.

The circular’s guidelines shall apply as of January 1 2018.

The application of the circular had no material effect on the financial statements, except on the manner of presentation and disclosure, including restatement of comparative information for prior periods.

4. ASU 2017-09 — *Compensation — Stock Compensation*

In May 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2017-09, which amends the provisions of ASC 718 — *Compensation — Stock Compensation.* The ASU is intended to clarify when modification accounting is applicable following a change in the stock compensation terms.

The application of the revision had no material effect on the financial statements.

Note 1 - Significant Accounting Policies (cont.)

C. New accounting standards and new directives issued by the Banking Supervision Department in the period preceding their application

Publication topic	Publication's requirements	Effective date and transitional provisions	Effect on the financial statements
ASU 2017-04 — Intangibles — Goodwill and Other	In January 2017, the FASB issued ASU 2017-04 — *Intangibles — Goodwill and Other*, which amends ASC 350, *Intangibles - Goodwill and Other.* According to the ASU, it is no longer required to calculate the fair value of goodwill and recognize an impairment in respect of the difference between the fair value and carrying amount. Goodwill impairment should be recognized as the difference between the fair value of the reported unit and its carrying amount. However, the impairment loss cannot exceed the goodwill amount attributed to the reporting unit.	The change is to be applied prospectively from January 1 2020.	The implementation of the circular is not expected to have a material effect on the financial statements.
ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities*	In March 2017, the FASB published ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* (hereinafter: the "ACU"), which constitutes an update to Subtopic 310-20 - "Receivables - Nonrefundable Fees and Other Costs" (formerly FAS 91). Pursuant to the update, the amortization period of premiums on purchased callable debt securities by the issuer will be shortened from the contractual amortization period to one ending by the earliest early repayment date.	The change is to be applied prospectively from January 1 2019.	The implementation of the circular is not expected to have a material effect on the financial statements.

Note 1 - Significant Accounting Policies (cont.)

Adoption of updates to US GAAP for banks - provisions for expected loan losses and other directives	On March 28 2018, the Banking Supervision Department published a letter titled "Adoption of Updates to US GAAP for Banks - Provisions for Expected Loan Losses and other Directives."		The Bank is assessing the effect on its financial statements
	Revised accounting treatment of loan loss provisions - CECL The letter adopts US GAAP for expected loan losses as published in ASU 2016-13. The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording the provisions for loan losses so as to reinforce the anti-cyclical behavior of the loan loss provisions in order to support a swifter response by banks to a deterioration in borrowers' credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The main highlights of the expected changes are as follows: 3. The loan loss provision will be calculated according to the expected loss over the life of a loan rather than the estimated loss that has been incurred but not yet identified. 4. When estimating loan losses, significant use will be made of forward-looking information which shall reflect reasonable forecasts regarding future economic events. 5. Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio will be expanded 6. A change will be made in the manner in which impairment of bonds in the available-for-sale portfolio will be recorded. 7. The new rules for calculating the loan loss provision will apply to loans, held-to-maturity bonds and certain off-balance sheet credit exposures.	The effective date of the change is January 1 2021, which is to be applied by recording retained earnings on the first-time application date of the cumulative effect of the rules' application.	

Note 1 - Significant Accounting Policies (cont.)

Reporting by banking corporations and credit card companies in Israel pursuant to US GAAP on derivative instruments and hedging, classification and measurement of financial instruments, cash flow statement and additional topics	Following a letter published by the Banking Supervision Department on March 28 2018, the Banking Supervision Department published on August 30 2018 a circular entitled "Reporting by banking corporations and credit card companies in Israel pursuant to US GAAP on derivative instruments and hedging, classification and measurement of financial instruments, cash flow statement and additional topics." **Revised treatment of financial instruments** The circular adopts ASU 2016-01. The purpose of the new rules is to simplify the model of reporting on financial instruments and provide users with more useful information for decision making purposes. The main changes related to classification and measurement of financial instruments are as follows: • Available for sale shares with an available fair value shall be measured at fair value through profit or loss rather than unrealized adjustments to fair value in other comprehensive income. • As a rule, shares with no available fair value shall be presented at cost less impairment (as presented so far). The cost shall be adjusted to changes in observable prices of share by the same issuer.	The change is to be applied from January 1 2019, in accordance with the transitional provision in the US GAAP. Unrealized gains for shares in the available-for-sale portfolio recorded in a capital reserve will be reclassified to retained earnings.

Note 1 - Significant Accounting Policies (cont.)

Revised accounting treatment of derivatives and hedging activities

The circular adopts US GAAP for derivatives and hedging activities as published in ASU 2017-12. The objective of the new rules is to improve financial reporting on hedge ratios so as to better reflect the financial results of the banking corporation's risk management through changes in the designation, measurement and presentation of the hedging results. Another objective is to simplify the application of hedge accounting.

The main highlights of the expected changes are as follows:

a. The rules expand the ability to hedge certain risk components, thereby matching the recording of hedging instruments and hedged items in the financial statements.
b. The rules facilitate the application of accounting guidelines on hedging, mainly by easing requirements on examining hedge effectiveness and documenting hedges.
c. The disclosure of activities in derivatives will be updated.

Note 1 - Significant Accounting Policies (cont.)

Reporting by banking corporations and credit card companies pursuant to US GAAP on leases.	**Revised treatment of leases** On July 1 2018, the Banking Supervision Department published a circular entitled "Reporting by banking corporations and credit card companies pursuant to US GAAP on leases", which adopts US GAAP on leases as published in ASU 2016-02 and inter alia, the rules of presentation, measurement and disclosure according to ASC Topic 842. The main highlights of the expected changes are as follows: a. Leases longer than 12 months will be recognized in the balance sheet even if a lease is classified as an operating lease. b. In operating leases, an asset shall be recorded in the balance sheet which reflects the corporation's right to use the leased asset against an obligation to pay the lease. c. Leasing transactions in which a banking corporation sells an asset and leases it back may be considered, under certain circumstances, as accounting sales transactions subject to meeting certain conditions specified in the new rules. d. Risk-weighted assets in respect of right of use assets for operational leases recognized in the balance sheet will be fully weighted for minimum capital ratio purposes. A quantitative disclosure regarding the expected effect of the revised accounting treatment of leases should be included in the financial statements no later than those of the second quarter of 2019. According to the transitional provisions, exchange rate differentials in respect of available-for-sale bonds should not be included as part of the adjustments to fair value of these bonds, extended until January 1 2021.	The change is to be applied from January 1 2020 onwards.	The Bank is assessing the effect of the circular on its financial statements
ASU 2018-14 715-20 - Defined Benefit Plans regarding Compensation, retirement benefits, and defined benefit plans.	**Disclosure requirements of defined benefit plans** The objective of the revision is to improve the effectiveness of disclosures in the notes to the financial statements. The main amendments are as follows: a. The requirement to present an estimate of the amounts included in other	The change is to be applied retroactively from January 1 2021.	The implementation of the circular is not expected to have a material effect on the financial statements.

	comprehensive income that are expected to be deducted as an expense from accumulated other comprehensive income to the income in the following year was revoked. b. A requirement was added according to which details should be provided regarding the reasons for material profits or losses related to a change in the defined benefit obligation during the period and other material changes.		
ASU 2018-15 Accounting treatment of integration costs of cloud computing arrangements	Integration costs of cloud computing arrangements Costs incurred for the purpose of integrating cloud computing services shall be deferred or charged to profit or loss in the same manner they would have been treated in accordance with provisions regarding software for own use, despite being service contracts.	The change is to be applied from January 1 2020 onwards. May be applied by way of prospective or retroactive application.	The Bank is assessing the effect of the revision on its financial statements

Note 2 - Interest Income and Expenses

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
	Unaudited			
	In NIS millions			
A. Interest income[(a)]				
From loans to the public	**2,485**	2,092	**7,552**	6,836
From loans to the Israeli government	**8**	6	**24**	18
From deposits with the Bank of Israel and from cash	**19**	14	**54**	39
From deposits with banks	**23**	27	**84**	81
From securities borrowed or purchased under agreements to resell	**-**	-	**1**	1
From bonds[(b)]	**276**	155	**705**	525
Total interest income	**2,811**	2,294	**8,420**	7,500
B. Interest expenses[(a)]				
For deposits from the public	**(460)**	(272)	**(1,344)**	(979)
For deposits from governments	**(1)**	(1)	**(3)**	(3)
For deposits from banks	**(6)**	(3)	**(18)**	(12)
For securities loaned or sold under agreements to repurchase	**-**	-	**(1)**	(1)
For bonds, promissory notes and subordinated notes	**(148)**	(100)	**(438)**	(549)
Total interest expense	**(615)**	(376)	**(1,804)**	(1,544)
Total interest income, net	**2,196**	1,918	**6,616**	5,956
C. Details on the net effect of hedging derivative instruments[(c)]				
From interest income	**1**	(1)	**1**	(14)
D. Details on interest income from bonds, on accrual basis				
Available for sale	**250**	141	**645**	477
Held for trading	**10**	14	**33**	46
Held to maturity	**16**	-[(d)]	**27**	2
Total included in interest income	**276**	155	**705**	525

(a) Including an effective component in hedge ratios.
(b) Including interest in respect of mortgage-backed securities (MBS) in the amount of NIS 38 million and NIS 147 million for the three-month and six-month periods ended September 30 2018 (NIS 54 million and NIS 157 million for the three-month and nine-month periods ended September 30 2017, respectively).
(c) More information about the effect of hedging derivatives on subsections A. and B.
(d) Income lower than NIS 1 million.

Note 3 - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
	Unaudited			
	In NIS millions			
A. Noninterest finance income (expenses) for non-trading activities				
A.1. From derivative activities[a]				
Net income (expenses) in respect of ALM derivatives[b]	**103**	321	**1,687**	(1,618)
Total from activity in derivatives	**103**	321	**1,687**	(1,618)
A.2. From investment in bonds				
Gains on sale of available-for-sale bonds[g]	**7**	68	**52**	121
Losses on sale of available-for-sale bonds[f][g]	**(28)**	(21)	**(59)**	(39)
Total from investment in bonds	**(21)**	47	**(7)**	82
A.3. Exchange rate differentials, net	**187**	(316)	**(1,379)**	2,134
A.4. Gains (losses) on investment in shares				
Gains on sale of available-for-sale shares[c][g]	**83**	17	**120**	117
Losses on sale of available-for-sale shares[g]	**(4)**	(7)	**(22)**	(29)
Gain on sale of investees' shares	**121**	-	**128**	-
Dividends from available-for-sale shares	**1**	5	**13**	15
Losses from investee companies	**-**	-	**(1)**	-
Total from investment in shares	**201**	15	**238**	103
A.5. Gains on sold loans, net	**-**	9	**-**	9
Total noninterest finance income (expenses) for non-trading activities	**470**	76	**539**	710
B. Noninterest finance income (expenses) in respect of trading activities[i]				
Net expenses for other derivatives	**-**	(1)	**-**	(1)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds, net[d]	**(15)**	96	**(30)**	(78)
Realized and unrealized gains from adjustments to fair value of held-for-trading shares, net[e]	**(1)**	51	**85**	43
Total from trading activities[h]	**(16)**	146	**55**	(36)
Total noninterest finance income	**454**	222	**594**	674

(a) Excluding an effective component in hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) There were no material gains from the sale of shares in the three months ended March 31 2018: A NIS 20 million gain on the sale of Henderson Horizon in the 3 months ended June 30 2018; a NIS 47 million gain on the sale of the Tel Aviv Stock Exchange in the three months ended September 30 2018 (gains on the sale of Kenon and Kornit - NIS 14 million and NIS 17 million, respectively, in the three months ended March 31 2017 and a NIS 30 million gain and NIS 11 million gain on the sale of R2NET and Kornit, respectively, in the three months ended June 30 2017). There were no material gains from the sale of shares in three months ended September 30 2017).
(d) Of which: NIS 20 million and NIS 7 million in losses for the three- and nine-month periods ended September 30 2018 in respect of held-for-trading bonds held as at the balance sheet date (gains of NIS 7 million and NIS 10 million, respectively, for the three- and nine-month periods ended September 30 2017).
(e) (There were no material losses related to held-for-trading shares held as at the balance sheet date, for the three- and nine-month periods ended September 30 2018 and September 30 2017).
(f) Including provisions for impairment of available-for-sale bonds in the amount of NIS 12 million and NIS 19 million for the three- and nine-month periods ended September 30 2018 (there were no material provisions for impairments in the three- and nine-month periods ended September 30 2017).
(g) Reclassified from "Accumulated other comprehensive income".
(h) For interest income from investments in held-for-trading bonds, please see Note 2.
(i) Including exchange rate differentials from trading activities.

Note 3A - Earnings per Ordinary Share

A. Basic earnings per share

Calculation of the Bank's diluted earnings per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
	Unaudited			
	In NIS millions			
Basic earnings				
Net income attributable to the Bank's	**936**	820	**2,569**	2,318
Weighted average of the number of shares (in				
Balance at beginning of period	**1,516,764**	1,523,516	**1,523,516**	1,522,965
Weighted effect of exercised PSUs and RSUs and the issue of shares	**-**	-	**387**	362
Weighted effect in respect of the share buyback	**(7,259)**	-	**(5,358)**	-
Weighted average of the number of shares	**1,509,505**	1,523,516	**1,518,545**	1,523,327
Basic earnings per share (in NIS)	**0.62**	0.54	**1.69**	1.52

B. Diluted earnings per share

Calculation of the Bank's diluted earnings per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, after adjustment for all the potentially diluting ordinary shares, as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	**2018**	2017
	Unaudited			
	In NIS millions			
Diluted earnings				
Net income attributable to the Bank's	**936**	820	**2,569**	2,318
Weighted average of the number of shares (in				
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**1,509,505**	1,523,516	**1,518,545**	1,523,327
Weighted effect of yet unexercised PSUs and RSUs and the issue of shares	**699**	1,205	**817**	1,190
Weighted average of the number of shares,	**1,510,204**	1,524,721	**1,519,362**	1,524,517
Diluted earnings per share (in NIS)	**0.62**	0.54	**1.69**	1.52

Note 4 - Accumulated Other Comprehensive Income (Loss)

A. Changes in accumulated other comprehensive income (loss) after tax effect

1. Changes in Accumulated other comprehensive income (loss) for the three-month period ended September 30 2018 and 2017 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjust-ments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive loss attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at June 30 2017	(91)	(192)	11	(2,254)	(2,526)	(4)	(2,522)
Net change during the period	164	9	(10)	(536)	(373)	-	(373)
Balance as at September 30 2017	73	(183)	1	(2,790)	(2,899)	(4)	(2,895)
Balance as at June 30 2018	(186)	(144)	18	(2,106)	(2,418)	(42)	(2,376)
Net change during the period	(2)	(8)	10	(197)	(197)	(6)	(191)
Balance as at September 30 2018	**(188)**	**(152)**	**28**	**(2,303)**	**(2,615)**	**(48)**	**(2,567)**

2. Changes in Accumulated other comprehensive income (loss) for the nine months-month period ended September 30 2018 and 2017 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjust-ments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive loss attributable to non-controlling interests	Other compre-hensive income attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2016 (audited)	(86)	(79)	18	(2,169)	(2,316)	(4)	(2,312)
Net change during the period	159	(104)	(17)	(621)	(583)	-	(583)
Balance as at September 30 2017	73	(183)	1	(2,790)	(2,899)	(4)	(2,895)
Balance as at December 31 2017 (audited)	75	(195)	15	(2,950)	(3,055)	(4)	(3,051)
Net change during the period	(263)	56	13	647	453	-	453
Sale of equity in subsidiaries to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance as at September 30 2018	**(188)**	**(152)**	**28**	**(2,303)**	**(2,615)**	**(48)**	**(2,567)**

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

(b) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) Including in respect of reclassifications in balances in equity between other comprehensive income and retained earnings. Please see "Statement of Changes in Equity".

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

A. Changes in accumulated other comprehensive income (loss) after tax effect (cont.)

3. Changes in accumulated other comprehensive income (loss) for the year ended December 31 2017 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Translation adjustments,[a] net of the hedging effect[b]	The Bank's ownership interests in other comprehensive income of investees accounted for under the equity method	Adjustments in respect of employee benefits	Total	Other comprehensive loss attributable to non-controlling interests	Other comprehensive income attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2016	(86)	(79)	18	(2,169)	(2,316)	(4)	(2,312)
Net change during the year[C]	161	(116)	(3)	(781)	(739)	-	(739)
Balance as at December 31 2017	75	(195)	15	(2,950)	(3,055)	(4)	(3,051)

(a) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) in respect of hedging of a net investment in foreign currency.
(c) Including in respect of reclassifications in balances in equity between other comprehensive income and retained earnings. Please see "Statement of Changes in Equity".

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in accumulated other comprehensive income (loss) components, before and after tax effect

	For the three months ended September 30 (unaudited)					
	2018			2017		
	Pretax	Tax effect	After tax	Pretax	Tax effect	After tax
	In NIS millions					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale securities at fair value:						
Net realized and unrealized gains (losses) from adjustments to fair value	53	(17)	36	316	(113)	203
(Gains) in respect of available-for-sale securities reclassified to the income statement[(a)]	(58)	20	(38)	(57)	18	(39)
Net change during the period	(5)	3	(2)	259	(95)	164
Translation adjustments[(b)]:						
Adjustments from translation of financial statements	(17)	-	(17)	24	-	24
Hedges[(c)]	14	(5)	9	(22)	7	(15)
Net change during the period	(3)	(5)	(8)	2	7	9
The Bank’s share in other comprehensive income (loss) of associates accounted for using the equity method	13	(3)	10	(13)	3	(10)
Net change during the period	13	(3)	10	(13)	3	(10)
Employee benefits:						
Net actuarial (loss)	(385)	140	(245)	(888)	299	(589)
Net gains reclassified to the income statement[(d)]	74	(26)	48	82	(29)	53
Net change during the period	(311)	114	(197)	(806)	270	(536)
Total net change during the period	(306)	109	(197)	(558)	185	(373)
Changes in other comprehensive (loss) components attributable to non-controlling interests						
Total net change during the period	(6)	-	(6)	-	-	-
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total net change during the period	(300)	109	(191)	(558)	185	(373)

(a) The pre-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3 - Noninterest Finance Income.

(b) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(c) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(d) The pre-tax amount is reported in the income statement under Salaries and related expenses. For more information, please see Note 8 - Employee Benefits.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in accumulated other comprehensive income (loss) components, before and after tax effect (cont.)

	For the nine months ended September 30 (unaudited)					
	2018			2017		
	Pretax	Tax effect	After tax	Pretax	Tax effect	After tax
	In NIS millions					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale securities at fair value:						
Net realized and unrealized gains (losses) from adjustments to fair value	**(310)**	**106**	**(204)**	426	(148)	278
(Gains) in respect of available-for-sale securities reclassified to the income statement[(a)]	**(91)**	**32**	**(59)**	(170)	51	(119)
Net change during the period	**(401)**	**138**	**(263)**	256	(97)	159
Translation adjustments[(b)]:						
Adjustments from translation of financial statements	**128**	**-**	**128**	(235)	-	(235)
Hedges[(c)]	**(112)**	**40**	**(72)**	203	(72)	131
Sale of equity in subsidiaries to non-controlling interests - hedging effect	**(20)**	**7**	**(13)**	-	-	-
Net change during the period	**(4)**	**47**	**43**	(32)	(72)	(104)
The Bank's share in other comprehensive income (loss) of associates accounted for using the equity method	**16**	**(3)**	**13**	(24)	7	(17)
Net change during the period	**16**	**(3)**	**13**	(24)	7	(17)
Employee benefits:						
Net actuarial gain (loss)	**697**	**(230)**	**467**	(1,173)	403	(770)
Net gains reclassified to the income statement[(d)]	**274**	**(94)**	**180**	230	(81)	149
Net change during the period	**971**	**(324)**	**647**	(943)	322	(621)
Total net change during the period	**582**	**(142)**	**440**	(743)	160	(583)
Changes in other comprehensive (loss) components attributable to non-controlling interests						
Total net change during the period	**(44)**	**-**	**(44)**	-	-	-
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total net change during the period	**626**	**(142)**	**484**	(743)	160	(583)

(a) The pre-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3.
(b) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(c) Net gains (losses) in respect of hedging of a net investment in foreign currency.
(d) The pre-tax amount is reported in the income statement under "Salaries and related expenses". For more information, please see Note 8 - Employee Benefits.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in accumulated other comprehensive income (loss) components, before and after tax effect (cont.)

	For the year ended December 31 2017 (audited)		
	Pretax	Tax effect	After tax
	In NIS millions		
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:			
Adjustments in respect of presentation of available-for-sale securities at fair value:			
Net realized and unrealized gains (losses) from adjustments to fair value	435	(133)	302
Gains (losses) in respect of available-for-sale securities reclassified to the income statement[a]	(176)	43	(133)
Net change during the year	259	(90)	169
Translation adjustments[b]:			
Adjustments from translation of financial statements	(284)	-	(284)
Hedges[c]	245	(87)	158
Net change during the year	(39)	(87)	(126)
The Bank's share in other comprehensive loss of associates accounted for using the equity method	(10)	7	(3)
Net change during the year	(10)	7	(3)
Employee benefits:			
Net actuarial (loss)	(1,512)	519	(993)
Net gains reclassified to the income statement[d]	335	(117)	218
Net change during the year	(1,177)	402	(775)
Total net change during the year	(967)	232	(735)
Changes in other comprehensive loss (income) components attributable to non-controlling interests			
Total net change during the year	-	-	-
Changes in other comprehensive income attributable to the Bank's shareholders			
Total net change during the year	(967)	232	(735)

(k) The pre-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3 - Noninterest Finance Income.

(l) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(m) Net gains (losses) in respect of hedging of a net investment in foreign currency.

(n) The pre-tax amount is reported in the income statement under “Salaries and related expenses”. For more information, please see Note 8 - Employee Benefits.

Note 5 - Securities

	As at September 30 2018 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[a]
	In NIS millions				
1. Held-to-maturity bonds:					
Of the Israeli government	1,433	1,433	1	(5)	1,429
Mortgage-backed (MBSs)	1,212	1,212	-	(29)	1,183
Of other foreign entities	857	857	-	(25)	832
Total held-to-maturity bonds	3,502	3,502	1	(59)	3,444

	As at September 30 2018 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost (in shares - cost)	Gains	Losses	Fair value[a]
	In NIS millions				
2. Available-for-sale securities: Bonds -					
Of the Israeli government	30,498	30,596	45	(143)	30,498
Of foreign governments	9,640	9,660	1	(21)	9,640
Of Israeli financial institutions	12	12	-	-	12
Of foreign financial institutions	11,913	11,972	18	(77)	11,913
Asset-backed (ABS) or mortgage-backed (MBS)	9,270	9,512	4	(246)	9,270
Of other Israeli entities	187	182	5	-	187
Of other foreign entities	2,871	2,954	1	(84)	2,871
Total bonds	64,391	64,888	74	(571)	64,391
Shares and mutual funds[b]	3,343	3,188	185	(30)	3,343
Total available-for-sale securities[f]	67,734	68,076	259[c]	601[c]	67,734

Note 5 – Securities (cont.)

	As at September 30 2018 (unaudited)				
	Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[(a)]
	In NIS millions				
3. Held-for-trading securities:					
Bonds -					
Of the Israeli government	4,567	4,571	1	(5)	4,567
Of foreign governments	55	57	-	(2)	55
Of Israeli financial institutions	127	127	-	-	127
Of foreign financial institutions	144	148	-	(4)	144
Asset-backed (ABS) or mortgage-backed (MBS)	264	266	-	(2)	264
Of other Israeli entities	242	243	2	(3)	242
Of other foreign entities	221	224	1	(4)	221
Total bonds	5,620	5,636	4	(20)	5,620
Shares and funds	5	6	-	(1)	5
Total held-for-trading securities	5,625	5,642	4[(d)]	(21)[(d)]	5,625
Total securities[(e)]	76,861	77,220	264	(681)	76,803

	As at September 30 2017 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[(a)]
	In NIS millions				
1. Held-to-maturity bonds:					
Of the Israeli government	36	36	1	-	37
Mortgage-backed (MBSs)	408	408	2	(6)	404
Of other foreign entities	370	370	4	(6)	368
Total held-to-maturity bonds	814	814	7	(12)	809

Note 5 – Securities (cont.)

	As at September 30 2017 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost (in shares - cost)	Gains	Losses	Fair value[a]
	In NIS millions				
2. Available-for-sale securities: Bonds -					
Of the Israeli government	39,004	38,897	166	(59)	39,004
Of foreign governments	13,378	13,384	5	(11)	13,378
Of Israeli financial institutions	23	22	1	-	23
Of foreign financial institutions	8,554	8,515	50	(11)	8,554
Asset-backed (ABS) or mortgage-backed (MBS)	8,613	8,675	13	(75)	8,613
Of other Israeli entities	82	76	6	-	82
Of other foreign entities	2,567	2,558	24	(15)	2,567
Total bonds	72,221	72,127	265	(171)	72,221
Shares and mutual funds[b]	2,795	2,735	91	(31)	2,795
Total available-for-sale securities[f]	75,016	74,862	356[c]	202[c]	75,016

	As at September 30 2017 (unaudited)				
	Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[a]
	In NIS millions				
3. Held-for-trading securities: Bonds -					
Of the Israeli government	4,760	4,752	15	(7)	4,760
Of foreign governments	473	477	-	(4)	473
Of Israeli financial institutions	55	54	1	-	55
Of foreign financial institutions	197	196	1	-	197
Asset-backed (ABS) or mortgage-backed (MBS)	288	287	2	(1)	288
Of other Israeli entities	157	153	4	-	157
Of other foreign entities	334	331	4	(1)	334
Total - bonds	6,264	6,250	27	(13)	6,264
Shares and funds	4	4	-	-	4
Total held-for-trading securities	6,268	6,254	27[d]	(13)[d]	6,268
Total securities[e]	82,098	81,930	390	(227)	82,093

Note 5 – Securities (cont.)

	As at December 31 2017 (audited)				
	Balance sheet value	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[(a)]
	In NIS millions				
1. Held-to-maturity bonds: Bonds -					
Of the Israeli government	35	35	-	-	35
Mortgage-backed (MBSs)	353	353	1	(7)	347
Of other foreign entities	478	478	10	(2)	486
Total held-to-maturity bonds	866	866	11	(9)	868

	As at December 31 2017 (audited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost (in shares - cost)	Gains	Losses	Fair value[(a)]
	In NIS millions				
2. Available-for-sale securities: Bonds -					
Of the Israeli government	36,633	36,516	156	(39)	36,633
Of foreign governments	10,755	10,768	3	(16)	10,755
Of Israeli financial institutions	11	11	-	-	11
Of foreign financial institutions	9,653	9,627	44	(18)	9,653
Asset-backed (ABS) or mortgage-backed (MBS)	8,529	8,595	11	(77)	8,529
Of other Israeli entities	70	66	4	-	70
Of other foreign entities	2,352	2,349	18	(15)	2,352
Total bonds	68,003	67,932	236	(165)	68,003
Shares and mutual funds[(b)]	2,927	2,852	97	(22)	2,927
Total available-for-sale securities[(f)]	70,930	70,784	333[(c)]	187[(c)]	70,930

Note 5 – Securities (cont.)

	As at December 31 2017 (audited)				
	Balance sheet value	Amortized cost (in shares - cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value[(a)]
	In NIS millions				
3. Held-for-trading securities:					
Bonds -					
Of the Israeli government	3,204	3,185	19	-	3,204
Of foreign governments	82	83	-	(1)	82
Of Israeli financial institutions	90	89	1	-	90
Of foreign financial institutions	142	142	1	(1)	142
Asset-backed (ABS) or mortgage-backed (MBS)	268	267	2	(1)	268
Of other Israeli entities	111	107	4	-	111
Of other foreign entities	299	298	3	(2)	299
Total bonds	4,196	4,171	30	(5)	4,196
Shares and funds	1,307	1,323	1	(17)	1,307
Total held-for-trading securities	5,503	5,494	31[(d)]	(22)[(d)]	5,503
Total securities[(e)]	77,299	77,144	375	(218)	77,301

Comments:

(a) In most case, fair value data are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling bulks of securities.

(b) Including shares and mutual funds for which no fair value is available, which are stated at cost, in the amount of NIS 1,037 million (September 30 2017 - NIS 951 million; December 31 2017 - NIS 991 million).

(c) "Adjustments in respect of the presentation of available-for-sale securities at fair value, net" are included in equity under other comprehensive income, except for securities designated to be hedged at fair value.

(d) Charged to the income statement but yet unrealized.

(e) Including interest-bearing impaired bonds totaling NIS 9 million (as at September 30 2017 - NIS 12 million; as at December 31 2017 - NIS 7 million).

(f) Total of NIS 11.7 billion out of total foreign currency securities are rated SSA (Supernationals, Sovereign and Agencies) (September 30 2017 - NIS 8.6 billion, December 31 2017 - NIS 9.1 billion).

General comments:

Loaned securities in the amount of NIS 162 million (September 30 2017 - NIS 247 million; December 31 2017 - NIS 215 million) are stated in the "Loans to the public" line item.

Securities pledged to lenders totaled NIS 2,817 million (as at September 30 2017 - NIS 4,900 million; as at December 31 2017 - NIS 6,377 million).

For more information on of the financial performance of investments in bonds, shares and mutual funds, please see Note 2 and Note 3.

The distinction between Israeli and foreign bonds was made according to the issuer's country of residence.

Note 5 – Securities (cont.)

More information on amortized cost and unrealized losses, by duration and impairment percentage, of held-to-maturity bonds in an unrealized loss position

	September 30 2018 (unaudited)									
	Less than 12 months[a]					12 months and more[b]				
		Unrealized losses from adjustments to fair value					Unrealized losses from adjustments to fair value			
	Amortized cost	0-[c]20%	20%-[d]35%	More than 35%[e]	Total	Amortized cost	0-[c]20%	20%-[d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	**1,139**	**5**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**
Mortgage-backed (MBSs)	**820**	**9**	**-**	**-**	**9**	**202**	**20**	**-**	**-**	**20**
Of other foreign entities	**681**	**17**	**-**	**-**	**17**	**84**	**8**	**-**	**-**	**8**
Total held-to-maturity bonds	**2,640**	**31**	**-**	**-**	**31**	**286**	**28**	**-**	**-**	**28**

	September 30 2017 (unaudited)									
	Less than 12 months[a]					12 months and more[b]				
		Unrealized losses from adjustments to fair value					Unrealized losses from adjustments to fair value			
	Amortized cost	0-[c]20%	20%-[d]35%	More than 35%[e]	Total	Amortized cost	0-[c]20%	20%-[d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBSs)	274	6	-	-	6	-	-	-	-	-
Of other foreign entities	164	6	-	-	6	4	-[f]	-	-	-
Total held-to-maturity bonds	438	12	-	-	12	4	-	-	-	-

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20% of their amortized cost.
(d) Investments whose unrealized loss represents over 20% but no more than 35% of their amortized cost.
(e) Investments whose unrealized loss represents over 35% of their amortized cost.
(f) Losses of less than NIS 1 million.

Note 5 – Securities (cont.)

More information on amortized cost and unrealized losses, by duration and impairment percentage, of held-to-maturity bonds in an unrealized loss position(cont.)

	December 31 2017 (audited)									
	Less than 12 months[a]					12 months and more[b]				
		Unrealized losses from adjustments to fair value					Unrealized losses from adjustments to fair value			
	Amortized cost	0- [c]20%	20%- [d]35%	More than 35%[e]	Total	Amortized cost	0- [c]20%	20%- [d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Mortgage-backed (MBSs)	41	-[f]	-	-	-	203	7	-	-	7
Of other foreign entities	-	-	-	-	-	79	2	-	-	2
Total held-to-maturity bonds	41	-	-	-	-	282	9	-	-	9

More information on fair value and unrealized losses, by duration and impairment percentage, of available-for-sale securities in an unrealized loss position

	September 30 2018 (unaudited)									
	Less than 12 months[a][f]					12 months and more[b][f]				
		Unrealized losses					Unrealized losses			
	Fair value	0- [c]20%	20%- [d]35%	More than 35%[e]	Total	Fair value	0- [c]20%	20%- [d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	6,772	140	-	-	140	114	3	-	-	3
Of foreign governments	6,392	21	-	-	21	-	-	-	-	-
Of foreign financial institutions	5,805	58	-	-	58	1,085	19	-	-	19
Asset-backed (ABS) or mortgage-backed (MBS)	3,280	58	-	-	58	4,759	188	-	-	188
Of other Israeli entities	10	-[g]	-	-	-	-	-	-	-	-
Of other foreign entities	1,626	50	-	-	50	711	34	-	-	34
Shares and mutual funds	433	26	-	-	26	17	4	-	-	4
Total available-for-sale securities	24,318	353	-	-	353	6,686	248	-	-	248

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20% of their amortized cost.
(d) Investments whose unrealized loss represents over 20% but no more than 35% of their amortized cost.
(e) Investments whose unrealized loss represents over 35% of their amortized cost.
(f) Amounts charged to capital reserve as part of other comprehensive income, net, after tax effect.
(g) Losses of less than NIS 1 million.

Note 5 – Securities (cont.)

More information on fair value and unrealized losses, by duration and impairment percentage, of available-for-sale securities in an unrealized loss position (cont.)

	September 30 2017 (unaudited)									
	Less than 12 months[a][f]					12 months and more[b][f]				
		Unrealized losses					Unrealized losses			
	Fair value	0-[c]20%	20%-[d]35%	More than 35%[e]	Total	Fair value	0-[c]20%	20%-[d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	7,310	59	-	-	59	-	-	-	-	-
Of foreign governments	11,259	11	-	-	11	20	-[g]	-	-	-
Of foreign financial institutions	4,707	10	-	-	10	17	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	5,964	74	-	-	74	39	1	-	-	1
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,203	15	-	-	15	-	-	-	-	-
Shares and mutual funds	443	28	-	-	28	94	3	-	-	3
Total available-for-sale securities	30,886	197	-	-	197	170	5	-	-	5

	December 31 2017 (audited)									
	Less than 12 months[a][f]					12 months and more[b][f]				
		Unrealized losses					Unrealized losses			
	Fair value	0-[c]20%	20%-[d]35%	More than 35%[e]	Total	Fair value	0-[c]20%	20%-[d]35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	1,172	4	-	-	4	2,227	35	-	-	35
Of foreign governments	7,846	16	-	-	16	-	-	-	-	-
Of foreign financial institutions	5,915	17	-	-	17	16	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	4,491	28	-	-	28	2,010	49	-	-	49
Of other Israeli entities	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,233	15	-	-	15	-	-	-	-	-
Shares and mutual funds	634	18	-	-	18	93	4	-	-	4
Total available-for-sale securities	21,291	98	-	-	98	4,346	89	-	-	89

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20% of their amortized cost.
(d) Investments whose unrealized loss represents over 20% but no more than 35% of their amortized cost.
(e) Investments whose unrealized loss represents over 35% of their amortized cost.
(f) Amounts charged to capital reserve as part of other comprehensive income, net, after tax effect.
(g) Losses of less than NIS 1 million.

Note 5 – Securities (cont.)

More information on mortgage-backed and asset-backed available-for-sale securities in an unrealized loss position

	September 30 2018 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS millions					
Mortgage-backed securities (MBSs)	1,485	(36)	1,294	(53)	2,779	(89)
Other mortgage-backed securities (including REMICS, CMOs and stripped MBSs)	1,097	(19)	2,467	(119)	3,564	(138)
Asset-backed securities (ABSs)	698	(3)	998	(16)	1,696	(19)
Total	**3,280**	**(58)**	**4,759**	**(188)**	**8,039**	**(246)**

	September 30 2017 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS millions					
Mortgage-backed securities (MBSs)[(c)]	1,703	(32)	39	(1)	1,742	(33)
Other mortgage-backed securities (including REMICS, CMOs and stripped MBSs)	2,722	(29)	-	-	2,722	(29)
Asset-backed securities (ABSs)[(c)]	1,539	(13)	-	-	1,539	(13)
Total	5,964	(74)	39	(1)	6,003	(75)

	December 31 2017 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS millions					
Mortgage-backed securities (MBSs)[(c)]	1,060	(10)	920	(18)	1,980	(28)
Other mortgage-backed securities (including REMICS, CMOs and stripped MBSs)	1,833	(8)	1,090	(31)	2,923	(39)
Asset-backed securities (ABSs)[(c)]	1,598	(10)	-	-	1,598	(10)
Total	4,491	(28)	2,010	(49)	6,501	(77)

(a) Amounts charged to capital reserve as part of other comprehensive income, net, after tax effect.
(b) Losses of less than NIS 1 million.
(c) Reclassified.

Note 5 – Securities (cont.)

More information on held-to-maturity mortgage-backed securities

	September 30 2018 (unaudited)			
	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	895	-	(4)	891
Of which: GNMA-backed securities	715	-	(2)	713
Securities issued by FNMA or FHLMC	180	-	(2)	178
Other mortgage-backed securities (including CMOs and stripped MBSs)	317	-	(25)	292
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	140	-	(17)	123
Total mortgage-backed securities (MBSs)	1,212	-	(29)	1,183
Total held-to-maturity asset-backed securities	1,212	-	(29)	1,183

	September 30 2017 (unaudited)[(a)]			
	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	35	-	(1)	34
Of which: GNMA-backed securities	35	-	(1)	34
Securities issued by FNMA or FHLMC	-	-	-	-
Other mortgage-backed securities (including CMOs and stripped MBSs)	373	2	(5)	370
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	181	-	(4)	177
Total mortgage-backed securities (MBSs)	408	2	(6)	404
Total held-to-maturity asset-backed securities	408	2	(6)	404

(a) Restated according to the format prescribed by the Banking Supervision Department circular entitled "Improving the Usability of Banking Corporations' Reports to the Public for 2017 and 2018", which was first applied to the 2017 Annual Financial Statements.

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Note 5 – Securities (cont.)

More information on held-to-maturity mortgage-backed securities (cont.)

	December 31 2017 (audited)			
	Amortized cost	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through held-to-maturity securities	-	-	-	-
Of which: GNMA-backed securities	-	-	-	-
Other mortgage-backed securities (including CMOs and stripped MBSs)	353	1	(7)	347
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	169	-	(6)	163
Total mortgage-backed securities (MBSs)	353	1	(7)	347
Total held-to-maturity asset-backed securities	353	1	(7)	347

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

	September 30 2018 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through held-for-trading securities	2,867	-	(89)	2,778
Of which: GNMA-guaranteed securities	470	-	(14)	456
Securities issued by FNMA or FHLMC	2,397	-	(75)	2,322
Other mortgage-backed securities (including CMOs and stripped MBSs)	4,442	4	(138)	4,308
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	4,185	1	(138)	4,048
Total mortgage-backed securities (MBSs)	7,309	4	(227)	7,086
Total asset-backed securities (ABSs)	2,203	-	(19)	2,184
Of which: Loans to non-individuals - CLO-type bonds	1,536	-	(2)	1,534
Loans to non-individuals - SBA-guaranteed securities	667	-	(17)	650
Total mortgage-backed and asset-backed available-for-sale securities	9,512	4	(246)	9,270

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

Note 5 – Securities (cont.)

More information on mortgage-backed and asset-backed available-for-sale securities (cont.)

	September 30 2017 (unaudited)[c]			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through securities	2,111	1	(33)	2,079
Of which: GNMA-guaranteed securities	233	-	(6)	227
Securities issued by FNMA or FHLMC	1,878	1	(27)	1,852
Other mortgage-backed securities (including CMOs and stripped MBSs)	3,995	7	(29)	3,973
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	3,735	6	(29)	3,712
Total mortgage-backed securities (MBSs)	6,106	8	(62)	6,052
Total asset-backed securities (ABSs)[b]	2,569	5	(13)	2,561
Of which: Loans to non-individuals - CLO-type bonds	1,308	4	(2)	1,310
Loans to non-individuals - SBA-guaranteed securities	1,024	1	(11)	1,014
Total mortgage-backed and asset-backed available-for-sale securities	8,675	13	(75)	8,613

	December 31 2017 (audited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through securities	2,286	1	(28)	2,259
Of which: GNMA-guaranteed securities	326	-	(8)	318
Securities issued by FNMA or FHLMC	1,960	1	(20)	1,941
Other mortgage-backed securities (including CMOs and stripped MBSs)	3,960	4	(39)	3,925
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	3,800	3	(39)	3,764
Total mortgage-backed securities (MBSs)	6,246	5	(67)	6,184
Total asset-backed securities (ABSs)[b]	2,349	6	(10)	2,345
Of which: Loans to non-individuals - CLO-type bonds	1,599	6	(2)	1,603
Loans to non-individuals - SBA-guaranteed securities	750	-	(8)	742
Total mortgage-backed and asset-backed available-for-sale securities	8,595	11	(77)	8,529

(a) Amounts charged to capital reserve as part of other comprehensive income, net, after tax effect.
(b) Reclassified.
(c) Restated according to the format prescribed by the Banking Supervision Department circular entitled "Improving the Usability of Banking Corporations' Reports to the Public for 2017 and 2018", which was first applied to the 2017 Annual Financial Statements.

Note 5 – Securities (cont.)

More information on mortgage-backed and asset-backed held-for-trading securities

	September 30 2018 (unaudited)			
	Amortized cost	Unrealized gains from adjustments to fair value(a)	Unrealized losses from adjustments to fair value(a)	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through securities	4	-	-	4
Of which: Securities issued by FNMA or FHLMC	4	-	-	4
Other mortgage-backed securities (including CMOs and stripped MBSs)	42	-	-	42
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	46	-	-	46
Total asset-backed securities (ABSs)	220	-	(2)	218
Total mortgage-backed and asset-backed held-for-trading securities	266	-	(2)	264

	September 30 2017 (unaudited)(b)			
	Amortized cost	Unrealized gains from adjustments to fair value(a)	Unrealized losses from adjustments to fair value(a)	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through securities	5	-	-	5
Of which: Securities issued by FNMA or FHLMC	5	-	-	5
Other mortgage-backed securities (including CMOs and stripped MBSs)	59	-	-	59
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	64	-	-	64
Total asset-backed securities (ABSs)	223	2	(1)	224
Total mortgage-backed and asset-backed held-for-trading securities	287	2	(1)	288

(a) Gains (losses) charged to the income statement.
(b) Restated according to the format prescribed by the Banking Supervision Department circular entitled "Improving the Usability of Banking Corporations' Reports to the Public for 2017 and 2018", which was first applied to the 2017 Annual Financial Statements.

Note 5 – Securities (cont.)

More information on mortgage-backed and asset-backed held-for-trading securities (cont.)

	December 31 2017 (audited)			
	Amortized cost	Unrealized gains from adjustments to fair value[(a)]	Unrealized losses from adjustments to fair value[(a)]	Fair value
	In NIS millions			
Mortgage-backed securities (MBSs)				
Pass-through securities	4	-	-	4
Of which: Securities issued by FNMA or FHLMC	4	-	-	4
Other mortgage-backed securities (including CMOs and stripped MBSs)	54	-	-	54
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	58	-	-	58
Total asset-backed securities (ABSs)	209	2	(1)	210
Total mortgage-backed and asset-backed held-for-trading securities	267	2	(1)	268

(a) Gains (losses) charged to the income statement.

Note 6 - Credit Risk, Credit to the Public and Loan Loss Provision

Reclassification of credit risk in respect of loans to individuals (excluding housing loans) and loans to small businesses

It should be noted that following the assimilation of a designated system for handling problem debt, a new module was developed recently to improve automated identification of restructured debt in lieu of adequate or problem debt. As a result, the Bank revised its restructured loans amount.

Following the above, as part of the notes to the financial statements as at September 30 2017 and December 31 2017, the outstanding balances of loans to individuals (excluding housing loans) and loans to small businesses were reclassified from non-problem debt to problem debt. A total of NIS 283 million and a total of NIS 282 million were reclassified in respect of loans to individuals, gross (excluding housing loans), respectively. A total of NIS 275 million and a total of NIS 273 million were reclassified in respect of loans to small businesses, respectively.

The total reclassified amount in respect of gross impaired debts for loans to individuals was NIS 270 million as at September 30 2017 (of which NIS 206 million was reclassified from non-problem debts and NIS 64 million from unimpaired problem debts) and a total of NIS 265 million as at December 31 2017 (NIS 205 million was reclassified from non-problem debt and NIS 60 million was reclassified from unimpaired non-problem debts). The total reclassified amount in respect of gross impaired debts for loans to small businesses was NIS 325 million as at September 30 2017 (of which NIS 211 million was reclassified from non-problem debts and NIS 114 million from unimpaired problem debts) and a total of NIS 317 million as at December 31 2017 (NIS 209 million was reclassified from non-problem debt and NIS 108 million was reclassified from unimpaired non-problem debts).

It should also be noted that, as a result, the loan loss provision was revised during the first quarter of the year. The effect of the revision on the financial performance for the first nine months of the year is immaterial.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts(a), loans to the public and balance of provision for loan losses

	September 30 2018 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individuals - Other	Total loans to the public	Banks and governments	Total
	In NIS millions					
Recorded outstanding debt balance(a):						
Examined on specific basis	118,711	30	1,075	119,816	9,205	129,021
Examined on general basis[1]	44,005	79,929	35,614	159,548	738	160,286
[1]Of which: By extent of arrears	1,087 (c)	79,481	-	80,568	-	80,568
Less balances classified as held-for-sale assets(d)	(1,012)	-	(7,450)	(8,462)	(67)	(8,529)
Total debts(a)2	161,704	79,959	29,239	270,902	9,876	280,778
[2]Of which:						
Debt restructuring	1,393	-	341	1,734	-	1,734
Other impaired debts	1,139	30	35	1,204	-	1,204
Total impaired debts	2,532	30	376	2,938	-	2,938
Debts in arrears of 90 days or more	98	806	78	982	-	982
Other problem debts	2,139	-	534	2,673	-	2,673
Less balances classified as held-for-sale assets(d)	(8)	-	(353)	(361)	-	(361)
Total problem debts	4,761	836	635	6,232	-	6,232
Balance of loan loss provision in respect of						
Examined on specific basis	1,658	5	93	1,756	1	1,757
Examined on general basis[3]	500	468	650	1,618	-	1,618
[3]Of which: By extent of arrears	-	467(b)	-	467	-	467
Less balances classified as held-for-sale assets(d)	(11)	-	(141)	(152)	-	(152)
Total loan loss provision[4]	2,147	473	602	3,222	1	3,223
[4]Of which: For impaired debts	447	-	115	562	-	562

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Including an outstanding general provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 290 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) For more information, please see Note 16F.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts(a), credit to the public and outstanding provision for loan losses (cont.)

	September 30 2017 (unaudited)					
	Loans to the public					
	Commer-cial[(d)]	Housing	Indivi-duals - other[(d)]	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debt balance[(a)]:						
Examined on specific basis	111,603	40	910	112,553	10,749[(d)]	123,302
Examined on general basis[1]	42,740	78,096	36,195	157,031	1,090	158,121
[1]Of which: By extent of arrears	983[(c)]	77,617	-	78,600	-	78,600
Total debts[(a)2]	154,343	78,136	37,105	269,584	11,839	281,423
[2]Of which:						
Debt restructuring	1,916	-	356	2,272	-	2,272
Other impaired debts	1,362	40[(d)]	55	1,457	-	1,457
Total impaired debts	3,278	40	411	3,729	-	3,729
Debts in arrears of 90 days or more	74	704	58	836	-	836
Other problem debts	2,432	1	435	2,868	-	2,868
Total problem debts	5,784	745	904	7,433	-	7,433
Balance of loan loss provision in respect of						
Examined on specific basis	1,651	5	109	1,765	1	1,766
Examined on general basis[3]	416	444	601	1,461	-	1,461
[3]Of which: By extent of arrears	-	442[(b)]	-	442	-	442
Total loan loss provision[4]	2,067	449	710	3,226	1	3,227
[4]Of which: For impaired debts	480	-	72	552	-	552

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(c) Including an outstanding general provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 285 million.

(d) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(e) Reclassified, partly in respect of an improvement effort carried out in 2018.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts[(a)], credit to the public and outstanding provision for loan losses (cont.)

	December 31 2017 (audited)					
	Loans to the public					
	Commer-cial[(d)]	Housing	Indivi-duals - other[(d)]	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debt balance[(a)]:						
Examined on specific basis	113,120	29	1,018	114,167	11,457	125,624
Examined on general basis[1]	42,610	77,928	36,460	156,998	1,122	158,120
[1]Of which: By extent of arrears	1,066[(c)]	77,465	-	78,531	-	78,531
Total debts[(a)2]	155,730	77,957	37,478	271,165	12,579	283,744
[2]Of which:						
Debt restructuring	1,753	-	339	2,092	-	2,092
Other impaired debts	1,296	29[(d)]	38	1,363	-	1,363
Total impaired debts	3,049	29	377	3,455	-	3,455
Debts in arrears of 90 days or more	79	722	85	886	-	886
Other problem debts	2,463	-	477	2,940	-	2,940
Total problem debts	5,591	751	939	7,281	-	7,281
Balance of loan loss provision in respect of						
Examined on specific basis	1,604	5	75	1,684	3	1,687
Examined on general basis[3]	458	445	626	1,529	-	1,529
[3]Of which: By extent of arrears	-	443[(b)]	-	443	-	443
Total loan loss provision[4]	2,062	450	701	3,213	3	3,216
[4]Of which: For impaired debts	446	-	63	509	-	509

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) Including an outstanding general provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 283 million.

(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.

(d) Reclassified, partly in respect of an improvement effort carried out in 2018.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Change in loan loss provision

	For the three months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Individuals - Other	Total - Public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period[(a)]	**2,528**	**466**	**608**	**3,602**	**1**	**3,603**
Expenses for loan losses	**126**	**9**	**63**	**198**	**-**	**198**
Write-offs	**(175)**	**(2)**	**(122)**	**(299)**	**-**	**(299)**
Collection of debts written off in previous years	**110**	**-**	**74**	**184**	**-**	**184**
Write-offs, net	**(65)**	**(2)**	**(48)**	**(115)**	**-**	**(115)**
Adjustments from translation of financial	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Less changes classified as held-for-sale	**(2)**	**-**	**(8)**	**(10)**	**-**	**(10)**
Balance of loan loss provision as at the end of the reporting period[1]	**2,586**	**473**	**615**	**3,674**	**1**	**3,675**
[1]Of which: For off-balance sheet credit	**439**	**-**	**13**	**452**	**-**	**452**

	For the three months ended September 30 2017 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial[(b)]	Housing	Individuals - other[(b)]	Total - Public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,545	457	735	3,737	1	3,738
Expenses (income) in respect of loan losses	(55)	(5)	63	3	-	3
Write-offs	(160)	(2)	(129)	(291)	-	(291)
Collection of debts written off in previous years	189	-	80	269	-	269
Write-offs, net	29	(2)	(49)	(22)	-	(22)
Adjustments from translation of financial	4	(1)	(3)	-	-	-
Balance of loan loss provision as at the end of the reporting period[1]	2,523	449	746	3,718	1	3,719
[1]Of which: For off-balance sheet credit instruments	456	-	36	492	-	492

(a) Balance of loan loss provision as at the beginning of the period stated less balances classified as held for sale in “commercial” in the amount of NIS 9 million and under “individuals” in the amount of NIS 149 million, for a total of NIS 158 million. For more information regarding balances and changes classified as held for sale, please see Note 16F.

(b) Reclassified, partly in respect of an improvement effort carried out in 2018.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in balance of provision for loan losses (cont.)

	For the nine months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Individuals - Other	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,510	450	737	3,697	3	3,700
Changes recognized in equity[(a)]	22	-	-	22	-	22
Balance as at January 1 2018	2,532	450	737	3,719	3	3,722
Expenses (income) in respect of loan losses	130	26	160	316	(2)	314
Write-offs	(525)	(4)	(366)	(895)	-	(895)
Collection of debts written off in previous years	452	-	241	693	-	693
Net write-offs	(73)	(4)	(125)	(202)	-	(202)
Adjustments from translation of financial statements	8	1	-	9	-	9
Less balances classified as held-for-sale assets[(b)]	(11)	-	(157)	(168)	-	(168)
Balance of loan loss provision as at the end of the reporting period[1]	2,586	473	615	3,674	1	3,675
[1]Of which: For off-balance sheet credit instruments	439	-	13	452	-	452

	For the nine months ended September 30 2017 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial[(c)]	Housing	Individuals - other[(c)]	Total - Public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,708	473	778	3,959	1	3,960
Expenses (income) in respect of loan losses	12	(18)	152	146	-	146
Write-offs	(601)	(6)	(455)	(1,062)	-	(1,062)
Collection of debts written off in previous years	417	-	274	691	-	691
Net write-offs	(184)	(6)	(181)	(371)	-	(371)
Adjustments from translation of financial statements	(13)	-	(3)	(16)	-	(16)
Balance of loan loss provision as at the end of the reporting period[1]	2,523	449	746	3,718	1	3,719
[1]Of which: For off-balance sheet credit instruments	456	-	36	492	-	492

(a) Effect of first-time application of IFRS 9 on foreign subsidiaries.
(b) Balance of loan loss provision as at the beginning of the period is presented net of assets classified as held for sale. For more information regarding balances and changes classified as held for sale, please see Note 16F.
(c) Reclassified, partly in respect of an improvement effort carried out in 2018.

Note 7 - Deposits by the Public

A. Types of deposits by location and type of depositor

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
In Israel			
Demand deposits			
Noninterest-bearing	**82,443**	80,301	84,686
Interest-bearing	**118,896**	106,372	117,740
Total demand deposits	**201,339**	186,673	202,426
Fixed deposits	**131,481**	138,916	134,753
Less balances classified as held for sale liabilities[(a)]	**(84)**	-	-
Total deposits in Israel[1]	**332,736**	325,589	337,179
Outside Israel			
Demand deposits			
Noninterest-bearing	**9,558**	9,558	9,420
Interest-bearing	**6,112**	5,544	4,687
Total demand deposits	**15,670**	15,102	14,107
Fixed deposits	**10,469**	9,510	11,192
Of which: Noninterest-bearing	**21**	17	16
Total deposits outside Israel	**26,139**	24,612	25,299
Total deposits by the public	**358,875**	350,201	362,478
[1]Of which:			
Deposits from individuals[(b)]	**132,490**	132,812[(c)]	131,421[(c)]
Deposits from institutional entities	**65,084**	62,563	70,496
Deposits from corporations and others	**135,162**	130,214[(c)]	135,262[(c)]

B. Deposits from the public by amount

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
Maximum deposit is NIS millions	In NIS millions		
Up to 1[(b)]	**99,978**	98,538	99,032
From 1 to 10	**91,548**	91,532	90,545
From 10 to 100	**61,787**	59,755	61,271
From 100 to 500	**36,155**	36,920	35,666
Over 500	**69,407**	63,456	75,964
Total	**358,875**	350,201	362,478

(a) For more information, please see Note 16F.
(b) Excluding balances classified as held for sale liabilities in the amount of NIS 84 million.
(c) Reclassified in respect of the improvement effort carried out in 2018.

Note 8 - Employee Benefits

A. Composition of benefits

1. Employee benefits

	As at September 30		As at December
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
Retirement benefits - pension and severance pay			
Liability amount	**16,968**	17,560	17,995
Fair value of plan assets	**6,590**	6,577	6,708
Amount by which the liability exceeds the plan assets (included in	**10,378**	10,983	11,287
Cumulative jubilee vacation leave			
Liability amount	**45**	58	47
Fair value of plan assets	**-**	-	-
Amount by which the liability exceeds the plan assets (included in	**45**	58	47
Other benefits			
Liability amount	**535**	559	567
Fair value of plan assets	**-**	-	-
Amount by which the liability exceeds the plan assets (included in	**535**	559	567
Total[1]			
Amount by which the liability for employee benefits exceeds the plan assets included in “Other liabilities”	**10,958**	11,600	11,901
[1]Of which: In respect of benefits to employees abroad	**59**	104	74

E. Defined benefit plan

A. Obligation and funding status

1. Change in the obligation in respect of an expected benefit

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Obligation in respect of expected benefit as at the beginning	**16,499**	16,662	**17,995**	16,948	16,948
Cost of service	**35**	35	**114**	107	148
Cost of interest	**166**	170	**483**	525	696
Contributions by plan participants	**10**	11	**30**	34	46
Actuarial loss (gain)	**451**	837	**(693)**	1,163	1,560
Changes in foreign exchange rates	**(4)**	11	**11**	(14)	(20)
Paid benefits[(a)]	**(189)**	(166)	**(972)**	(1,203)	(1,383)
Obligation in respect of expected benefit as at the end of the	**16,968**	17,560	**16,968**	17,560	17,995
Obligation in respect of cumulative benefit as at the end of	**16,133**	16,445	**16,133**	16,445	17,016

(a) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

2. Defined benefit plan (cont.)

A. Obligation and funding status (cont.)

2. Change in the fair value of plan assets and plan's funding status

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Fair value of plan assets as at the beginning of the period	**6,430**	6,520	**6,708**	6,819	6,819
Actual return on plan assets	**168**	58	**236**	261	399
Plan contributions by the Bank	**36**	31	**85**	87	131
Contributions by plan participants	**10**	11	**30**	34	46
Changes in foreign exchange rates	**(6)**	9	**9**	(13)	(17)
Paid benefits[(a)]	**(48)**	(52)	**(489)**	(611)	(691)
Other	**-**	-	**11**	-	21
Fair value of plan assets as at the end of the reporting	**6,590**	6,577	**6,590**	6,577	6,708
Funding status - Net liability recognized at the end of the reporting period	**10,378**	10,983	**10,378**	10,983	11,287

3. Amounts recognized in the consolidated balance sheet

	As at September 30		As at
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
Amounts recognized in the "Other liabilities" line item	**10,378**	10,983	11,287
Net liability recognized at the end of the reporting period	**10,378**	10,983	11,287

4. Amounts recognized in Accumulated other comprehensive income before tax effect

	As at September 30		As at
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
Net actuarial loss	**3,456**	4,184	4,408
Closing balance of accumulated other comprehensive income	**3,456**	4,184	4,408

(a) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditure for the period

1. Components of the net benefit cost recognized in the income statement

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Cost of service	**35**	35	**114**	107	148
Cost of interest	**166**	170	**483**	525	696
Expected return on plan assets	**(85)**	(88)	**(258)**	(267)	(364)
Amortization of unrecognized amounts - net actuarial loss	**73**	81	**270**	226	330
Total benefit cost, net	**189**	198	**609**	591	810
Total expense for defined contribution pension plan	**53**	38	**96**	115	192
Total expenses included in the income statement	**242**	236	**705**	706	1,002

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	2017	**2018**	2017	2017
	Unaudited				Audited
	In NIS millions				
Net actuarial loss (gain) for the period	**368**	867	**(671)**	1,169	1,525
Amortization of unrecognized amounts - net actuarial loss	**(73)**	(81)	**(270)**	(226)	(330)
Changes in foreign exchange rates	**-**	-	**-**	-	(7)
Other	**-**	-	**(11)**	-	(21)
Total recognized in other comprehensive income	**295**	786	**(952)**	943	1,167
Total benefit cost, net	**189**	198	**609**	591	810
Total recognized in net benefit cost for the period and in	**484**	984	**(343)**	1,534	1,977

3. Estimate of the amounts included in other comprehensive income that are expected to be deducted as a loss to the income statement in 2018, before the tax effect

	For the year ended December 31 2018
	Unaudited
	In NIS millions
Net actuarial loss	**82**
Total amount expected amortized amount out of accumulated other comprehensive	**82**

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

2. Assumptions[(a)]

A. The assumptions, based on the weighted average, used for calculating the obligation for the benefit and measuring the benefit's net cost

1. The main assumptions used for calculating the obligation for the benefit

	September 30		As at
	2018	2017	2017
	Unaudited		Audited
	In %		
Capitalization rate	**2.27**	2.27	2.06
Rate of increase in the CPI	**1.66**	1.68	1.60
Departure rate	**0.1-3.7**	0.1-3.7	0.1-3.7
Rate of remuneration increase	**0-6.3**	0-6.3	0-6.3

2. The main assumptions used for calculating the cost of the net benefit for the period

	September 30		As at
	2018	2017	2017
	Unaudited		Audited
	In %		
Capitalization rate	**2.21**	2.62	2.51
Expected long-term return on plan assets	**5.50**	5.50	5.50
Rate of remuneration increase	**0-6.3**	0-6.3	0-6.3

B. The effect of a 1 percentage point change on the expected benefit obligation before the tax effect

	Increase by 1 percentage point			Decrease by 1 percentage point		
	September 30		December	September 30		December
	2018	2017	2017	**2018**	2017	2017
	Unaudited		Audited	Unaudited		Audited
	In NIS millions					
Capitalization rate	**(2,215)**	(2,247)	(2,360)	**2,748**	2,832	2,943
Rate of increase in the CPI	**-**	(65)	(69)	**-**	65	69
Departure rate	**151**	214	159	**(149)**	(233)	(156)
Rate of remuneration increase	**619**	634	702	**(542)**	(538)	(610)

(a) The assumptions are only in respect of the Bank's data.

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

The employee benefit liability amount is affected by several key variables, which include market variables (interest capitalization rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being employees' behavioral variables. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables. For example, in case of a sharp interest rate hike in the Israeli economy, government bond yields may rise (lowering the pension liability amounts and causing the number of employees opting for the pension funds to decrease (a decision which will also decrease the Bank's pension liabilities amounts).

4. Plan assets

A. Composition of fair value of plan assets

	As at September 30		As at
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
Cash and deposits with banks	**183**	176	175
Shares	**2,651**	2,585	2,596
Government bonds	**831**	1,209	1,274
Corporate bonds	**2,059**	2,043	1,912
Other	**866**	564	751
Total	**6,590**	6,577	6,708

B. Fair value of plan assets by type of asset and allocation target for 2018

	Allocation target	Percentage of plan assets		
		September 30		December 31
	2018	**2018**	2017	2017
	Unaudited			Audited
	In %			
Cash and deposits with banks	**2**	**3**	3	3
Shares	**38**	**40**	39	38
Government bonds	**19**	**13**	18	19
Corporate bonds	**31**	**31**	31	29
Other	**10**	**13**	9	11
Total	**100**	**100**	100	100

Note 8 - Employee Benefits (cont.)

A. Composition of benefits (cont.)

5. Cash flows

A. Contributions

	Forecast[a]	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2018	**2018**	2017	**2018**	2017	2017
	Unaudited					Audited
	In NIS millions					
Contributions	**115**	**46**	42	**115**	121	177

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2018.

B. Benefits the Bank expects to pay in the future[a]

Year	In NIS millions
2018	170
2019	771
2020	678
2021	713
2022	727
2023-2027	4,338
2028 and onwards	11,223
Total	18,620

(a) In discounted values.

B. Miscellaneous Topics

1. On July 16 2018, the Knesset Finance Committee announced that on July 16 2018, the Knesset Finance Committee approved the sale of the remaining Bank Leumi shares held by the State, i.e., the sale of Bank Leumi shares constituting 5.83 percent of the Bank's shareholder's equity. According to the announcement, the Accountant General at the Ministry of Finance stated that as part of the sale, the State would meet its obligations to the Bank's employees with regard to the option to sell 10 percent of the sold shares to Bank Leumi employees at a 25 percent discount.

   On September 5 2018, the Bank received a notice from the Ministry of Finance regarding the completion of the transaction for the sale of 81,037,614 ordinary shares of NIS 1.00 par value each of the Bank held by the State to Citigroup Global Markets Limited at a price of NIS 23.38 per share, for a total of NIS 1,894,659,415, after which the State would still hold 7,793,155 ordinary shares of NIS 1.00 par value each for sale to the Bank’s employees. Accordingly, on September 5 2018, the Government of Israel - on behalf of the State of Israel - ceased to be an interested party in the Bank. Under Leumi’s privatization agreements from 2006, the Bank’s employees are entitled to purchase a portion of Leumi’s shares from the State of Israel in case the State disposes of some of its holdings, at a 25 percent discount.

2. During the reporting period, the Audit Committee and Board of Directors approved that accounting for the President and CEO’s entitlement to past benefits for an “unfunded pension”, which were frozen and deposited in a personal fund, will be made close to the approval date of the Bank’s 2021 financial statements.

Note 9A - Capital

Changes in the Bank's Capital

Under the Bank's remuneration program, the precondition for the vesting the second third of the PSUs (which were allotted to the Chairman of the Board, to the President and CEO and to other officeholders of the Bank (hereinafter - the "**Bank's Officeholders**") as part of the approval of the performance-based annual bonus for half of the 2016 annual bonus) (hereinafter - the "**2016 PSUs**") as well as for the vesting of the first third of the PSUs allotted to the Bank's Officeholders as part of the approval of the performance-based annual bonus for half of the 2017 annual bonus) (hereinafter - the "**2017 PSUs**") has been met; therefore, the second third of the 2016 PSUs and the first third of the 2017 PSUs have vested. As a result, on March 5 2018, the Bank's officeholders were allotted shares, according to the number of 2016 PSUs and 2017 PSUs vested as at that date.

For more information, please see Note 25A to the 2017 Annual Financial Statements.

Under the remuneration policy, the shares allotted following the vesting of the 2016 PSUs and 2017 PSUs were deposited with the trustee of the remuneration program, ESOP Management and Trust Services Ltd. (hereinafter - the "**Program Trustee**").

The shares allotted in respect of the 2016 PSUs, as detailed above, were restricted until March 14 2018 and the first of three tranches allotted in respect of the 2017 PSUs' vesting, which vested as aforesaid, is restricted for an additional period of one year, until two years from the allotment date of the 2017 PSUs will have passed, i.e. - by April 5 2019.

The vesting of the 2016 PSUs and 2017 PSUs at each of the vesting dates will be conditioned on the Bank having the required capital adequacy ratio pursuant to the Bank Supervision Department's directives, in accordance with the most recent financial statements published by the Bank immediately prior to each vesting date. If the Bank does not comply with the aforesaid ratio, the tranche's vesting will be postponed to the next date on which the Bank meets the required capital adequacy ratio, as stated, in accordance with the published financial statements.

For more information, please see Note 25A to the 2017 Annual Financial Statements.

Shelf prospectus and bond issue

On May 25 2018, the Bank published a shelf prospectus in accordance with a permit received by the Israel Securities Authority.

According to a shelf prospectus dated June 19 2018, the Bank issued, on June 21 2018, a total of NIS 1.29 billion in bonds Series 179. The bonds are repayable in two equal payments on June 30 2024 and June 30 2026. The bonds are linked to the Consumer Price Index and carry an annual interest rate of 0.83 percent, payable annually on June 30 of each year from 2019 to 2026 (inclusive).

The Series 179 bonds are not recognized for regulatory capital purposes.

According to a shelf prospectus dated July 5 2018, the Bank issued, on July 8 2018, a total of NIS 613.8 million in subordinated notes Series 401 and a total of NIS 209.1 million in subordinated notes Series 402.

The subordinated notes Series 401 are repayable by a lump sum on July 31 2028 with an early repayment option for the issuer, not before July 31 2023 and no later than August 31 2023. The subordinated bonds are linked to the Consumer Price Index, carry a fixed annual interest rate of 1.64 percent until the July 31 2023. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest decision date.

The subordinated notes Series 402 are repayable by a lump sum on July 31 2033 with an early repayment option for the issuer, not before July 31 2024 and no later than August 31 2028. The subordinated bonds are linked to the Consumer Price Index, carry a fixed annual interest rate of 2.78 percent until the July 31 2028. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate according to the difference between the benchmark interest rate (as defined by the shelf offering report) at the issue date and the interest rate at the interest decision date.

Note 9A – Capital (cont.)

If circumstances of a trigger event (a trigger event for non-occurrence or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the subordinated bonds shall be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set floor rate, the highest of the two. These subordinated bonds (Series 401 and 402) are eligible for inclusion in Tier 2 as at the issue date.

Dividend Distribution Policy

On March 29 2017, the Bank's Board of Directors approved a dividend distribution policy, effective as at the publication date of the financial statements for the first quarter of 2017. Pursuant to said policy, each quarter, the Bank will distribute a dividend constituting 20 percent of the Bank's net profit according to the Bank's financial statements for the previous quarter, and subject to, among other things, the Bank complying with its capital adequacy targets after the dividend distribution.

On November 20 2017, the Bank's Board of Directors approved a change in the Bank's dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 40 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions of the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

In accordance with the revised policy, on November 12 2018, the Board of Directors approved, in respect of Q3 2018, a dividend of 40 percent of the net income of the quarter. The dividend approved amounted to NIS 375 million, which is 25.04 agorot per share of NIS 1 par value. The Board of Directors designated November 27 2018 as the record date for purposes of payment of the dividend and March 10 2018 as the payment date. The final dividend amount per share is subject to changes due to the Bank's share buyback plan.

Details on paid dividend

Announcement date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
May 25 2017	June 22 2017	8.17	124
August 15 2017	September 11 2017	11.50	175
November 21 2017	December 21 2017	21.51	328
March 6 2018	March 28 2018	22.41	342
May 24 2018	June 19 2018	19.18	292
August 14 2018	September 6 2018	23.96[1]	361

The Bank's Share Buyback Plan

Following the information contained in the financial statements of the first quarter and second quarter of 2018 regarding the Bank's preparations for carrying out a share buyback in the amount of up to NIS 700 million - by way of the safe harbor protection mechanism published by the Israel Securities Authority (Legal Position No. 199-8) - and that on August 2 2018, the first phase of the buyback was completed according to the said plan, in which 13,667,294 shares amounting to NIS 303 million were purchased through an external member of the Tel Aviv Stock Exchange (TASE), and the second phase (which began in mid-August), the Bank remitted NIS 397 million (hereinafter: the "Balance") to the external member of the TASE for the purpose of carrying out the net phase of the buyback according to plan:

Under the second phase and until November 8 2018, the Bank purchased (through the said external member of the TASE) 14,348,602shares in the amount of NIS 339 million. Under the said plan, a total of 28,015,896 shares were purchased in the amount of NIS 642 million (as at November 8 2018). The Balance remitted to the external member of the TASE under the second phase will serve it to continue executing the purchases under the terms of the plan, until the earliest of any of the following: (a) March 31 2019; (b) Upon completion of the buyback phase in the total Balance amount; (c) A legal impediment to the continued validity of the agreement with the Stock Exchange member; (d) The Bank's announcement whereby it no longer meets the Bank of Israel's capital adequacy conditions necessary to conduct the buyback.

1 Further to the supplementary report dated August 27 2018.

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives No. 201 and 211 on capital measurement and adequacy in order to adjust them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

1. Regulatory capital components
2. Capital deduction and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for impaired debts
5. Capital allocation for CVA risk

The abovementioned amendments became effective on January 1 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions.

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - are to be gradually deducted from the capital at a rate of 20 percent per year, from January 1 2014 to January 1 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1 2014 and in each subsequent year, the maximum is lowered by an additional 10 percent until January 1 2022. As of 2018, the maximum instrument amount qualifying as regulatory capital is 40 percent.

In addition, on August 29 2013, the Banking Supervision Department published a circular on Basel disclosure requirements, addressing the composition of capital and setting forth revised disclosure requirements for banks as part of the adoption of the Basel III rules.

Volatile capital components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates which are at historical lows, and also due to the considerable volatility such measurement brought to the Bank's regulatory capital.

In this context, on July 12 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the capitalized interest to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the capitalized interest is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the financial statements as at December 31 2020 (inclusive). The method change significantly moderates the volatility resulting from changes in the capitalized interest rate.

On November 15 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to a fixed spread of AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 16,824 million and the Common Equity Tier 1 Capital - to NIS 35,450 million, compared with a book value of NIS 17,335 million and Common Equity Tier 1 Capital of NIS 33,340 million.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
A. Data			
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[(b)]	**35,450**	34,180	34,653
Tier 2 capital, after deductions	**10,827**	11,166[(f)]	10,811[(f)]
Total capital	**46,277**	45,346	45,464
Balance of risk-weighted assets			
Credit risk[(b)]	**288,449**	275,318	277,344
Market risk	**4,059**	5,018	4,464
Operational risk	**22,485**	20,867	21,484
Total balance of risk-weighted assets	**314,993**	301,203	303,292
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk components	**11.25%**	11.35%	11.43%
Total capital ratio to risk components	**14.69%**	15.05%[(f)]	14.99%[(f)]
Minimum CET 1 capital ratio set by the Supervisor of Banks[(a)]	**10.25%**	10.26%	10.25%
Minimum total capital ratio set by the Supervisor of Banks[(a)]	**13.75%**	13.76%	13.75%
B. Major subsidiaries			
Leumi Card Ltd.[(e)]			
Ratio of CET1 capital to risk components	**15.70%**	15.67%	15.80%
Total capital ratio to risk components	**16.70%**	16.73%	16.80%
Minimum CET1 capital ratio required by the Supervisor of Banks[(d)]	**8.00%**	8.00%	8.00%
Minimum total capital ratio set by the Supervisor of Banks[(d)]	**11.50%**	11.50%	11.50%
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk components	**13.53%**	11.99%	11.51%
Total capital ratio to risk components	**14.43%**	14.52%	13.82%
Minimum CET 1 capital ratio set by the local authorities[(c)]	**6.38%**	5.25%	5.75%
Minimum total capital ratio set by the local authorities[(c)]	**9.88%**	9.25%	9.25%

(a) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required from January 2015 to December 31 2016 are 9 percent and 12.5 percent, respectively and from January 1 2017 - 10 percent and 13.5 percent, respectively. As of January 2015, these ratios are compounded by a capital requirement representing 1 percent of the housing loans' outstanding balance as of the reporting date. Thus, the minimum Tier 1 capital ratio and the minimum total capital ratio required by the Banking Supervision Department as of September 30 2018, according to the data as at the reporting date, are 10.25 percent and 13.75 percent, respectively.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter dated January 12 2016, titled Operational Efficiency of the Banking System in Israel (hereinafter: "Adjustments for the Efficiency Plan") are deducted gradually until June 30 2021 and June 30 2022, respectively. For more information regarding the effect of the transitional provisions and adjustments for the efficiency plans, please see Section D below. NIS 127 million - in respect of adjustments for the efficiency plans - was added to the total balance of risk-weighted assets (NIS 94 million as at December 31 2017, NIS 103 million as at September 30 2017).

(c) The minimum Common Equity Tier 1 capital ratio and the minimum total capital ratio are 4.5 percent and 8 percent, respectively. As of September 30 2018, these ratios are compounded by a 1.875 percent capital conservation buffer. The requirement will be implemented gradually until 2019, at which time the capital conservation buffer will be 2.5 percent.

(d) On June 1 2016, Proper Conduct of Banking Business Directive No. 472, Clearing Houses and Clearing Transactions in Debit Cards, came into force, according to which the Common Equity Tier 1 capital ratio shall not fall below 8 percent and the total capital ratio shall not fall below 11.5 percent.

(e) For more information, please see Note 16F.

(f) Restated. For more information, please see Note 6.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

C. Capital components for the calculation of capital ratios

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
1. CET1 capital			
Equity attributable to the Bank's shareholders	**34,759**	32,793	33,167
Differences between the equity attributable to the Bank's shareholders and Common Equity Tier 1 Capital - minority interests	**387**	227	229
Differences between the equity attributable to the Bank's equity holders and CET1 capital - for employee benefits	**-**	558	590
Adjustments in respect of the transition between the accounting yield curve and the 8-quarter average yield curve[(a)]	**128**	392	532
Total CET1 capital before regulatory adjustments and deductions	**35,274**	33,970	34,518
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(179)**	(254)	(203)
Deferred taxes receivable	**(135)**	(299)	(219)
Regulatory adjustments and other deductions - CET1 capital	**(45)**	(18)	(35)
Total regulatory adjustments and deductions - CET1 capital	**(359)**	(571)	(457)
Total adjustments in respect of the efficiency plan	**535**	781	592
Total CET1 capital, after regulatory adjustments and deductions	**35,450**	34,180	34,653
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**7,690**	8,152	7,773
Tier 2 capital: Provisions before deductions	**3,137**	3,014[(b)]	3,038[(b)]
Total Tier 2 capital before deductions	**10,827**	11,166	10,811
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,827**	11,166	10,811
Total capital	**46,277**	45,346	45,464

(a) Pursuant to specific approval by the Banking Supervision Department.
(b) Restated. For more information, please see Note 6.

Comment: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding capital measurement and capital adequacy, which became effective on January 1 2014.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

D. Effect of the transitional provisions and adjustments for the efficiency plan on the CET 1 capital ratio

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In %		
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk components prior to the implementation of the transitional provisions and before the effect of adjustments for the efficiency plan[(a)]	**11.09%**	10.88%	11.03%
Effect of the transitional provisions	**0.00%**	0.21%	0.20%
Ratio of CET1 capital to risk components, before the effect of adjustments for the efficiency plan	**11.09%**	11.09%	11.23%
Adjustments in respect of the efficiency plan[(b)]	**0.16%**	0.26%	0.20%
Ratio of CET1 capital to risk components	**11.25%**	11.35%	11.43%

(a) Including the effect of adopting the US GAAP on employee benefits.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter dated January 12 2016, Operational Efficiency of the Banking System in Israel. According to the said letter, the reliefs granted in respect of capital adequacy ratios and leverage ratio for the efficiency plans, which were approved by the Board of Directors in June 2016 and in July 2017, are being gradually withdrawn until June 30 2021 and June 30 2022, respectively.

E. Leverage ratio pursuant to the Banking Supervision Department directives

On April 28 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218 on leverage ratio. The directive sets a simple, transparent and non-risk based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between the capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Regulation No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A bank's total exposure is the sum of the balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. Generally speaking, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to Appendix C of Proper Conduct of Banking Business Directive No. 203, and exposures for off-balance sheet items - by converting the items' notional value by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, banking corporations shall have a consolidated leverage ratio of no less than 5 percent. A banking corporation whose consolidated balance-sheet assets constitute at least 20 percent of the Israeli banking system's balance-sheet assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

Banking corporations are required to comply with the minimum leverage ratio as of January 1 2018. A banking corporation meeting its applicable minimum leverage ratio on the date of the Directive's publication shall not fall below the prescribed threshold. A banking corporation which fails to meet its applicable minimum leverage ratio on the date of the Directive's publication shall be required to increase its leverage ratio by regular quarterly rates until January 1 2018.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	As at September 30		As at December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
A. Consolidated data[(a)]			
Tier 1 capital	**35,450**	34,180	34,653
Total exposures	**502,536**	486,507	499,026
Leverage ratio			
Leverage ratio	**7.05%**	7.03%	6.94%
Minimum total capital ratio set by the Banking Supervision Department	**6.00%**	6.00%	6.00%
B. Major subsidiaries			
Leumi Card Ltd.			
Leverage ratio	**11.10%**	11.06%	11.10%
Minimum total capital ratio set by the Banking Supervision Department	**5.00%**	5.00%	5.00%
Bank Leumi USA (BLUSA)			
Leverage ratio	**11.86%**	10.23%	9.72%
Minimum total capital ratio set by the Banking Supervision Department	**5.00%**	5.00%	5.00%

(a) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter dated January 12, 2016, Operational Efficiency of the Banking System in Israel. According to the said letter, the reliefs granted in respect of capital adequacy ratios and leverage ratio for the efficiency plans, which were approved by the Board of Directors in June 2016 and in July 2017, are being gradually withdrawn until June 30 2021 and June 30 2022, respectively. The effect on the leverage ratio of the relief for the efficiency plan was approximately 0.11 percent as at September 30 2018 (0.09 percent and 0.15 percent as at December 31 2017 and September 30 2017, respectively). For more information regarding the effect of the transitional provisions and adjustments for the efficiency plans, please see Section D above.
In addition, when calculating the leverage ratio, adjustments in respect of the implementation of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities, as outlined above were taken into account.

F. Liquidity coverage ratio pursuant to the Banking Supervision Department directives

On September 28 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221 on liquidity coverage ratio, applying the recommendations of the Basel Committee regarding liquidity coverage ratio to the banking system in Israel. The liquidity coverage ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a banking corporation has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon. The Directive prescribes the manner of calculating the liquidity coverage ratio, including the characteristics and operational requirements for an "inventory of high-quality liquid assets" (the numerator) and sufficient buffers for them; it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for 30 calendar days (the denominator).

The stress scenario set forth in the directive includes a shock scenario combining a corporation-specific shock and a systemic shock; in this context, standard withdrawal and deposit rates were defined for outflows and inflows, respectively, according to the various balance categories.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

The liquidity coverage ratio became effective on April 1 2015.

Pursuant to the transitional provisions, as of April 1 2015, the minimum requirement was set at 60 percent, increasing to 80 percent on January 1 2016, and to 100 percent on January 1 2017 and thereafter. However, in a period of financial pressure, a banking corporation may fall below these minimum requirements.

In addition, on September 28 2014, a circular was published concerning a temporary order - implementation of disclosure requirements under the Basel Committee's Pillar 3 - disclosure of the liquidity coverage ratio (hereinafter: the "Circular"). The circular amended the Reporting to the Public Directives to incorporate the disclosure requirements the banks are required meet in adopting the liquidity coverage ratio.

As a result, inter alia, beginning on April 1 2015, the disclosure requirements for the liquidity coverage ratio - both for consolidated and solo reports (as applicable) - were added to the notes to the financial statements, with the amended title Capital Adequacy and Liquidity under the Banking Supervision Department's Directives.

The Bank's liquidity coverage ratio is based on an average of daily observations and the consolidated liquidity coverage ratio is based on an average of monthly observations.

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In %	In %	
a. Consolidated data			
Liquidity coverage ratio	**121**	122	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**120**	123	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Note: Leumi Card and Bank Leumi USA are not required to meet a liquidity coverage ratio.

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Other Special Commitments

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
(1) Long-term leases - Rent for buildings, equipment and vehicles, and maintenance fees due to commitments to pay over the coming years			
In first year	**246**	197	228
In second year	**190**	201	201
In third year	**165**	136	144
In fourth year	**129**	121	128
In fifth year	**112**	112	118
Over 5 years	**1,070**	1,152	1,109
Total long-term leases	**1,912**[(a)]	1,919	1,928
(2) Commitments to purchase securities	**768**	769	477
(3) Commitments to invest in buildings and equipment and	**51**[(a)]	81	37

(a) Including outstanding lease balances of NIS 444 million and commitments to invest in buildings and equipment in the amount of NIS 24 million for held-for-sale assets.

	September 30		December 31
	2018	2017	2017
	Unaudited		Audited
	In NIS millions		
(4) Loan sale activity			
Carrying amount of sold loans	**77**	56	87
Cash proceeds	**77**	65	96
Net income on sale of loans	**-**	9	9

B. Legal claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions approval petitions.

Note 26 to the Bank's Annual Financial Statements as at December 31 2017 included information regarding all material legal claims as of the reporting date. The following note contains information regarding material legal claims filed during the reporting period and thereafter, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding lawsuits reported in Note 26 to the Annual Report, in which no change has occurred.

In the opinion of the management of the Bank and the managements of the consolidated companies - which is based on legal opinions regarding the expected results of such claims, including petitions to approve class actions - the financial statements reflect adequate provisions, if needed, to cover any damages resulting from such claims.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

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 the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to NIS 30 million.

1. As at the publication date of the financial statements, there have been no material changes with respect to the details of Note 26 to the Annual Report, except as detailed below:

1.1. On September 7 2011, a petition to approve a class action lawsuit was filed against the Bank (in respect of Leumi Mortgage Bank Ltd.) and against other banks. The total jurisdictional amount against all the respondent banks was NIS 927 million (against Leumi - NIS 327 million). The petitioners claim that the respondent banks charged housing-loan borrowers “advance compound interest", contrary to law and to the loan agreements. On August 16 2015, the court rejected the petition for approval of claim as a class action due to lack of cause of action. On December 7 2015, the plaintiffs appealed the court's decision in the Supreme Court. On March 14 2018, the Supreme Court rejected the appeal. With this, the legal claim was concluded.

1.2. In February and March 2013, the joint liquidator of two real estate group companies filed two claims against the Bank, against other banks, as well as against entities and individuals, through the companies’ special administrator. According to the special administrator, among other things, the defendants allowed money to be transferred from the companies' accounts to other accounts related to the group, and the Bank assisted in carrying out “circular transactions" at the end of the quarter so as to enable the concealment of the thefts carried out - according to the special administrator - from the companies, preventing their exposure in the companies’ financial statements. The claim amounts are NIS 63 million and NIS 102 million (including linkage and interest rate differences). On June 27 2018, the court approved the compromise arrangements signed between the liquidator and all the defendants following a mediation proceeding. The two claims were thus concluded. Another procedure filed by the special administrator for another company in the group is pending.

1.3. On August 28 2013, a petition to approve a class action lawsuit was filed against the Bank and other banks. The Supervisor of Banks, Bank of Israel Governor and Antitrust Commissioner were included as formal respondents. The subject of the petition is the allegedly unlawful charging of commissions for conversion and transfer of foreign currency, without providing fair disclosure thereof. The petitioners claim that the damage caused to customers (according to an "abbreviated" petition filed by the petitioners) is about NIS 2.6 billion (the petitioners claim additional damages which have not been quantified).
On January 20 2015, a court handling the proceedings of another class action approval petition concerning a similar matter - in the amount of NIS 200 million, also against the credit card companies (including against Leumi Card) - decided to transfer the case to the court handling the abovementioned petition.
On March 18 2018, the plaintiffs filed an appeal against the Tel Aviv District Court’s ruling of March 1 2018, which rejected the approval petition for a class action and required the petitioners to pay the respondents’ expenses.

1.4. On March 18 2014, a petition to approve a class action lawsuit was filed against the Bank in the amount of NIS 155 million, claiming that as part of the Bank’s tax withholding practices for transactions in securities executed by the Bank, the latter’s IT systems unlawfully overstate capital gains and understate capital losses. On August 1 2018, the court approved a settlement arrangement in this procedure, and the lawsuit was concluded.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

1.5. On April 21 2015, a petition to approve a class action lawsuit was filed against the Bank. The petitioner claims that the Bank did not fulfill its duty to make a reasonable effort to locate holders of dormant accounts, to notify them of the account's existence and to pay them the funds "lying dormant", according to the petitioner, in these accounts. The petitioner raises additional claims regarding the charging of fees and commissions in these accounts, and the transfer of the funds to the account holders without CPI-linkage and interest. The total damage to all members of the group is unquantifiable. On February 26 2018, the court approved a settlement arrangement in this procedure, and the lawsuit was concluded.

1.6. On May 22 2016, a petition was filed to approve a class action lawsuit against the Bank and other banks, claiming that when a teller conducts a cash transaction, he/she charges a fee according to a price list, without taking into account benefits which apply to certain population groups, and neither do the banks take into account such benefits when calculating the minimum fee charged to customers' accounts. On September 20 2018, the Tel Aviv District Court rejected the approval petition for a class action and required the petitioners to pay the respondents' expenses. With this, the legal claim was concluded.

1.7. On December 8 2016, a petition to approve a class action lawsuit was filed against the Bank and other banks. he petitioner claimed that the banks charge minimum fees for foreign currency transfers by size, rather than charging a single minimum fee, which - according to the petitioner - is required under banking regulations, and that this common violation of all the respondent banks is, in fact, a restrictive practice contrary to the Antitrust Law. The amount of the alleged damage was estimated by the petitioner, for all the respondents, to be approximately NIS 500 million. On March 13 2018, a ruling was issued approving the applicant's withdrawal from the proceeding. With this, the legal claim was concluded.

1.8. On May 15 2017, a petition was filed to approve a class action against the Bank (similar claims have been filed against other banks, including the Bank, on February 12 2017, which are still pending). The petitioners claim that the Bank does not classify businesses as "small businesses" and as a result, unlawfully charges them fees which do not apply to small businesses. The petitioner estimates the damage amount for all respondents to be NIS 462 million. On April 17 2018, the Tel Aviv District court decided to reject the petition for a class action suit filed on May 15 2017. According to the Court's decision, the petition for a class action filed on February 12 2017 – with claimed damages of NIS 100 million - will continue to be heard. On May 31 2018, the plaintiffs filed an appeal against the ruling with the Supreme Court.

1.9. On September 11 2017, a petition to approve a class action lawsuit was filed against the Bank, in the amount of approximately NIS 150 million. The petitioner claims that the Bank opens accounts under the name of building committee members, rather than condominium-type accounts, as required by law. Moreover, it is claimed that the Bank unlawfully collects commissions from these accounts, does not meet the provisions of the Checks Without Cover Law regarding identification of customers, and does not allow apartment owners to access information pertaining to the bank account. On March 25 2018, a ruling was issued approving the applicant's withdrawal from the proceeding. With this, the legal claim was concluded.

1.10. On May 6 2018, a petition to approve a class action lawsuit was filed against the Bank. The petitioner claims that the Bank does not fulfil its duty to make a reasonable effort to locate inactive accounts with a balance exceeding the investment requirement under the Banking Ordinance (Inactive Accounts), 2000, and that it is insufficient that the Bank revalues the accounts according to the provisions or the Ordinance and that the Bank should revalue the accounts at higher amounts. According to the claimant, the total class damage amount is inestimable.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

1.11. On September 16 2018, a petition to approve a class action lawsuit was filed against the Bank. The petitioner claims that when the Bank reimburses its customers for money it has unlawfully charged them (for example, by mistake), it refunds them at face value - the same amount it has charged them - without taking into account the Bank's gains as a result of holding the funds or paying interest and linkage differences. The petitioner claims he has incurred a damage of NIS 0.51, and is unable to estimate the extent of the damage caused to the class.

2. As at the publication date of the financial statements, there have been no material changes with respect to legal claims filed against the Bank's subsidiaries detailed in Note 26 to the 2017 Annual Report, except as detailed below:

2.1. On April 28 2014, a petition to approve a class action lawsuit was filed against Leumi Card Ltd. and other credit companies, in the amount of NIS 1.7 billion. The claim amount was revised and increased to NIS 7.1 billion. According to the petitioner, the interchange fee charged in respect of debit and prepaid card transactions (as opposed to credit cards) was not approved by the Antitrust Tribunal and constitutes a cartel. The petitioner also claims that, the practice whereby the proceeds of transaction made through such cards are transferred to merchants at a 20-day delay, constitutes an unapproved cartel arrangement or a depriving condition in a standard contract.

On October 16 2018, a ruling was handed down dismissing the claim filed with the Antitrust Tribunal in October 2017 by the petitioner against Leumi Card Ltd. and other credit companies and against the Bank and other banks as formal respondents, in which the Tribunal was requested to rule that the interchange fee in respect of these transactions had not been approved.

2.2. On April 8 2014, a petition to approve a class action lawsuit was filed against several credit card companies, including Leumi Card. For more information regarding this petition, please see section 1.3 above. On March 18 2018, the plaintiffs filed an appeal against the Tel Aviv District Court's ruling of March 1 2018, which rejected the approval petition for a class action and required the petitioners to pay the respondents' expenses.

3. Also pending against the Bank and a subsidiary of the Bank are petitions to approve class actions for a material amount, which – according to the Bank's management and based on the opinion of the relevant subsidiary's management, which is based on legal opinions as to the odds of these petitions being accepted – it is impossible to estimate the odds at this stage. For this reason, no provisions were made in respect of these petitions.

3.1. On May 1 2018, a petition to approve a class action lawsuit against Leumi Card and another Credit card company was filed. The Bank was added as a respondent due to its stake in Leumi Card. According to the petitioner, the companies issuing credit cards do not issue their customers making credit transactions or delayed payment transactions, periodic or annual statements outlining their finance expenses (total interest and expenses paid for credit transactions). According to the petitioner, failure to disclose this information to private customers is misleading, and as for business customers – the failure to disclose the information also prevents them for receiving tax credit for these expenses. The total claimed damage amount for all respondents is NIS 180 million.

3.2. On July 22 2018, a petition to approve a class action lawsuit was filed against Leumi Card and two additional credit card companies. The claim revolves around credit card transactions carried out by the Group members as remote sales transactions (mainly over the phone) by merchants engaged in direct marketing. According to the petitioner, these businesses exploited the weakness of the elderly population, unlawfully charging numerous transactions to their credit cards, in addition to charging them additional amounts which had not been approved by them. According to the petitioner, the credit card companies engaged in clearing agreements with the direct marketing companies, thus enabling their activity. The petitioner claims that the damage amount for the entire class he purports to represent is approximately NIS 900 million.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

C. Credit cards

On March 7 2012, the Antitrust Tribunal gave its judicial approval to an agreement submitted by Leumi Card, Isracard Ltd., Israel Credit Card Company Ltd. and the banks controlling each of the credit card companies with the Antitrust Commissioner regarding the rate of interchange fee which will be in effect between the clearing entities and credit card issuers Visa and MasterCard. According to the approved agreement, the rate of the interchange fee will decrease gradually until it reaches 0.7 percent from July 2014, according to the outline plan for the reduction of interchange fee set forth in the ruling. The arrangement between the Commissioner and the credit card companies is in force until the end of 2018. Following the notice published by the Bank of Israel on January 16 2018 regarding the intention of the Bank of Israel's governor to exercise her legal authority to announce the service provided by a clearer to a business in respect of clearing debit card transactions a regulated service in respect of interchange fees and the intention to reduce the interchange fee gradually over time, the Bank of Israel announced on February 25 2018 it had revised the outline published in its previous announcement, so that the interchange fee in deferred debit transactions is reduced according to the following outline:

From January 1 2019 (the date on which the current arrangement comes to an end) – a reduction from 0.7 percent to 0.6 percent;

From January 1 2020 – a reduction from 0.6 percent to 0.575 percent;

From January 1 2021 – a reduction from 0.575 percent to 0.55 percent;

From January 1 2022 – a reduction from 0.55 percent to 0.525 percent;

From January 1 2023 – a reduction from 0.525 percent to 0.5 percent.

In addition, the Bank of Israel also announced that the interchange fee on immediate debit transactions (which is currently 0.3 percent) will be reduced as follows:

From January 1 2021 – a reduction from 0.3 percent to 0.275 percent;

From January 1 2023 – a reduction from 0.275 percent to 0.25 percent.

On October 29 2018, a draft Banking Order (Customer Service) (Supervision of Cross Clearing Service of Debit Card Transactions and Immediate Debit Transactions), 2018 was published, regulating the outline of the abovementioned reduction. The draft also includes an outline of an accelerated reduction in the interchange fee for debit card transactions for customers who are public institutions.

In addition, on July 24 2017, the Ministry of Finance announced a reduction in merchant's fees charged by Diners and American Express. The reduction will be applied gradually, so that until December 31 2017 the maximum fee shall be 2.95 percent; until December 31 2018 - the maximum fee shall be 2.45 percent; until December 31 2019, the maximum fee shall be 2.10 percent; and on June 30 2020, the maximum fee for a merchant will be 1.99 percent. In addition, credit card companies will be prohibited from imposing alternative fees on merchants.

Pursuant to the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017, as of February 2019, the Bank shall be required to operate the issuance of new credit cards to the Bank's customers through at least two issuance operators, with any issuance operator's share reaching a maximum of 52 percent of the new cards issued by the Bank. Under this provision, the Bank negotiated with credit card companies regarding entering agreements to operate the issuance of new cards.

In March 2018, the Bank signed a debit card issuance operation and issuance agreement with Isracard Ltd. and Europay (Eurocard) Israel Ltd. (of the Isracard Group). Following the above, the parties are working towards signing a more detailed agreement.

On August 12 2018, the Bank signed a joint credit card issuance and operation agreement with Israel Credit Cards Ltd. and Diners Club Israel Ltd. (of the CAL group). Under said agreements, the parties will issue debit cards as of February 2019, and the above companies will operate the issuance activity. The abovementioned agreement establishes the revenue sharing mechanism among the parties, as well as their rights and obligations and other arrangements relating to said activity.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

On October 11 2018, an agreement was signed between the Bank and Leumi Card Ltd. (hereinafter: "Leumi Card") to issue and operate debit cards. The agreement shall replace the existing agreement between the parties and shall also apply to cards issued under the existing agreement. Under the new agreement, the parties will issue debit cards, which will be operated by Leumi Card. The abovementioned agreement establishes the revenue sharing mechanism among the parties, as well as their rights and obligations and other arrangements relating to said activity. The entry into force of the issuance agreement is subject to the fulfillment of conditions precedent, including the completion of the sale of the Bank's and the Azrieli Group's stakes in Leumi Card to Warburg Pincus Financial Holdings (Israel) Ltd., pursuant to the sale agreement signed on July 28 2018 and obtaining the necessary regulatory approvals. For more information regarding the said sale agreement, please see the section entitled "Major Investee Companies - Leumi Card".

During 2018, various provisions on debit cards were published, including regarding clearing dates of debit card transactions. For more information, please see the section entitled "Legislation and regulation of the Banking System."

D. Contingent liabilities and miscellaneous commitments

1. Other proceedings

   On November 2 2017, a scoping meeting was held with the Enforcement Division of the Financial Conduct Authority (FCA) for a proceeding at Bank Leumi UK (hereinafter: "BLUK"), regarding controls and systems for the implementation of anti-money laundering regulations. The proceeding, which FCA is authorized to carry out, is at an initial stage, and therefore the length of the proceeding and which of the range of measures available to the FCA will be taken, if any, are unknown. According to the FCA publications regarding similar proceedings against banks similar to BLUK - in which violations were determined to have occurred - resulted in measures taken against those banks so that it may be assumed that BLUK's exposure to financial sanctions, if any, will be immaterial to Leumi Group.

2. Financial sanction under Section 38A to the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995.

   On June 11 2018, the Israel Securities Authority sent the Bank a notice of a monetary sanction in the amount of NIS 300,000. The amount was set following a 25 percent reduction pursuant to actions already taken by the Bank to avoid the recurrence of the violation. The financial sanction was imposed on the Bank following cases of deficient documentation of consulting activities provided to the Bank's customers regarding additional fees charged by mutual funds charging a surcharge.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates

A. Volume of consolidated activity

	September 30 2018 (unaudited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(1) Notional amount of derivatives						
a) Hedging derivatives[(a)]						
Swaps	-	2,280	-	-	-	2,280
Total	-	2,280	-	-	-	2,280
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	2,280	-	-	-	2,280
b) ALM derivatives[(a)(b)]						
Future contacts	-	55,525	127	108,768	458	164,878
Forward contracts	18,059	11,984	190,823	519	11	221,396
Listed option contracts						
Written options	-	17,013	17,304	83,337	345	117,999
Call options	-	17,013	16,780	83,337	345	117,475
Other options						
Written options	-	3,822	24,325	2,657	532	31,336
Call options	-	1,164	25,315	2,503	531	29,513
Swaps	631	276,140	23,948	46,697	94	347,510
Total	18,690	382,661	298,622	327,818	2,316	1,030,107
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	138,777	-	-	-	138,777
c) Other derivatives[(a)]	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spots						
Credit derivatives in which the Bank is a	-	-	-	-	-	-
Foreign exchange spots	-	-	13,391	-	-	13,391
Total	-	-	13,391	-	-	13,391
Grand total	18,690	384,941	312,013	327,818	2,316	1,045,778

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedge rations.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	September 30 2018 (unaudited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Hedging derivatives[(a)]						
Gross positive fair value	-	97	-	-	-	97
Gross negative fair value	-	1	-	-	-	1
b) ALM derivatives[(a)(b)]						
Gross positive fair value	257	3,976	3,516	1,915	66	9,730
Gross negative fair value	407	3,882	3,111	1,893	66	9,359
c) Other derivatives[(a)]	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the Bank is a						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-	-
e) Total						
Gross positive fair value[(c)]	257	4,073	3,516	1,915	66	9,827
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of assets in respect	257	4,073	3,516	1,915	66	9,827
Of which: Balance sheet balance of assets in respect of derivatives not under a netting or similar arrangement	39	110	120	243	2	514
Gross negative fair value[(c)]	407	3,883	3,111	1,893	66	9,360
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of liabilities in respect of derivatives	407	3,883	3,111	1,893	66	9,360
Of which: Balance sheet balance of liabilities in respect of derivatives not under a netting or similar arrangement	-	58	245	12	9	324

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: NIS 7 million in positive gross fair value of assets in respect of embedded derivatives, NIS 45 million in gross negative fair value of liabilities in respect of embedded derivatives.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	September 30 2017 (unaudited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(1) Notional amount of derivatives						
a) Hedging derivatives[a]						
Swaps	-	1,790	-	-	-	1,790
Total	-	1,790	-	-	-	1,790
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	1,790	-	-	-	1,790
b) ALM derivatives[a][b]						
Future contacts	-	31,296	143		276	
Forward contracts	14,774	1,006		738	9	
Listed option contracts						
Written options	-	106	13,124	14,383	75	27,688
Call options	-	106	12,874	14,383	75	27,438
Other options						
Written options	-	7,530	23,063	3,240	162	33,995
Call options	-	6,413	23,117	3,045	159	32,734
Swaps	794		26,811	36,031	238	
Total	15,568				994	
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	145,305	-	-	-	145,305
c) Other derivatives[a]	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spots						
Credit derivatives in which the Bank is a	-	-	-	-	10	10
Foreign exchange spots	-	-	9,792	-	-	9,792
Total	-	-	9,792	-	10	9,802
Grand total	15,568				1,004	

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	September 30 2017 (unaudited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Hedging derivatives[(a)]						
Gross positive fair value	-	19	-	-	-	19
Gross negative fair value	-	13	-	-	-	13
b) ALM derivatives[(a)(b)]						
Gross positive fair value	401	5,340	3,150	2,025	25	10,941
Gross negative fair value	456	5,015	3,858	1,964	24	11,317
c) Other derivatives[(a)]	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the Bank is a						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-[(d)]	-
e) Total						
Gross positive fair value[(c)]	401	5,359	3,150	2,025	25	10,960
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of assets in respect of derivatives	401	5,359	3,150	2,025	25	10,960
Of which: Balance sheet balance of assets in respect of derivatives not under a netting or similar arrangement	57	100	99	945	5	1,206
Gross negative fair value[(c)]	456	5,028	3,858	1,964	24	11,330
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of liabilities in respect of derivatives	456	5,028	3,858	1,964	24	11,330
Of which: Balance sheet balance of liabilities in respect of derivatives not under a netting or similar arrangement	-	27	417	118	13	575

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: NIS 6 million in positive gross fair value of assets in respect of embedded derivatives, NIS 55 million in gross negative fair value of liabilities in respect of embedded derivatives.
(d) Less than NIS 1 million.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2017 (audited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(1) Notional amount of derivatives						
a) Hedging derivatives[(a)]						
Swaps	-	1,742	-	-	-	1,742
Total	-	1,742	-	-	-	1,742
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	1,742	-	-	-	1,742
b) ALM derivatives[(a)(b)]						
Future contacts	-	33,009	106	103,734	234	137,083
Forward contracts	16,209	800	170,863	863	21	188,756
Listed option contracts						
Written options	-	-	15,950	36,351	11	52,312
Call options	-	-	15,672	36,351	11	52,034
Other options						
Written options	-	5,529	18,673	2,742	209	27,153
Call options	-	2,367	19,090	2,586	209	24,252
Swaps	794	231,919	25,648	37,523	157	296,041
Total	17,003	273,624	266,002	220,150	852	777,631
Of which: Interest rate swaps for which the Bank has agreed to pay a fixed interest rate	-	121,703	-	-	-	121,703
c) Other derivatives[(a)]	-	-	-	-	-	-
d) Credit derivatives and foreign exchange spots						
Credit derivatives in which the Bank is a	-	-	-	-	5	5
Foreign exchange spots	-	-	12,163	-	-	12,163
Total	-	-	12,163	-	5	12,168
Grand total	17,003	275,366	278,165	220,150	857	791,541

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2017 (audited)					
	Interest rate contracts					
	NIS-CPI	Other	Foreign exchange rate contracts	Stock contracts	Commo-dity and other contracts	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Hedging derivatives[(a)]						
Gross positive fair value	-	30	-	-	-	30
Gross negative fair value	-	8	-	-	-	8
b) ALM derivatives[(a)(b)]						
Gross positive fair value	315	4,125	3,018	2,060	32	9,550
Gross negative fair value	431	3,825	3,471	2,041	25	9,793
c) Other derivatives[(a)]	-	-	-	-	-	-
d) Credit derivatives						
Credit derivatives in which the Bank is a						
Gross positive fair value	-	-	-	-	-	-
Gross negative fair value	-	-	-	-	-[(d)]	-
e) Total						
Gross positive fair value[(c)]	315	4,155	3,018	2,060	32	9,580
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of assets in respect of derivatives	315	4,155	3,018	2,060	32	9,580
Of which: Balance sheet balance of assets in respect of derivatives not under a netting or similar arrangement	51	52	98	289	6	496
Gross negative fair value[(c)]	431	3,833	3,471	2,041	25	9,801
Fair value amounts netted on the balance	-	-	-	-	-	-
Balance sheet balance of liabilities in respect of derivatives	431	3,833	3,471	2,041	25	9,801
Of which: Balance sheet balance of liabilities in respect of derivatives not under a netting or similar arrangement	-	26	394	60	13	493

(a) Excluding credit derivatives and foreign currency spots.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: NIS 7 million in positive gross fair value of assets in respect of embedded derivatives, NIS 61 million in gross negative fair value of liabilities in respect of embedded derivatives.
(d) Less than NIS 1 million.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Credit risk and for derivatives by contract counterparty

	September 30 2018 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments & central banks	Other	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivatives[(a)(b)]	137	5,818	1,503	56	2,313	9,827
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,780	1,130	36	1,062	6,008
Credit risk mitigation in respect of cash collateral received	-	1,425	358	20	110	1,913
Net amount of assets in respect of derivatives	137	613	15	-	1,141	1,906
Off-balance-sheet credit risk for derivatives[(d)(e)]	283	9,086	2,657	49	8,115	20,190
Mitigation of off balance-sheet credit risk	-	2,627	748	19	3,793	7,187
Net off balance-sheet credit risk for derivatives	283	6,459	1,909	30	4,322	13,003
Total credit risk and for derivatives	420	7,072	1,924	30	5,463	14,909
Balance sheet balance of liabilities in respect of derivatives[(a)(c)]	129	4,268	1,174	36	3,753	9,360
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,780	1,130	36	1,062	6,008
Pledged cash collateral	-	255	42	-	834	1,131
Net amount of liabilities in respect of derivatives	129	233	2	-	1,857	2,221

	September 30 2017 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments & central banks	Other	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivatives[(a)(b)]	153	6,770	2,019	70	1,948	10,960
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	4,344	1,728	42	779	6,893
Credit risk mitigation in respect of cash collateral received	-	2,073	268	28	149	2,518
Net amount of assets in respect of derivatives	153	353	23	-	1,020	1,549
Off-balance-sheet credit risk for derivatives[(d)(e)]	354	7,099	1,668	65	5,848	15,034
Mitigation of off balance-sheet credit risk	-	1,669	820	23	2,573	5,085
Net off balance-sheet credit risk for derivatives	354	5,430	848	42	3,275	9,949
Total credit risk and for derivatives	507	5,783	871	42	4,295	11,498
Balance sheet balance of liabilities in respect of derivatives[(a)(c)]	94	5,172	1,970	42	4,052	11,330
Gross amounts not netted on the balance sheet:						
Financial instruments	-	4,344	1,728	42	779	6,893
Pledged cash collateral	-	513	238	-	1,467	2,218
Net amount of liabilities in respect of derivatives	94	315	4	-	1,806	2,219

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Credit risk and for derivatives by contract counterparty (cont.)

	December 31 2017 (audited)					
	Stock exchan-ges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivatives[(a)(b)]	218	5,634	1,883	87	1,758	9,580
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,621	1,448	42	738	5,849
Credit risk mitigation in respect of cash collateral received	-	1,537	423	41	121	2,122
Net amount of assets in respect of derivatives	218	476	12	4	899	1,609
Off-balance-sheet credit risk for derivatives[(d)(e)]	743	7,349	1,571	65	6,192	15,920
Mitigation of off balance-sheet credit risk	-	2,286	731	19	2,548	5,584
Net off balance-sheet credit risk for derivatives	743	5,063	840	46	3,644	10,336
Total credit risk and for derivatives	961	5,539	852	50	4,543	11,945
Balance sheet balance of liabilities in respect of derivatives[(a)(c)]	191	4,248	1,597	42	3,723	9,801
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,621	1,448	42	738	5,849
Pledged cash collateral	-	287	131	-	1,497	1,915
Net amount of liabilities in respect of derivatives	191	340	18	-	1,488	2,037

(a) The Bank did not offset netting agreements.
(b) Of which outstanding balance-sheet standalone assets in respect of derivatives totaling NIS 9.820 million (as at September 30 2017 - NIS 10,954 million; as at December 31 2017 - NIS 9,573 million).
(c) Of which outstanding balance-sheet standalone liabilities in respect of derivatives totaling NIS 9.315 million (as at September 30 2017 - NIS 11,275 million; as at December 31 2017 - NIS 9,740 million).
(d) Off-balance sheet credit risk for derivative instruments (including derivatives with negative fair value) before credit risk deduction, as calculated for the purpose of limitations on borrower indebtedness.
(e) The difference, if positive, between all total amounts for derivative instruments (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before deducting credit risk, and the outstanding balance-sheet assets for the borrower's derivatives.

Comment:
No credit losses were recorded in respect of derivative instruments in the nine-month period ended September 30 2018, in the corresponding period last year and in December 2017.

Note 11 - Derivative Instruments Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Breakdown of maturity dates - par value: outstanding

	September 30 2018 (unaudited)				
	Up to 3 months	Over three months to a year	More than one year and up to 5 years	Over five years	Total
	In NIS millions				
Interest rate contracts:					
NIS-CPI	**1,409**	**3,943**	**10,874**	**2,464**	**18,690**
Other	**74,579**	**78,098**	**158,867**	**73,397**	**384,941**
Foreign exchange rate contracts	**174,018**	**112,459**	**21,658**	**3,878**	**312,013**
Stock contracts	**292,633**	**34,130**	**1,055**	**-**	**327,818**
Commodity and other contracts	**1,426**	**289**	**601**	**-**	**2,316**
Total	**544,065**	**228,919**	**193,055**	**79,746739**	**1,045,778**
Total as at September 30 2017 (unaudited)	338,735	188,566	174,799	103,349	805,449
Total as at December 31 2017 (audited)	373,851	164,836	168,173	84,681	791,541

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2017.

Customer classification

According to the Operating Segments Circular, customers should be classified by operating segments according to their turnovers or characteristics (private customers and other individuals). When a bank has no information regarding the total income of a business customer who has no indebtedness towards the bank (including credit lines, etc.), the bank may classify them into the relevant regulatory segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total balance-sheet assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 - into the large business segment.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information.

Note 12A - Regulatory Operating Segments

Information on regulatory operating segments - Consolidated

	For the three months ended September 30 2018 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	938	495	92	2
Interest expense from external	82	-	-	55
Interest income (expense), net:				
From external	856	495	92	(53)
Inter-segmental	(162)	(292)	-	81
Total interest income, net	694	203	92	28
Total noninterest income	426	13	227	43
Total income	1,120	216	319	71
Expenses (income) in respect of loan losses	75	10	15	-
Operating and other expenses:				
For external	894	57	193	31
Inter-segmental	-	-	-	-
Total operating and other expenses	894	57	193	31
Profit (loss) before taxes	151	149	111	40
Provision for taxes on profit	38	49	29	13
Profit (loss) after taxes	113	100	82	27
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	113	100	82	27
Net income (loss) attributable to non-controlling interests	14	-	14	-
Net income (loss) attributable to the Bank's shareholders	99	100	68	27
Average balance of assets(a)	104,079	67,750	12,354	462
Of which: Investments in investee companies(a)	-	-	-	-
Average outstanding balance of loans to the public(a)(e)	104,937	68,215	12,372	458
Outstanding balance of loans to the public as at the end of the reporting period	105,401	69,636	11,934	468
Outstanding balance of impaired debts	372	-	36	-
Outstanding balance of debts in arrears of over 90 days	884	806	-	-
Average balance of liabilities(a)	108,708	17	127	25,828
Of which: Average balance of deposits from the public(a)(f)	108,462	-	79	25,825
Balance of deposits from the public as at the end of the	107,128	-	85	25,446
Average balance of risk-weighted assets(a)(b)	76,434	44,414	11,018	830
Balance of risk-weighted assets as at the end of the	76,751	44,375	11,315	838
Average balance of assets under management(a)(c)	72,150	-	-	47,489
Breakdown of interest income, net:				
Margin from credit granting activities	608	203	92	2
Margin from deposit taking activities	86	-	-	26
Other	-	-	-	-
Total interest income, net	694	203	92	28

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purpose.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including housing loans to business customers with an outstanding balance of NIS 10,808 million as at the end of the period.
(e) Including average balance of assets classified as held for sale in the amount of NIS 8,166 million.
(f) Including average balance of liabilities classified as held for sale in the amount of NIS 79 million.

							Foreign operations	
Small- and micro-businesses[(d)]	Medium-sized businesses[(d)]	Corpo-rations[(d)]	Institu-tionals	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
584	194	453	7	283	-	2,461	350	2,811
(6)	37	127	129	126	-	550	65	615
590	157	326	(122)	157	-	1,911	285	2,196
(54)	29	27	155	(66)	1	11	(11)	-
536	186	353	33	91	1	1,922	274	2,196
201	78	156	49	472	14	1,439	64	1,503
737	264	509	82	563	15	3,361	338	3,699
61	7	28	(4)	(4)	(1)	162	36	198
383	131	119	64	59	165	1,846	219	2,065
-	-	-	-	-	-	-	-	-
383	131	119	64	59	165	1,846	219	2,065
293	126	362	22	508	(149)	1,353	83	1,436
104	45	121	6	164	8	499	16	515
189	81	241	16	344	(157)	854	67	921
-	-	-	-	35	-	35	-	35
189	81	241	16	379	(157)	889	67	956
1	-	1	-	(1)	(3)	12	8	20
188	81	240	16	380	(154)	877	59	936
59,404	25,944	58,950	1,198	159,407	9,306	418,750	32,982	451,732
-	-	-	-	880	-	880	-	880
60,021	26,294	59,936	1,206	-	-	252,852	25,014	277,866
59,829	26,206	60,968	1,253	-	-	254,125	25,239	279,364
741	149	970	-	-	-	2,232	706	2,938
88	-	3	-	-	-	975	7	982
55,745	37,472	52,901	63,326	34,760	11,946	390,686	26,100	416,786
52,944	36,214	49,841	61,573	-	-	334,859	24,999	359,858
50,187	35,501	49,474	65,084	-	-	332,820	26,139	358,959
53,696	29,196	78,784	869	22,060	18,414	280,283	33,202	313,485
53,391	28,412	82,076	757	21,089	18,311	281,625	33,368	314,993
45,209	21,988	75,567	704,042	44,387	-	1,010,832	17,865	1,028,697
491	145	319	5	609	1	2,180	305	2,485
45	41	34	28	(657)	-	(397)	(63)	(460)
-	-	-	-	139	-	139	32	171
536	186	353	33	91	1	1,922	274	2,196

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the three months ended September 30 2017[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	698	278	71	1
Interest expense from external	60	-	-	28
Interest income (expense), net:				
From external	638	278	71	(27)
Inter-segmental	(5)	(93)	(1)	55
Total interest income, net	633	185	70	28
Total noninterest income	406	12	211	38
Total income	1,039	197	281	66
Expenses (income) in respect of loan losses	60	(4)	20	-
Operating and other expenses (income):				
For external	910	68	185	25
Inter-segmental	(4)	-	(4)	-
Total operating and other expenses (income)	906	68	181	25
Profit (loss) before taxes	73	133	80	41
Provision for income taxes (benefit)	6	46	21	14
Profit (loss) after taxes	67	87	59	27
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	67	87	59	27
Net income (loss) attributable to non-controlling interests	10	-	10	-
Net income (loss) attributable to the Bank's shareholders	57	87	49	27
Average balance of assets[a]	100,241	65,333	12,617	465
Of which: Investments in investee companies[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	106,586	69,055	12,537	460
Outstanding balance of loans to the public as at the end of the reporting period	104,136	67,810	12,538	430
Outstanding balance of impaired debts	406	-	27	-
Outstanding balance of debts in arrears for over 90 days	762	704	-	-
Average balance of liabilities[a]	108,851	20	218	28,150
Of which: Average balance of deposits from the public[a]	108,657	-	74	27,970
Balance of deposits from the public as at the end of the reporting period	106,803	-	88	26,009
Average balance of risk-weighted assets[a][b]	75,547	43,402	11,184	811
Balance of risk-weighted assets as at the end of the reporting period[b]	76,052	43,692	11,259	794
Average balance of assets under management[a][c]	75,557	-	-	49,262
Breakdown of interest income, net:				
Margin from credit granting activities	569	185	70	9
Margin from deposit taking activities	64	-	-	19
Other	-	-	-	-
Total interest income, net	633	185	70	28

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purpose.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including housing loans to business customers with an outstanding balance of NIS 10,645 million as at the end of the period.
(e) Reclassified, including as detailed on Note 6 and in respect of the improvement effort carried out in 2018.

							Foreign operations	
Small- and micro-businesses[(d)]	Medium-sized businesses[(d)]	Corp-orations[(d)]	Institu-tionals	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
563	182	391	6	171	-	2,012	282	2,294
22	23	50	75	82	-	340	36	376
541	159	341	(69)	89	-	1,672	246	1,918
(20)	12	(26)	87	(105)	-	(2)	2	-
521	171	315	18	(16)	-	1,670	248	1,918
203	84	171	47	251	39	1,239	67	1,306
724	255	486	65	235	39	2,909	315	3,224
80	12	(165)	(9)	9	-	(13)	16	3
372	130	121	62	63	181	1,864	212	2,076
-	-	1	-	9	(7)	(1)	1	-
372	130	122	62	72	174	1,863	213	2,076
272	113	529	12	154	(135)	1,059	86	1,145
103	41	190	3	41	(44)	354	22	376
169	72	339	9	113	(91)	705	64	769
-	-	-	-	60	-	60	-	60
169	72	339	9	173	(91)	765	64	829
1	-	-	-	(1)	(1)	9	-	9
168	72	339	9	174	(90)	756	64	820
54,957	24,994	53,891	932	163,376	9,425	408,281	31,967	440,248
-	-	-	-	874	-	874	-	874
55,555	25,181	55,826	939	-	-	244,547	22,576	267,123
59,185	25,951	55,302	1,303	-	-	246,307	23,277	269,584
535	295	1,751	-	-	-	2,987	742	3,729
19	18	9	-	-	-	808	28	836
47,648	32,515	53,335	63,032	37,650	10,468	381,649	25,682	407,331
43,667	31,515	48,687	61,212	-	-	321,708	24,339	346,047
47,222	33,024	49,968	62,563	-	-	325,589	24,612	350,201
52,561	28,234	72,686	793	21,199	17,274	269,105	30,004	299,109
52,006	29,022	73,836	728	20,491	17,488	270,417	30,786	301,203
33,309	17,412	80,840	597,347	36,555	-	890,282	18,639	908,921
488	145	296	4	325	-	1,836	256	2,092
33	25	16	14	(414)	-	(243)	(29)	(272)
-	1	3	-	73	-	77	21	98
521	171	315	18	(16)	-	1,670	248	1,918

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the nine months ended September 30 2018 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	2,910	1,599	264	6
Interest expense from external	289	-	-	142
Interest income (expense), net:				
From external	2,621	1,599	264	(136)
Inter-segmental	(585)	(1,009)	(1)	222
Total interest income, net	2,036	590	263	86
Total noninterest income	1,244	37	637	124
Total income	3,280	627	900	210
Expenses (income) in respect of loan losses	188	27	61	-
Operating and other expenses:				
For external	2,604	189	526	91
Inter-segmental	2	1	-	-
Total operating and other expenses	2,606	190	526	91
Profit (loss) before taxes	486	410	313	119
Provision for income taxes (benefit)	114	138	78	40
Profit (loss) after taxes	372	272	235	79
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	372	272	235	79
Net income (loss) attributable to non-controlling interests	40	-	40	-
Net income (loss) attributable to the Bank's shareholders	332	272	195	79
Average balance of assets[(a)]	102,681	67,038	12,332	447
Of which: Investments in investee companies[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)(e)]	103,552	67,502	12,355	443
Outstanding balance of loans to the public as at the end of the reporting period	105,401	69,636	11,934	468
Outstanding balance of impaired debts	372	-	36	-
Outstanding balance of debts in arrears for over 90 days	884	806	-	-
Average balance of liabilities[(a)]	106,773	20	146	25,444
Of which: Average balance of deposits from the public[(a)(f)]	106,457	-	76	25,441
Balance of deposits from the public as at the end of the reporting period	107,128	-	85	25,446
Average balance of risk-weighted assets[(a)(b)]	76,087	44,019	11,248	843
Balance of risk-weighted assets as at the end of the reporting period[(b)]	76,751	44,375	11,315	838
Average balance of assets under management[(a)(c)]	72,502	-	-	46,908
Breakdown of interest income, net:				
Margin from credit granting activities	1,781	590	263	4
Margin from deposit taking activities	255	-	-	82
Other	-	-	-	-
Total interest income, net	2,036	590	263	86

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purpose.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including housing loans to business customers with an outstanding balance of NIS 10,808 million as at the end of the period.
(e) Including average balance of assets classified as held for sale in the amount of NIS 8,155 million.
(f) Including average balance of liabilities classified as held for sale in the amount of NIS 76 million.

							Foreign operations	
Small- and micro-businesses(d)	Medium-sized businesses(d)	Corp-orations(d)	Institu-tionals	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,777	592	1,368	22	742	-	7,417	1,003	8,420
78	104	260	393	367	-	1,633	171	1,804
1,699	488	1,108	(371)	375	-	5,784	832	6,616
(113)	72	(126)	460	98	1	29	(29)	-
1,586	560	982	89	473	1	5,813	803	6,616
616	245	465	148	660	67	3,569	217	3,786
2,202	805	1,447	237	1,133	68	9,382	1,020	10,402
225	(129)	(1)	(4)	6	(5)	280	34	314
1,172	405	363	201	217	513	5,566	650	6,216
-	-	-	1	(12)	7	(2)	2	-
1,172	405	363	202	205	520	5,564	652	6,216
805	529	1,085	39	922	(447)	3,538	334	3,872
297	183	363	12	291	(76)	1,224	74	1,298
508	346	722	27	631	(371)	2,314	260	2,574
-	-	-	-	47	-	47	-	47
508	346	722	27	678	(371)	2,361	260	2,621
2	1	2	(1)	(2)	(3)	39	13	52
506	345	720	28	680	(368)	2,322	247	2,569
58,680	25,809	57,752	1,402	160,763	9,449	416,983	32,862	449,845
-	-	-	-	763	-	763	-	763
59,294	26,141	58,385	1,411	-	-	249,226	24,356	273,582
59,829	26,206	60,968	1,253	-	-	254,125	25,239	279,364
741	149	970	-	-	-	2,232	706	2,938
88	-	3	-	-	-	975	7	982
55,183	36,977	51,976	67,027	34,309	11,831	389,520	26,228	415,748
52,365	35,703	49,005	65,171	-	-	334,142	25,257	359,399
50,187	35,501	49,474	65,084	-	-	332,820	26,139	358,959
52,973	29,047	77,247	836	21,307	17,867	276,207	32,327	308,534
53,391	28,412	82,076	757	21,089	18,311	281,625	33,368	314,993
45,750	22,269	74,192	690,885	42,094	-	994,600	18,284	1,012,884
1,456	451	892	14	2,077	1	6,676	876	7,552
130	109	90	74	(1,913)	-	(1,173)	(171)	(1,344)
-	-	-	1	309	-	310	98	408
1,586	560	982	89	473	1	5,813	803	6,616

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the nine months ended September 30 2017[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	2,559	1,306	203	5
Interest expense from external	280	-	-	112
Interest income, net:				
From external	2,279	1,306	203	(107)
Inter-segmental	(404)	(764)	(2)	176
Total interest income, net	1,875	542	201	69
Total noninterest income	1,191	34	606	113
Total income	3,066	576	807	182
Expenses (income) in respect of loan losses	138	(15)	44	-
Operating and other expenses:				
For external	2,630	203	536	82
Inter-segmental	-	-	-	-
Total operating and other expenses	2,630	203	536	82
Profit (loss) before taxes	298	388	227	100
Provision for income taxes (benefit)	87	134	62	35
Profit (loss) after taxes	211	254	165	65
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	211	254	165	65
Net income (loss) attributable to non-controlling interests	25	-	25	-
Net income (loss) attributable to the Bank's shareholders	186	254	140	65
Average balance of assets[a]	104,215	68,197	11,853	451
Of which: Investments in investee companies[a]	-	-	-	-
Average outstanding balance of loans to the public[a]	105,223	68,661	11,883	446
Outstanding balance of loans to the public as at the end of the reporting period	104,136	67,810	12,538	430
Outstanding balance of impaired debts	406	-	27	-
Outstanding balance of debts in arrears for over 90 days	762	704	-	-
Average balance of liabilities[a]	108,542	21	171	28,134
Of which: Average balance of deposits from the public[a]	108,362	-	74	28,036
Balance of deposits from the public as at the end of the reporting period	106,803	-	88	26,009
Average balance of risk-weighted assets[a][b]	75,591	43,427	11,191	793
Balance of risk-weighted assets as at the end of the reporting period[b]	76,052	43,692	11,259	794
Average balance of assets under management[a][c]	74,937	-	-	48,741
Breakdown of interest income, net:				
Margin from credit granting activities	1,678	542	201	12
Margin from deposit taking activities	197	-	-	57
Other	-	-	-	-
Total interest income, net	1,875	542	201	69

(a) Average balance calculations will be based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purpose.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including housing loans to business customers with an outstanding balance of NIS 10,645 million as at the end of the period.
(e) Reclassified, including as detailed on Note 6 and in respect of the improvement effort carried out in 2018.

							Foreign operations	
Small- and micro-businesses[(d)]	Medium-sized businesses[(d)]	Corp-orations[(d)]	Institu-tionals	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,712	553	1,273	21	539	-	6,662	838	7,500
69	63	144	316	456	-	1,440	104	1,544
1,643	490	1,129	(295)	83	-	5,222	734	5,956
(129)	8	(241)	346	258	-	14	(14)	-
1,514	498	888	51	341	-	5,236	720	5,956
603	245	503	135	739	73	3,602	211	3,813
2,117	743	1,391	186	1,080	73	8,838	931	9,769
200	(13)	(208)	(6)	(4)	-	107	39	146
1,125	382	385	186	223	520	5,533	613	6,146
-	-	1	1	(4)	-	(2)	2	-
1,125	382	386	187	219	520	5,531	615	6,146
792	374	1,213	5	865	(447)	3,200	277	3,477
273	132	425	1	293	(108)	1,138	82	1,220
519	242	788	4	572	(339)	2,062	195	2,257
-	-	-	-	85	-	85	-	85
519	242	788	4	657	(339)	2,147	195	2,342
1	-	-	-	(1)	(1)	24	-	24
518	242	788	4	658	(338)	2,123	195	2,318
54,475	24,597	53,139	2,442	153,606	9,410	402,335	34,894	437,229
-	-	-	-	884	-	884	-	884
55,060	24,822	54,926	2,456	-	-	242,933	23,286	266,219
59,185	25,951	55,302	1,303	-	-	246,307	23,277	269,584
535	295	1,751	-	-	-	2,987	742	3,729
19	18	9	-	-	-	808	28	836
46,737	32,320	50,837	60,640	40,397	10,407	378,014	26,863	404,877
43,368	31,234	48,276	58,523	-	-	317,799	25,497	343,296
47,222	33,024	49,968	62,563	-	-	325,589	24,612	350,201
51,807	28,125	73,085	800	21,204	17,268	268,673	30,437	299,110
52,006	29,022	73,836	728	20,491	17,488	270,417	30,786	301,203
33,276	17,278	80,476	569,511	35,515	-	859,734	18,959	878,693
1,428	434	830	11	1,730	-	6,123	713	6,836
86	63	55	38	(1,385)	-	(889)	(90)	(979)
-	1	3	2	(4)	-	2	97	99
1,514	498	888	51	341	-	5,236	720	5,956

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the year ended December 31 2017			
	Audited			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	3,451	1,758	280	7
Interest expense from external	369	-	-	128
Interest income, net:				
From external	3,082	1,758	280	(121)
Inter-segmental	(569)	(1,046)	(5)	208
Total interest income, net	2,513	712	275	87
Total noninterest income	1,607	48	814	154
Total income	4,120	760	1,089	241
Expenses (income) in respect of loan losses	178	(10)	61	-
Operating and other expenses:				
For external	3,658	280	736	117
Inter-segmental	1	1	-	-
Total operating and other expenses	3,659	281	736	117
Profit (loss) before taxes	283	489	292	124
Provision for income taxes (benefit)	74	170	79	44
Profit (loss) after taxes	209	319	213	80
The Bank's share in associates' profits, after tax	-	-	-	-
Net income (loss) before amount attributable to non-	209	319	213	80
Net income (loss) attributable to non-controlling interests	31	-	31	-
Net income (loss) attributable to the Bank's shareholders	178	319	182	80
Average balance of assets[(a)]	104,315	67,746	12,059	460
Of which: Investments in investee companies[(a)]	-	-	-	-
Average outstanding balance of loans to the public[(a)]	105,276	68,210	12,088	456
Outstanding balance of loans to the public as at the end of	104,389	67,722	12,482	465
Outstanding balance of impaired debts	372	-	29	-
Outstanding balance of debts in arrears for over 90 days	807	722	-	-
Average balance of liabilities[(a)]	108,552	22	197	27,866
Of which: Average balance of deposits from the public[(a)]	108,399	-	75	27,858
Balance of deposits from the public as at the end of the	105,715	-	65	25,706
Average balance of risk-weighted assets[(a)(b)]	75,744	43,647	10,919	793
Balance of risk-weighted assets as at the end of the	75,888	43,797	11,135	881
Average balance of assets under management[(a)(c)]	75,675	-	-	49,235
Breakdown of interest income, net:				
Margin from credit granting activities	2,238	712	275	4
Margin from deposit taking activities	275	-	-	83
Other	-	-	-	-
Total interest income, net	2,513	712	275	87

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purpose.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including housing loans to business customers with an outstanding balance of NIS 10,646 million as at the end of the period.
(e) Reclassified, including as detailed on Note 6 and in respect of the improvement effort carried out in 2018.

							Foreign operations	
Small- and micro-businesses[(d)]	Medium-sized businesses[(d)]	Corp-orations[(d)]	Institu-tionals	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
2,278	760	1,699	27	712	-	8,934	1,135	10,069
100	92	200	426	566	-	1,881	142	2,023
2,178	668	1,499	(399)	146	-	7,053	993	8,046
(167)	11	(325)	471	395	-	24	(24)	-
2,011	679	1,174	72	541	-	7,077	969	8,046
802	326	673	179	1,026	370	5,137	291	5,428
2,813	1,005	1,847	251	1,567	370	12,214	1,260	13,474
249	(14)	(297)	2	-	-	118	54	172
1,546	530	540	262	320	696	7,669	832	8,501
-	-	1	2	(21)	14	(3)	3	-
1,546	530	541	264	299	710	7,666	835	8,501
1,018	489	1,603	(15)	1,268	(340)	4,430	371	4,801
356	173	557	(5)	434	(94)	1,539	153	1,692
662	316	1,046	(10)	834	(246)	2,891	218	3,109
-	-	-	-	92	-	92	-	92
662	316	1,046	(10)	926	(246)	2,983	218	3,201
1	-	1	-	(1)	(3)	29	-	29
661	316	1,045	(10)	927	(243)	2,954	218	3,172
54,491	24,727	54,257	3,312	153,359	9,290	404,211	34,254	438,465
-	-	-	-	890	-	890	-	890
55,067	24,967	54,650	3,324	-	-	243,740	23,283	267,023
58,428	25,837	56,452	2,087	-	-	247,658	23,507	271,165
721	284	1,404	-	-	-	2,781	674	3,455
42	-	25	-	-	-	874	12	886
46,409	32,646	52,105	62,245	37,988	11,598	379,409	26,597	406,006
43,655	31,369	48,802	60,214	-	-	320,297	25,269	345,566
46,783	33,300	55,179	70,496	-	-	337,179	25,299	362,478
51,873	28,424	73,336	776	20,968	17,341	269,255	22,915	292,170
52,257	28,587	75,600	738	21,438	16,825	272,214	31,078	303,292
34,978	17,366	78,421	585,606	36,183	-	877,464	18,930	896,394
1,891	585	1,095	14	2,406	-	8,233	966	9,199
120	92	79	56	(1,892)	-	(1,187)	(142)	(1,329)
-	2	-	2	27	-	31	145	176
2,011	679	1,174	72	541	-	7,077	969	8,046

Note 12B - Operating Segments, Management's Approach

Overview

Operating segments reporting according to management's approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.
The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

Information regarding operating segments - management's approach was included in Note 29B to the financial statements as at December 31 2017.

Following is a summary of financial performance according to management's approach:

	For the three months ended September 30 2018 (unaudited)											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - Total	Commercial	Business	Real estate	Capital markets	Other and adjustments			
Interest income (expense), net	507	334	232	1,073	290	150	134	179	(2)	98	274	2,196
Noninterest income	336	123	1	460	98	48	77	323	53	380	64	1,503
Total income	843	457	233	1,533	388	198	211	502	51	478	338	3,699
Expenses (income) in respect of loan losses	44	79	12	135	8	5	(7)	1	(2)	22	36	198
Total operating and other expenses	687	289	62	1,038	161	72	41	82	223	229	219	2,065
Profit (loss) before tax	112	89	159	360	219	121	177	419	(170)	227	83	1,436
Tax expenses (income)	38	31	54	123	75	41	61	142	(16)	73	16	515
Net income (loss) attributable to the Bank's shareholders	74	58	105	237	144	80	116	280	(154)	174	59	936

	For the three months ended September 30 2017[(a)] (unaudited)											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium and Private Banking	Small busi-nesses	Mort-gages	Banking - Total	Com-mer-cial	Busi-ness	Real estate	Capital mar-kets	Other and adjust ments			
Interest income (expense), net	481	331	217	1,029	265	151	117	38	(7)	77	248	1,918
Noninterest income (expenses)	331	123	(2)	452	104	63	79	253	46	244	65	1,306
Total income	812	454	215	1,481	369	214	196	291	39	321	313	3,224
Expenses (income) in respect of loan losses	52	61	3	116	17	(23)	(140)	1	(4)	20	16	3
Total operating and other expenses	725	254	70	1,049	181	68	31	140	220	174	213	2,076
Profit (loss) before tax	35	139	142	316	171	169	305	150	(177)	127	84	1,145
Tax expenses (income)	12	49	50	111	60	59	108	53	(75)	38	22	376
Net income (loss) attributable to the Bank's shareholders	23	90	92	205	111	110	197	98	(102)	139	62	820

(a) Reclassified.

Note 12B - Operating Segments, Management's Approach (cont.)

Summary of financial performance according to management's approach (cont.)

	For the nine months ended September 30 2018 (unaudited)											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Fore-ign subsi-diaries	Total
	Retail, Premium and Private Banking	Small busi-nesses	Mort-gages	Ban-king - Total	Comm-ercial	Busi-ness	Real estate	Capital mar-kets	Other and adjust-ments			
Interest income, net	1,509	1,001	680	3,190	848	435	385	675	-	280	803	6,616
Noninterest income	1,010	372	3	1,385	304	155	232	488	115	890	217	3,786
Total income	2,519	1,373	683	4,575	1,152	590	617	1,163	115	1,170	1,020	10,402
Expenses (income) in respect of loan losses	151	192	21	364	(3)	(61)	(85)	4	(9)	70	34	314
Total operating and other expenses	2,083	831	198	3,112	524	219	104	276	681	648	652	6,216
Profit (loss) before tax	285	350	464	1,099	631	432	598	883	(557)	452	334	3,872
Tax expenses (income)	97	120	158	375	216	147	205	302	(146)	125	74	1,298
Net income (loss) attributable to the Bank's shareholders	188	230	306	724	415	285	393	586	(411)	330	247	2,569

Balance as at September 30 2018												
Loans to the public, net	29,608	26,620	80,574	136,802	37,211	34,462	23,580	4,549	5,669	495[(a)]	24,912	267,680
Deposits from the public	155,197	35,870	-	191,067	44,541	20,454	5,479	70,967	227	-[(b)]	26,140	358,875
Assets under management	178,990	20,010	-	199,000	24,070	19,965	1,090	504,074	27,069	288,867	18,031	1,082,166

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,310 million.
(b) Excluding balances classified as held for sale liabilities in the amount of NIS 84 million.

	For the nine months ended September 30 2017[(a)] (unaudited)											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - Total	Commercial	Business	Real estate	Capital markets	Other and adjustments			
Interest income (expense), net	1,426	971	629	3,026	748	435	337	492	(3)	201	720	5,956
Noninterest income	986	365	(1)	1,350	310	172	244	566	96	864	211	3,813
Total income	2,412	1,336	628	4,376	1,058	607	581	1,058	93	1,065	931	9,769
Expenses (income) in respect of loan losses	135	194	(4)	325	26	(88)	(175)	(15)	(18)	52	39	146
Total operating and other expenses	2,174	746	213	3,133	521	203	95	264	634	681	615	6,146
Profit (loss) before tax	103	396	419	918	511	492	661	809	(523)	332	277	3,477
Tax expenses (income)	36	139	147	322	179	172	232	285	(145)	93	82	1,220
Net income (loss) attributable to the Bank's shareholders	67	257	272	596	332	320	429	525	(378)	299	195	2,318

Balances as at September 30 2017												
Loans to the public, net	30,429	27,384	78,612	136,425	36,043	32,680	19,861	3,956	5,679	8,804	22,910	266,358
Deposits from the public	155,718	35,544	-	191,262	41,736	20,901	5,484	66,043	73	88	24,614	350,201
Assets under management	169,634	18,880	-	188,514	24,693	21,016	1,694	410,992	23,112	245,875	18,842	934,738

(a) Reclassified.

Note 12B - Operating Segments, Management's Approach (cont.)

Summary of financial performance according to management's approach (cont.)

	For the year ended December 31 2017[(a)] (audited)											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - Total	Commercial	Business	Real estate	Capital markets	Other and adjustments			
Interest income, net	1,923	1,308	843	4,074	1,014	581	461	668	-	279	969	8,046
Noninterest income	1,320	492	5	1,817	407	227	325	877	371	1,113	291	5,428
Total income	3,243	1,800	848	5,891	1,421	808	786	1,545	371	1,392	1,260	13,474
Expenses (income) in respect of loan losses	157	273	13	443	26	(72)	(316)	(13)	(27)	77	54	172
Total operating and other expenses	2,984	1,060	296	4,340	725	280	132	360	876	953	835	8,501
Profit (loss) before tax	102	467	539	1,108	670	600	970	1,198	(478)	362	371	4,801
Tax expenses (income)	36	163	189	388	235	210	340	420	(143)	89	153	1,692
Net income (loss) attributable to the Bank's shareholders	66	304	350	720	435	390	630	781	(335)	333	218	3,172
Balances as at December 31 2017												
Loans to the public, net	30,214	27,438	78,626	136,278	35,712	33,152	20,684	4,437	5,712	8,773	23,204	267,952
Deposits from the public	154,063	35,369	-	189,432	43,484	21,614	6,425	76,065	93	65	25,300	362,478
Assets under management	173,036	19,750	-	192,786	24,432	21,228	1,293	432,806	22,448	260,155	19,282	974,430

(a) Reclassified.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision

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

1. Change in loan loss provision

	For the three months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial	Housing	Indivi-duals - Other	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period[(b)]	2,528	466	608	3,602	1	3,603
Expenses for loan losses	126	9	63	198	-	198
Write-offs	(175)	(2)	(122)	(299)	-	(299)
Collection of debts written off in previous years	110	-	74	184	-	184
Net write-offs	(65)	(2)	(48)	(115)	-	(115)
Adjustments from translation of financial	(1)	-	-	(1)	-	(1)
Less changes classified as held-for-sale assets[(b)]	(2)	-	(8)	(10)	-	(10)
Balance of loan loss provision as at the end of the reporting period[1]	2,586	473	615	3,674	1	3,675
[1]Of which: For off-balance sheet credit	439	-	13	452	-	452

	For the three months ended September 30 2017 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial[(c)]	Housing	Indivi-duals - other[(c)]	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,545	457	735	3,737	1	3,738
Expenses (income) in respect of loan losses	(55)	(5)	63	3	-	3
Write-offs	(160)	(2)	(129)	(291)	-	(291)
Collection of debts written off in previous years	189	-	80	269	-	269
Net write-offs	29	(2)	(49)	(22)	-	(22)
Adjustments from translation of financial	4	(1)	(3)	-	-	-
Balance of loan loss provision as at the end of the reporting period[1]	2,523	449	746	3,718	1	3,719
[1]Of which: For off-balance sheet credit	456	-	36	492	-	492

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) Balance of loan loss provision as at the beginning of the period stated less balances classified as held for sale in “commercial” in the amount of NIS 9 million and under “individuals” in the amount of NIS 149 million, for a total of NIS 158 million. For more information regarding balances and changes classified as held for sale, please see Note 16F.

(c) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

1. Change in balance of provision for loan losses (cont.)

	For the nine months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial	Housing	Indivi-duals - Other	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,510	450	737	3,697	3	3,700
Changes recognized in equity[(b)]	22	-	-	22	-	22
Balance as at January 1 2018	2,532	450	737	3,719	3	3,722
Expenses (income) in respect of loan losses	95	26	160	316	(2)	314
Write-offs	(525)	(4)	(366)	(895)	-	(895)
Collection of debts written off in previous years	452	-	241	693	-	693
Net write-offs	(73)	(4)	(125)	(202)	-	(202)
Adjustments from translation of financial	8	1	-	9	-	9
Less balances classified as held-for-sale assets[(c)]	(11)	-	(157)	(168)	-	(168)
Balance of loan loss provision as at the end of the reporting period[1]	2,586	473	615	3,674	1	3,675
[1]Of which: For off-balance sheet credit instruments	439	-	13	452	-	452

	For the nine months ended September 30 2017 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial[(d)]	Housing	Indivi-duals - other[(d)]	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	2,708	473	778	3,959	1	3,960
Expenses (income) in respect of loan losses	12	(18)	152	146	-	146
Write-offs	(601)	(6)	(455)	(1,062)	-	(1,062)
Collection of debts written off in previous years	417	-	274	691	-	691
Net write-offs	(184)	(6)	(181)	(371)	-	(371)
Adjustments from translation of financial	(13)	-	(3)	(16)	-	(16)
Balance of loan loss provision as at the end of the reporting period[1]	2,523	449	746	3,718	1	3,719
[1]Of which: For off-balance sheet credit instruments	456	-	36	492	-	492

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Effect of first-time application of IFRS 9 on foreign subsidiaries.
(c) For more information, please see Note 16F.
(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on calculating the loan loss provision for debts[(a)] and for the debts[(a)] for which it was calculated

	September 30 2018 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individuals - Other	Total loans to the public	Banks and governments	Total
	In NIS millions					
Recorded outstanding debt balance[(a)]:						
Examined on specific basis	118,711	30	1,075	119,816	9,205	129,021
Examined on general basis[1]	44,005	79,929	35,614	159,548	738	160,286
[1]Of which: The provision for which was calculated by extent of arrears	1,087[(c)]	79,481	-	80,568	-	80,568
Less balances classified as held-for-sale assets[(d)]	(1,012)	-	(7,450)	(8,462)	(67)	(8,529)
Total debts[(a)]	161,704	79,959	29,239	270,902	9,876	280,778
Balance of loan loss provision in respect of						
Examined on specific basis	1,658	5	93	1,756	1	1,757
Examined on general basis[2]	500	468	650	1,618	-	1,618
[2]Of which: The provision for which was calculated by extent of arrears	-	467[(b)]	-	467	-	467
Less balances classified as held-for-sale assets[(d)]	(11)	-	(141)	(152)	-	(152)
Total loan loss provision[3]	2,174	473	602	3,222	1	3,223
[3]Of which: For impaired debts	447	-	115	562	-	562

	September 30 2017 (unaudited)					
	Loans to the public					
	Commer-cial[(e)]	Housing	Indivi-duals - other[(e)]	Total loans to the public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debt balance[(a)]:						
Examined on specific basis	111,603	40	910	112,553	10,749	123,302
Examined on general basis[1]	42,740	78,096	36,195	157,031	1,090	158,121
[1]Of which: The provision for which was calculated by extent of arrears	983[(c)]	77,617	-	78,600	-	78,600
Total debts[(a)]	154,343	78,136	37,105	269,584	11,839	281,423
Balance of loan loss provision in respect of						
Examined on specific basis	1,651	5	109	1,765	1	1,766
Examined on general basis[2]	416	444	601	1,461	-	1,461
[2]Of which: The provision for which was calculated by extent of arrears	-	442[(b)]	-	442	-	442
Total loan loss provision[3]	2,067	449	710	3,226	1	3,227
[3]Of which: For impaired debts	480	-	72	552	-	552

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Including an outstanding general provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 290 million as of September 30 2018 (September 30 2017 - NIS 285 million).
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) For more information, please see Note 16F.
(e) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on calculating the loan loss provision for debts[(a)] and for the debts for which it was calculated[(a)] (cont.)

	December 31 2017 (audited)					
	Loans to the public					
	Commercial[(d)]	Housing	Individuals - other[(d)]	Total loans to the public	Banks and governments	Total
	In NIS millions					
Recorded outstanding debt balance[(a)]:						
Examined on specific basis	113,120	29	1,018	114,167	11,457	125,624
Examined on general basis[1]	42,610	77,928	36,460	156,998	1,122	158,120
[1]Of which: The provision for which was calculated by extent of arrears	1,066[(c)]	77,465	-	78,531	-	78,531
Total debts[(a)]	155,730	77,957	37,478	271,165	12,579	283,744
Balance of loan loss provision in respect of						
Examined on specific basis	1,604	5	75	1,684	3	1,687
Examined on general basis[2]	458	445	626	1,529	-	1,529
[2]Of which: The provision for which was calculated by extent of arrears	-	443[(b)]	-	443	-	443
Total loan loss provision[3]	2,062	450	701	3,213	3	3,216
[3]Of which: For impaired debts	446	-	63	509	-	509

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Including an outstanding general provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 283 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

A. Debts[a]

1. Credit quality and delinquency

	September 30 2018 (unaudited)					
		Problem debts[b]			Unimpaired debts - additional information	
	Non-problem	Unim-paired	Impaired[c]	Total	In arrears of 90 days or more[d][e]	In arrears of 30 days to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction[g]	21,023	159	256	21,438	12	34
Construction & real estate - Real estate activities[g]	24,304	169	327	24,800	19	23
Financial services	11,384	7	4	11,395	2	2
Commercial - Other	70,501	1,354	1,267	73,122	58	223
Commercial - Total	127,212	1,689	1,854	130,755	91	282
Individuals - Housing loans	78,659	806[f]	-	79,465	806	635
Individuals - Other	35,131	583	372	36,086	78	228
Less balances classified as held-for-sale assets[i]	(8,101)	(324)	(37)	(8,462)	-	(9)
Total loans to the public - Activity in Israel	232,901	2,754	2,189	237,844	975	1,136
Banks in Israel	1,112	-	-	1,112	-	-
Government of Israel	72	-	-	72	-	-
Less balances classified as held-for-sale assets[i]	(33)	-	-	(33)	-	-
Total activity in Israel	234,052	2,754	2,189	238,995	975	1,136
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	10,972	2	117	11,091	-	39
Commercial - Other	19,763	546	561	20,870	7	247
Commercial - Total	30,735	548	678	31,961	7	286
Individuals	1,034	29	34	1,097	-	2
Total loans to the public - Activity overseas	31,769	577	712	33,058	7	288
Foreign banks	8,189	-	-	8,189	-	-
Foreign governments	570	-	-	570	-	-
Less balances classified as held-for-sale assets[i]	(34)	-	-	(34)	-	-
Total activity outside Israel	40,494	577	712	41,783	7	288
Total - Public	264,670	3,331	2,901	270,902	982	1,424
Total - Banks [j]	9,234	-	-	9,234	-	-
Total - Governments	642	-	-	642	-	-
Total	274,546	3,331	2,901	280,778	982	1,424

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

1. Credit quality and delinquency (cont.)

	September 30 2017 (unaudited)					
		Problem debts[(b)]			Unimpaired debts - additional information	
	Non-problem	Un-impaired	Im-paired[(c)]	Total	In arrears of 90 days or more[(d)]	In arrears of 30 days to 89 days[(e)]
	In NIS millions					
Borrower activity in Israel						
Public-commercial[(k)]						
Construction & real estate - Construction	17,495	220	272	17,987	19	48
Construction & real estate - Real estate	23,283	135	664	24,082	5	22
Financial services	10,545	6	4	10,555	2	7
Commercial - Other	69,957	1,327	1,615	72,899	20	154
Commercial - Total	121,280	1,688	2,555	125,523	46	231
Individuals - Housing loans	76,904	704[(f)]	-	77,608	704	497
Individuals - Other[(k)]	35,703	493	406	36,602	58	251
Total loans to the public - Activity in Israel	233,887	2,885	2,961	239,733	808	979
Banks in Israel	1,589	-	-	1,589	-	-
Government of Israel	150	-	-	150	-	-
Total activity in Israel	235,626	2,885	2,961	241,472	808	979
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	9,769	63	238	10,070	1	-
Commercial - Other	17,510	755	485	18,750	27	18
Commercial - Total	27,279	818	723	28,820	28	18
Individuals	985	1	45	1,031	-	2
Total loans to the public - Activity overseas	28,264	819	768	29,851	28	20
Foreign banks[(k)]	9,555	-	-	9,555	-	-
Foreign governments	545	-	-	545	-	-
Total activity outside Israel	38,364	819	768	39,951	28	20
Total - Public	262,151	3,704	3,729	269,584	836	999
Total - Banks	11,144	-	-	11,144	-	-
Total - Governments	695	-	-	695	-	-
Total	273,990	3,704	3,729	281,423	836	999

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

1. Credit quality and delinquency (cont.)

	December 31 2017 (audited)					
		Problem debts[b]			Unimpaired debts - additional information	
	Non-problem	Unimpaired	Im-paired[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public-commercial[k]						
Construction & real estate - Construction	18,682	209	276	19,167	12	63
Construction & real estate - Real estate	23,761	102	575	24,438	11	43
Financial services	11,247	5	1	11,253	2	7
Commercial - Other	68,687	1,460	1,532	71,679	42	172
Commercial - Total		1,776	2,384		67	285
Individuals - Housing loans	76,726	722[f]	-	77,448	722	516
Individuals - Other[k]	36,023	561	372	36,956	85	249
Total loans to the public - Activity in Israel		3,059	2,756		874	1,050
Banks in Israel	1,650	-	-	1,650	-	-
Government of Israel	129	-	-	129	-	-
Total activity in Israel		3,059	2,756		874	1,050
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	9,564	14	170	9,748	-	-
Commercial - Other	18,198	752	495	19,445	12	7
Commercial - Total	27,762	766	665	29,193	12	7
Individuals	996	1	34	1,031	-	1
Total loans to the public - Activity overseas	28,758	767	699	30,224	12	8
Foreign banks	10,214	-	-	10,214	-	-
Foreign governments	586	-	-	586	-	-
Total activity outside Israel	39,558	767	699	41,024	12	8
Total - Public		3,826	3,455		886	1,058
Total - Banks	11,864	-	-	11,864	-	-
Total - Governments	715	-	-	715	-	-
Total		3,826	3,455		886	1,058

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

1. Credit quality and delinquency (cont.)

Comments:

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) Credit risk that is impaired, substandard or under special supervision, including housing loans for which there is allowance according to the extent of arrears and housing loans for which there is no allowance based on the delinquency period which are in arrears of 90 days or more.

(c) As a rule, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured as part of problem debt restructuring, please see Note 13B.2.G. below.

(d) Classified as unimpaired problem debt. Accrual loans.

(e) Accrual loans. Debt in arrears of 30 to 89 days totaling NIS 802 million (as at September 30 2017 - NIS 632 million; as at December 31 2017 - NIS 653 million) were classified as non-impaired problem debt.

(f) Including outstanding housing loans in the amount of NIS 93 million (September 30 2017 - NIS 93 million, December 31 2017 - NIS 94 million) with a provision for the extent of arrears, for which an agreement was signed for the borrower to repay the overdue balance, which involves changes in the repayment schedule of outstanding future payments.

(g) 2.7 percent of the credit granted to rental properties through the Bank's Construction and Real Estate Department features LTV rates in excess of 85 percent.

(h) Outstanding non-impaired debts in arrears of at least 90 days as at September 30 2018, in the amount of NIS 975 million constitutes credit granted by the Bank, of which NIS 169 million is for non-housing loans and NIS 806 million - for housing loans, of which a total of NIS 181 million is in arrears of up to 149 days, NIS 151 million is in arrears of 150-249 days and the remaining debt is in arrears of 250 days or more.

(i) For more information, please see Note 16F.

(j) Less balances in respect of banks classified as held-for-sale assets.

(k) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Credit quality - Debt delinquency status

Regularly monitored, the extent of arrears constitutes one of the main indications for credit quality. The extent of arrears is determined according to the actual days of arrears when a debt is handled as non-performing (not accruing interest income) after 90 days of arrears; or in case of any debt restructured as problem debt and which is once again accruing interest but is in arrears of one day under the new repayment terms. For general debts, the extent of arrears affects the debt classification (the greater the extent of arrears - the more severe the debt classification); usually, after 150 days of arrears, the Bank writes off the debt. For housing loans, except loans without quarterly or monthly payments, the Bank sets a provision using the extent of arrears method.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on impaired debt

A. Impaired debts and specific provision

	September 30 2018 (unaudited)				
	Outstanding balance[b] of impaired debts in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding balance[b] of impaired debts in respect of which there is no specific provision[c]	Total outstanding balance[b] of impaired debts	Outstanding balance of contractual principal in respect of impaired debt
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - Construction	77	18	179	256	747
Construction & real estate - Real estate activities	124	26	203	327	1,205
Financial services	2	1	2	4	450
Commercial - Other	878	290	389	1,267	4,309
Commercial - Total	1,081	335	773	1,854	6,711
Individuals - Housing loans	-	-	-	-	-
Individuals - Other	346	110	26	372	2,549
Less balances classified as held-for-sale assets[d]	(13)	(3)	(24)	(37)	(37)
Total loans to the public - Activity in Israel	1,414	442	775	2,189	9,223
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	104	49	13	117	288
Commercial - Other	177	63	384	561	997
Commercial - Total	281	112	397	678	1,285
Individuals	16	8	18	34	87
Total loans to the public - Activity overseas	297	120	415	712	1,372
Total - Public	1,711	562	1,190	2,901	10,595
Of which:					
Measured according to the present value of cash flows	1,513	492	734	2,247	
Debt restructuring of problem debt	910	156	811	1,721	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) For more information, please see Note 16F.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

A. Impaired debts and specific provision (cont.)

	September 30 2017 (unaudited)				
	Outstanding balance[(b)] of impaired debts in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding balance[(b)] of impaired debts in respect of which there is no specific provision[(c)]	Total outstanding balance[(b)] of impaired debts	Outstanding balance of contractual principal in respect of impaired debt
	In NIS millions				
Borrower activity in Israel					
Public-commercial[(d)]					
Construction & real estate - Construction	87	16	185	272	782
Construction & real estate - Real estate activities	149	51	515	664	1,652
Financial services	3	1	1	4	453
Commercial - Other	992	232	623	1,615	4,634
Commercial - Total	1,231	300	1,324	2,555	7,521
Individuals - Housing loans	-	-	-	-	-
Individuals - Other[(d)]	312	63	94	406	2,615
Total loans to the public - Activity in Israel	1,543	363	1,418	2,961	10,136
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	171	93	67	238	398
Commercial - Other	282	87	203	485	844
Commercial - Total	453	180	270	723	1,242
Individuals	14	9	31	45	105
Total loans to the public - Activity overseas	467	189	301	768	1,347
Total - Public	2,010	552	1,719	3,729	11,483
Of which:					
Measured according to the present value of cash flows[(d)]	1,662	440	1,146	2,808	
Debt restructuring of problem debt[(d)]	1,033	220	1,239	2,272	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

A. Impaired debts and specific provision (cont.)

	December 31 2017 (audited)				
	Outstanding balance[(b)] of impaired debts in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding balance[(b)] of impaired debts in respect of which there is no specific provision[(c)]	Total outstanding balance[(b)] of impaired debts	Outstanding balance of contractual principal in respect of impaired debt
	In NIS millions				
Borrower activity in Israel					
Public-commercial[(d)]					
Construction & real estate - Construction	74	14	202	276	773
Construction & real estate - Real estate activities	156	50	419	575	1,496
Financial services	1	1	-	1	460
Commercial - Other	925	266	607	1,532	4,533
Commercial - Total	1,156	331	1,228	2,384	7,262
Individuals - Housing loans	-	-	-	-	-
Individuals - Other[(d)]	319	55	53	372	2,610
Total loans to the public - Activity in Israel	1,475	386	1,281	2,756	9,872
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	144	71	26	170	316
Commercial - Other	76	44	419	495	910
Commercial - Total	220	115	445	665	1,226
Individuals	14	8	20	34	86
Total loans to the public - Activity overseas	234	123	465	699	1,312
Total - Public	1,709	509	1,746	3,455	11,184
Of which:					
Measured according to the present value of cash flows[(d)]	1,609	444	1,065	2,674	
Debt restructuring of problem debt[(d)]	950	181	1,142	2,092	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on impaired debt (cont.)

B. Average balance and interest income

	For the three months ended September 30					
	2018			2017[f]		
	Average balance[b] of impaired debts	Recorded interest income[c]	Of which: Recorded on a cash basis	Average balance[b] of impaired debts	Recorded interest income[c]	Of which: Recorded on a cash basis
	Unaudited					
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	262	-	-	273	1	-
Construction & real estate - Real estate activities	404	1	1	655	3	3
Financial services	6	-	-	274	8	8
Commercial - Other	1,377	5	1	1,609	6	2
Commercial - Total	**2,049**	**6**	**2**	2,811	18	13
Individuals - Housing loans	-	-	-	-	-	-
Individuals - Other	337	-	-	296	1	-
Less balances classified as held-for-sale assets[e]	(36)	-	-	-	-	-
Total loans to the public - Activity in Israel	**2,350**	**6**	**2**	3,107	19	13
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	147	1	1	279	-	-
Commercial - Other	509	1	1	371	-	-
Commercial - Total	**656**	**2**	**2**	650	-	-
Individuals	20	-	-	32	-	-
Total loans to the public - Activity overseas	**676**	**2**	**2**	682	-	-
Less balances classified as held-for-sale assets[e]	-	-	-	-	-	-
Total - Public	**3,026**	**8[d]**	**4**	3,789	19[d]	13

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded average outstanding balance of impaired debts in the reported period.
(c) Interest income recorded for the reported period in respect of the average balance of outstanding impaired debts during the period in which the debts were classified as impaired.
(d) Were the impaired debts to accrue interest according to the original terms, interest income in the amount of NIS 69 million would be recorded for the three months ended September 30 2018 (September 30 2017 - NIS 64 million).
(e) For more information, please see Note 16F.
(f) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on impaired debt (cont.)

B. Average balance and interest income (cont.)

	For the nine months ended September 30					
	2018			2017[f]		
	Average balance[b] of impaired debts	Recorded interest income[c]	Of which: Recorded on a cash basis	Average balance[b] of impaired debts	Recorded interest income[c]	Of which: Recorded on a cash basis
	Unaudited					
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	262	1	1	280	2	1
Construction & real estate - Real estate activities	404	2	2	673	10	8
Financial services	5	-	-	220	8	8
Commercial - Other	1,362	9	2	1,651	17	6
Commercial - Total	2,033	12	5	2,824	37	23
Individuals - Housing loans	-	-	-	-	-	-
Individuals - Other	359	1	-	378	4	1
Less balances classified as held-for-sale assets[e]	(36)	-	-	-	-	-
Total loans to the public - Activity in Israel	2,356	13	5	3,202	41	24
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	142	4	4	279	4	4
Commercial - Other	518	3	3	370	3	3
Commercial - Total	660	7	7	649	7	7
Individuals	20	-	-	32	-	-
Total loans to the public - Activity overseas	680	7	7	681	7	7
Total - Public	3,036	20[d]	12	3,883	48[d]	31

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Recorded average outstanding balance of impaired debts in the reported period.
(c) Interest income recorded for the reported period in respect of the average balance of outstanding impaired debts during the period in which the debts were classified as impaired.
(d) Were the impaired debts to accrue interest according to the original terms, interest income in the amount of NIS 207 million would be recorded for the nine months ended September 30 2018 (September 30 2017 - NIS 229 million).
(e) For more information, please see Note 16F.
(f) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[d]

	As at September 30 2018				As at September 30 2017[f]			
	Non-accrual loans	Accrual loan, in arrears of 30 days to 89 days[b]	Accrual loan[b], non delin-quent	Total[c]	Non-accrual loans	Accrual loan, in arrears of 30 days to 89 days[b]	Accrual loan[b], non delin-quent	Total[c]
	Unaudited							
	In NIS millions							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - Construction	196	1	6	203	201	2	10	213
Construction & real estate - Real	224	-	18	242	416	-	46	462
Financial services	1	-	-	1	-	-	1	1
Commercial - Other	562	-	47	609	571	1	254	826
Commercial - Total	**983**	**1**	**71**	**1,055**	1,188	3	311	1,502
Individuals - Housing loans	-	-	-	-	-	-	-	-
Individuals - Other	288	2	41	331	274	3	59	336
Less balances classified as held-for-sale assets[e]	(13)	-	-	(13)	-	-	-	-
Total loans to the public - Activity in Israel	**1,258**	**3**	**112**	**1,373**	1,462	6	370	1,838
Borrower activity outside Israel								
Public - commercial								
Construction and real estate	41	-	8	49	107	-	88	195
Commercial - Other	136	-	153	289	30	-	189	219
Commercial - Total	**177**	**-**	**161**	**338**	137	-	277	414
Individuals	6	-	4	10	4	-	16	20
Total loans to the public - Activity	**183**	**-**	**165**	**348**	141	-	293	434
Total - Public	**1,441**	**3**	**277**	**1,721**	1,603	6	663	2,272

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Accrual loan.
(c) Included in impaired debt.
(d) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Financial Statements.
(e) For more information, please see Note 16F.
(f) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Commitments for granting additional loan to borrowers for whom problem debts were restructured and in which the credit terms were amended amounted to NIS 1 million as at September 30 2018 (as at September 30 2017 - NIS 18 million).

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[(d)] (cont.)

	December 31 2017			
	Non-accrual loans	Accrual loan, in arrears of 30 days to 89 days[(b)]	Accrual loan[(b)], non-delinquent	Total[(c)]
	Audited			
	In NIS millions			
Borrower activity in Israel				
Public-commercial[(e)]				
Construction & real estate - Construction	202	1	13	216
Construction & real estate - Real estate activities	222	-	180	402
Financial services	-	-	-	-
Commercial - Other	563	-	239	802
Commercial - Total	987	1	432	1,420
Individuals - Housing loans	-	-	-	-
Individuals - Other[(e)]	272	2	56	330
Total loans to the public - Activity in Israel	1,259	3	488	1,750
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	61	-	56	117
Commercial - Other	26	-	190	216
Commercial - Total	87	-	246	333
Individuals	4	-	5	9
Total loans to the public - Activity overseas	91	-	251	342
Total - Public	1,350	3	739	2,092

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) Accrual loan.
(c) Included in impaired debt.
(d) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Report.
(e) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Commitments for granting additional loan to borrowers for whom problem debts were restructured and in which the credit terms were amended amounted to NIS 15 million as at December 31 2017.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[(b)] (cont.)

1. Debt restructurings

	For the three months ended September 30					
	2018			2017[(d)]		
	No. of contracts	Recorded debt balance before restruc-turing	Recorded debt balance after restruc-turing	No. of contracts	Recorded debt balance before restruc-turing	Recorded debt balance after restruc-turing
	Unaudited					
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	76	21	20	110	10	9
Construction & real estate - Real estate activities	25	7	7	58	7	6
Financial services	6	-	-	2	-	-
Commercial - Other	381	61	55	359	40	38
Commercial - Total	488	89	82	529	57	53
Individuals - Housing loans	-	-	-	-	-	-
Individuals - Other	2,015	36	33	2,171	41	39
Less balances classified as held-for-sale assets[(c)]	(703)	-[(e)]	-[(e)]	-	-	-
Total loans to the public - Activity in Israel	1,800	125	115	2,700	98	92
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	-	-	-	1	41	41
Commercial - Other	5	105	105	6	141	141
Commercial - Total	5	105	105	7	182	182
Total loans to the public - Activity overseas	5	105	105	7	182	182
Total - Public	1,805	230	220	2,707	280	274

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Report.
(c) For more information, please see Note 16F.
(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.
(e) Balances lower than NIS 1 million.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[(b)] (cont.)

1. Debt restructurings (cont.)

	For the nine months ended September 30					
	2018			2017[(d)]		
	No. of contracts	Recorded debt balance before restruc-turing	Recorded debt balance after restruc-turing	No. of contracts	Recorded debt balance before restruc-turing	Recorded debt balance after restruc-turing
	Unaudited					
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	306	42	39	362	33	31
Construction & real estate - Real estate activities	126	26	25	199	27	26
Financial services	24	2	1	10	-	-
Commercial - Other	1,306	177	159	1,211	212	206
Commercial - Total	1,762	247	224	1,782	272	263
Individuals - Housing loans	-	-	-	-	-	-
Individuals - Other	6,543	137	125	6,742	120	116
Less balances classified as held-for-sale assets[(c)]	(2,114)	(16)	(16)	-	-	-
Total loans to the public - Activity in Israel	6,191	368	333	8,524	392	379
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	2	3	2	2	50	50
Commercial - Other	7	112	112	17	164	164
Commercial - Total	9	115	114	19	214	214
Individuals	-	-	-	1	-	-
Total loans to the public - Activity overseas	9	115	114	20	214	214
Total - Public	6,200	483	447	8,544	606	593

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Report.

(c) For more information, please see Note 16F.

(d) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[(b)] (cont.)

2. Failed debt restructurings[(c)]

	For the three months ended September 30			
	2018		2017[(f)]	
	No. of contracts	Recorded outstanding debt[(d)]	No. of contracts	Recorded outstanding debt[(d)]
	Unaudited			
		In NIS millions		In NIS millions
Borrower activity in Israel				
Public - commercial				
Construction & real estate - Construction	34	1	34	2
Construction & real estate - Real estate activities	8	-	1	-
Financial services	3	-	-	-
Commercial - Other	129	5	134	8
Commercial - Total	**174**	**6**	169	10
Individuals - Housing loans	-	-	-	-
Individuals - Other	691	6	759	3
Less balances classified as held-for-sale assets[(e)]	(289)	(1)	-	-
Total loans to the public - Activity in Israel	**576**	**11**	928	13
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	1	-	-	-
Commercial - Other	5	106	5	6
Commercial - Total	**6**	**106**	5	6
Individuals	-	-	-	-
Total loans to the public - Foreign operations	**6**	**106**	5	6
Total - Public	**582**	**117**	933	19

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Report.
(c) Debts which were in arrears of at least 30 days during the reporting year, which were restructured as part of the restructuring of problem debt during the 12 months preceding the date on which they became delinquent.
(d) The outstanding debt recorded as at the end of the quarter in which the failure occurred.
(e) For more information, please see Note 16F.
(f) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

2. Additional information on impaired debt (cont.)

C. Restructured problem debt[(b)] (cont.)

2. Failed debt restructurings[(c)] (cont.)

	For the nine months ended September 30 (unaudited)			
	2018		2017[(f)]	
	No. of contracts	Recorded outstanding debt[(d)]	No. of contracts	Recorded outstanding debt[(d)]
		In NIS millions		In NIS millions
Borrower activity in Israel				
Public - commercial				
Construction & real estate - Construction	187	7	156	7
Construction & real estate - Real estate	51	9	40	5
Financial services	10	-	7	-
Commercial - Other	701	36	553	29
Commercial - Total	949	52	756	41
Individuals - Housing loans	-	-	-	-
Individuals - Other	3,328	25	3,321	24
Less balances classified as held-for-sale	(780)	(4)	-	-
Total loans to the public - Activity in Israel	3,497	73	4,077	65
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	1	-	1	2
Commercial - Other	6	107	8	10
Commercial - Total	7	107	9	12
Individuals	1	-	-	-
Total loans to the public - Foreign operations	8	107	9	12
Total - Public	3,505	180	4,086	77

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.
(b) For more information regarding first-time application of the Banking Supervision Department's revised directives regarding problem debt restructuring, please see Note 1.H. to the 2017 Annual Report.
(c) Debts which were in arrears of at least 30 days during the reporting year, which were restructured as part of the restructuring of problem debt during the 12 months preceding the date on which they became delinquent.
(d) The outstanding debt recorded as at the end of the quarter in which the failure occurred.
(e) For more information, please see Note 16F.
(f) Reclassified, including as detailed on Note 6 and in respect of an improvement effort carried out in 2018.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

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

3. Additional information on housing loans

Outstanding end of period balances by loan-to-value (LTV)[(b)], type of repayment and interest

		September 30 2018 (unaudited)			
		Outstanding balance of housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	**51,569**	**2,061**	**33,801**	**1,523**
	More than 60%	**28,354**	**725**	**19,563**	**230**
Unpledged secondary lien		**36**	**1**	**33**	**-**
Total		**79,959**	**2,787**	**53,397**	**1,753**

		September 30 2017 (unaudited)			
		Outstanding balance of housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	50,019	2,434	33,019	1,367
	More than 60%	28,079	862	19,710	167
Unpledged secondary lien		38	2	33	-
Total		78,136	3,298	52,762	1,534

		December 31 2017 (audited)[(c)]			
		Outstanding balance of housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest	Total off balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	50,126	2,214	32,946	1,416
	More than 60%	27,794	788	19,308	170
Unpledged secondary lien		37	2	33	-
Total		77,957	3,004	52,287	1,586

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under agreements to resell.

(b) The ratio between the approved credit line on the date granted and the value of the asset, as approved by the Bank when granting the credit line.
The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit line. Each quarter, as required under the Bank of Israel directives, the minimum 0.35 percent general provision is examined against the 0.75 percent provision required for loans with an LTV ratio of more than 60 percent. Note that the general provision is higher than the one required for the LTV ratio.

(c) Reclassified.

Note 13 - Additional Information on Credit Risk, Credit to the Public and Loan Loss Provision (cont.)

C. Off balance sheet financial instruments

	September 30				December 31	
	2018		2017		2017	
	Outstan-ding loan contracts[a]	Balance of loan loss provision	Outstan-ding loan contracts[a]	Balance of loan loss provision	Outstan-ding loan contracts[a]	Balance of loan loss provision
	Unaudited				Audited	
	In NIS millions					
Off balance sheet financial instruments						
The balance of the contracts or their par value as at the end of the period, before the effect of the.						
Documentary credit	**1,302**	**2**	1,208	4	1,205	3
Loan guarantees	**5,275**	**89**	5,284	82	5,480	80
Guarantees for apartment buyers	**18,163**	**12**	19,121	18	19,313	16
Guarantees and other commitments[b]	**15,961**	**247**	15,564	253	15,959	257
Unutilized credit card credit facilities:	**26,039**[c]	**18**[c]	26,569	27	26,731	28
Unutilized overdraft facilities and other credit facilities in demand accounts	**11,810**	**24**	12,326	28	12,234	25
Irrevocable loan commitments approved but not yet granted[1]	**23,970**	**56**	23,858	59	23,159	58
Commitments to issue guarantees	**17,251**	**20**	16,262	21	16,065	17
Unutilized credit facilities for derivatives activity	**2,839**	**-**	2,020	-	1,955	-
Approval in principle to maintain interest rate	**2,427**	**-**	2,542	-	3,246	-

1. Of which: Credit exposures in respect of an unutilized obligation to provide liquidity to securitization entities under the auspices of others in the amount of NIS 218 million (September 30 2017 - NIS 212 million, December 31 2017 - NIS 208 million); the obligations constitute a relatively small portion of the securitization entities' obligations.

(a) The balance of the contracts or their par value as at the end of the period, before the effect of the loan loss provision.
(b) Including the Bank's liabilities for its share in the risk reserve of the MAOF Clearing House in the amount of NIS 126 million (as at September 30 2017 and December 31 2017, NIS 111 million and NIS 86 million, respectively).
(c) Including a contract balance of NIS 11,280 million and a NIS 16 million loan loss provision balance in respect of held-for-sale assets.

D. Information on Resold Loans

Commercial loans totaling NIS 77 million have been resold in the nine months ended September 30 2018. In the first nine months of 2017, NIS 65 million in commercial loans were sold.

Note 14 - Assets and Liabilities by Linkage Basis

	September 30 2018 (unaudited)						
	NIS		Foreign currency[a]				
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies	Non-monetary items[b]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	65,639	-	5,982	1,563	1,487	118	74,789
Securities	30,667	3,129	34,431	2,406	2,880	3,348	76,861
Securities borrowed or purchased under agreements to resell	1,351	-	48	46	20	-	1,465
Loans to the public, net[c]	184,025	42,158	31,071	4,224	6,038	164	267,680
Loans to governments	19	52	539	32	-	-	642
Investments in associates	-	-	-	-	-	792	792
Buildings and equipment	-	-	-	-	-	2,736	2,736
Assets in respect of derivatives	3,252	115	4,382	131	143	1,797	9,820
Intangible assets and goodwill	-	-	-	-	-	17	17
Other assets	5,443	4	719	2	29	869	7,066
Held-for-sale assets[e]	8,421	(14)	60	23	1	315	8,806
Total assets	298,817	45,444	77,232	8,427	10,598	10,156	450,674
Liabilities							
Deposits from the public	228,012	17,649	94,286	11,894	6,696	338	358,875
Deposits from banks	1,740	-	2,525	761	142	-	5,168
Deposits from governments	128	-	655	7	-	-	790
Securities loaned or sold under agreements to repurchase	543	-	45	33	23	11	655
Bonds, promissory notes and subordinated notes	3,981	13,774	-	-	-	50	17,805
Liabilities in respect of derivative instruments	3,779	248	3,327	96	130	1,735	9,315
Other liabilities	3,272	10,736	419	37	118	794	15,376
Held-for-sale liabilities[e]	6,964	11	106	-	-	14	7,095
Total liabilities	248,419	42,418	101,363	12,828	7,109	2,942	415,079
Difference[d]	50,398	3,026	(24,131)	(4,401)	3,489	7,214	35,595
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(17,693)	(4,180)	21,589	3,860	(4,094)	518	-
In the money options, net (according to underlying asset)	(510)	-	179	229	(11)	113	-
Out of the money options, net (according to underlying asset)	(259)	-	229	(28)	10	48	-
Grand total	31,936	(1,154)	(2,134)	(340)	(606)	7,893	35,595
In the money options, net (discounted nominal value)	(1,451)	-	1,023	279	(4)	153	-
Out of the money options, net (discounted nominal value)	(2,271)	-	1,744	373	16	138	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 3,222 million.
(d) Shareholders' equity includes non-controlling interests.
(e) For more information, please see Note 16F.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	September 30 2017 (unaudited)						
	NIS		Foreign currency[(a)]				
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies	Non-monetary items[(b)]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	56,432	-	5,636[(e)]	2,558	2,191	136	66,953
Securities	38,756	3,229	25,697	9,082	2,535	2,799	82,098
Securities borrowed or purchased under agreements to resell	836	-	6	30	-	-	872
Loans to the public, net[(c)]	185,394	42,795	29,007	4,258	4,726	178	266,358
Loans to governments	49	101	503	42	-	-	695
Investments in associates	-	-	-	-	-	923	923
Buildings and equipment	-	-	-	-	-	2,931	2,931
Assets in respect of derivatives	6,712	238	1,191	554	281	1,978	10,954
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	6,074	4	716	5	30	1,422	8,251
Total assets	294,253	46,367	62,756	16,529	9,763	10,383	440,051
Liabilities							
Deposits from the public	224,147	18,264	89,572	11,729	6,080	409	350,201
Deposits from banks	1,812	10	2,623[(e)]	824	10	-	5,279
Deposits from governments	65	-	468	6	-	-	539
Securities loaned or sold under agreements to repurchase	588	-	-	-	-	49	637
Bonds, promissory notes and subordinated notes	4,056	12,351	-	-	-	-	16,407
Liabilities in respect of derivative instruments	6,973	560	910	492	474	1,866	11,275
Other liabilities	8,855	11,450	675	23	141	1,395	22,539
Total liabilities	246,496	42,635	94,248	13,074	6,705	3,719	406,877
Difference[(d)]	47,757	3,732	(31,492)	3,455	3,058	6,664	33,174
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(18,234)	(4,523)	31,220	(4,874)	(3,740)	151	-
In the money options, net (according to underlying asset)	972	-	(1,735)	440	(15)	338	-
Out of the money options, net (according to underlying asset)	(742)	-	233	482	8	19	-
Grand total	29,753	(791)	(1,774)	(497)	(689)	7,172	33,174
In the money options, net (discounted nominal value)	592	-	(1,765)	744	(19)	448	-
Out of the money options, net (discounted nominal value)	(101)	-	(546)	438	189	20	-

(a) Including those linked to foreign currency.

(b) Including derivatives whose underlying asset relates to a non-monetary item.

(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 3,226 million.

(d) Shareholders' equity includes non-controlling interests.

(e) Reclassified.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	December 31 2017 (audited)						
	NIS		Foreign currency[a]				
	Unlinked	CPI-linked	In US dollars	In Euro	In other currencies	Non-monetary items[b]	Total
	In NIS millions						
Assets							
Cash and deposits with banks	71,674	-	6,449	1,503	2,335	106	82,067
Securities	34,508	3,132	29,732	4,490	1,203	4,234	77,299
Securities borrowed or purchased under agreements to resell	1,080	-	27	42	12	-	1,161
Loans to the public, net[c]	187,327	41,928	29,444	4,132	4,831	290	267,952
Loans to governments	27	102	543	43	-	-	715
Investments in associates	-	-	-	-	-	807	807
Buildings and equipment	-	-	-	-	-	2,986	2,986
Assets in respect of derivatives	5,795	113	924	574	202	1,965	9,573
Intangible assets and goodwill	-	-	-	-	-	16	16
Other assets	6,193	4	648	2	26	1,389	8,262
Total assets	306,604	45,279	67,767	10,786	8,609	11,793	450,838
Liabilities							
Deposits from the public	234,431	18,955	90,620	11,799	6,170	503	362,478
Deposits from banks	1,398	10	2,636	999	113	-	5,156
Deposits from governments	61	-	383	8	-	-	452
Securities loaned or sold under agreements to repurchase	509	-	2	3	-	44	558
Bonds, promissory notes and subordinated notes	4,039	11,538	-	-	-	-	15,577
Liabilities in respect of derivative instruments	6,024	211	822	521	276	1,886	9,740
Other liabilities	9,141	12,003	572	20	130	1,458	23,324
Total liabilities	255,603	42,717	95,035	13,350	6,689	3,891	417,285
Difference[d]	51,001	2,562	(27,268)	(2,564)	1,920	7,902	33,553
Effect of non-hedging derivative instruments:							
Derivative instruments (excluding options)	(19,443)	(5,014)	26,775	1,094	(2,558)	(854)	-
In the money options, net (according to underlying asset)	1,426	-	(2,174)	598	(31)	181	-
Out of the money options, net (according to underlying asset)	(1,264)	-	721	520	11	12	-
Grand total	31,720	(2,452)	(1,946)	(352)	(658)	7,241	33,553
In the money options, net (discounted nominal value)	1,587	-	(2,676)	845	(64)	308	-
Out of the money options, net (discounted nominal value)	(41)	-	(468)	392	62	55	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 3,213 million.
(d) Shareholders' equity includes non-controlling interests.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	September 30 2018 (unaudited)				
	Balance sheet balance	Fair value			
		Level 1[a]	Level 2[a]	Level 3[a]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	74,789	66,798	6,136	1,830	74,764
Securities[b]	76,861	41,819	31,715	3,269	76,803
Securities borrowed or purchased under agreements to resell	1,465	1,465	-	-	1,465
Loans to the public, net	267,680	2,933	82,726	180,851	266,510
Loans to governments	642	-	10	655	665
Assets in respect of derivatives	9,820	1,786	6,926	1,108	9,820
Other financial assets, including balances classified as held-for-sale assets[e]	9,652	525	67	9,055	9,647
Total financial assets	440,909[c]	115,326	127,580	196,768	439,674
Financial liabilities					
Deposits from the public	358,875	2,879	246,479	110,174	359,532
Deposits from banks	5,168	-	4,899	225	5,124
Deposits from governments	790	-	709	89	798
Securities loaned or sold under agreements to	655	655	-	-	655
Bonds, promissory notes and subordinated notes	17,805	13,172	-	5,738	18,910
Liabilities in respect of derivative instruments	9,315	1,784	7,169	362	9,315
Other financial liabilities, including balances classified as held for sale liabilities[e]	8,635	1,834	5,451	1,347	8,632
Total financial liabilities	401,243[c]	20,324	264,707	117,935	402,966
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	353	-	-	353	353
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[d]	16,968	-	184	16,784	16,968

(a) Level 1 - Fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding balance of outstanding balance sheet securities and fair value of securities, please see Note 5 - Securities.

(c) Of which: Assets and liabilities in the amount of NIS 113,806 million and NIS 211,452 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) For more information, please see Note 16F.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	September 30 2017 (unaudited)				
	Balance sheet balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	66,953[(e)]	57,939	7,437[(e)]	2,070	67,446
Securities[(b)]	82,098	48,049	31,782	2,262	82,093
Securities borrowed or purchased under agreements	872	872	-	-	872
Loans to the public, net	266,358	2,609	76,008	184,801	263,418
Loans to governments	695	-	28	694	722
Assets in respect of derivatives	10,954	1,406	8,288	1,260	10,954
Other financial assets	1,792	1,081	-	712	1,793
Total financial assets	429,722[(c)]	111,956	123,543	191,799	427,298
Financial liabilities					
Deposits from the public	350,201	2,302	242,635	106,404	351,341
Deposits from banks	5,279[(e)]	-	4,861[(e)]	466	5,327
Deposits from governments	539	-	475	81	556
Securities loaned or sold under agreements to	637	637	-	-	637
Bonds, promissory notes and subordinated notes	16,407	12,634	-	5,051	17,685
Liabilities in respect of derivative instruments	11,275	1,381	9,407	487	11,275
Other financial liabilities	8,497	1,313	5,514	1,670	8,497
Total financial liabilities	392,835[(c)]	18,267	262,892	114,159	395,318
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	354	-	-	354	354
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[(d)]	17,560	-	183	17,377	17,560

(a) Level 1 - Fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding balance of outstanding balance sheet securities and fair value of securities, please see Note 5 - Securities.

(c) Of which: Assets and liabilities in the amount of NIS 130,251 million and NIS 167,916 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) Reclassified.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2017 (audited)				
	Balance sheet balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	82,067	72,384	8,456	1,294	82,134
Securities[(b)]	77,299	48,697	26,244	2,360	77,301
Securities borrowed or purchased under agreements	1,161	1,161	-	-	1,161
Loans to the public, net	267,952	2,324	77,657	186,463	266,444
Loans to governments	715	-	8	741	749
Assets in respect of derivatives	9,573	1,113	7,346	1,114	9,573
Other financial assets	1,844	1,155	-	690	1,845
Total financial assets	440,611[(c)]	126,834	119,711	192,662	439,207
Financial liabilities					
Deposits from the public	362,478	2,139	253,897	107,457	363,493
Deposits from banks	5,156	-	5,164	96	5,260
Deposits from governments	452	-	395	72	467
Securities loaned or sold under agreements to	558	555	-	3	558
Bonds, promissory notes and subordinated notes	15,577	11,802	-	4,982	16,784
Liabilities in respect of derivative instruments	9,740	1,090	8,211	439	9,740
Other financial liabilities	8,761	1,721	5,523	1,517	8,761
Total financial liabilities	402,722[(c)]	17,307	273,190	114,566	405,063
Off balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	364	-	-	364	364
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[(d)]	17,995	-	181	17,814	17,995

(a) Level 1 - Fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding balance of outstanding balance sheet securities and fair value of securities, please see Note 5 - Securities.

(c) Of which: Assets and liabilities in the amount of NIS 118,402 million and NIS 180,345 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

Note 15B - Items Measured at Fair Value

A. Items measured at fair value on a recurring basis

	September 30 2018 (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
	In NIS millions			
Assets				
Available-for-sale securities:				
Government of Israel bonds	28,061	2,437	-	30,498
Foreign governments' bonds	5,580	4,060	-	9,640
Bonds of Israeli financial institutions	-	12	-	12
Bonds of foreign financial institutions	43	11,870	-	11,913
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	7,038	2,232	9,270
Other Israeli bonds	105	82	-	187
Other foreign bonds	-	2,871	-	2,871
Available-for-sale shares and mutual funds	2,306	-	-	2,306
Total available-for-sale securities	36,095	28,370	2,232	66,697
Held-for-trading securities:				
Government of Israel bonds	4,567	-	-	4,567
Foreign governments' bonds	50	5	-	55
Bonds of Israeli financial institutions	127	-	-	127
Bonds of foreign financial institutions	-	144	-	144
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	264	-	264
Other Israeli bonds	242	-	-	242
Other foreign bonds	-	221	-	221
Held-for-trading shares and mutual funds	5	-	-	5
Total held-for-trading securities	4,991	634	-	5,625
Assets in respect of derivative instruments:				
NIS-CPI contacts	-	85	172	257
Interest rate contracts	365	3,599	102	4,066
Foreign exchange rate contracts	1	2,592	783	3,376
Stock contracts	1,136	604	45	1,785
Commodity and other contracts	14	46	6	66
MAOF (Israeli financial instruments and futures) market activity	270	-	-	270
Total assets in respect of derivatives	1,786	6,926	1,108	9,820
Other:				
Credit and deposits for loaned securities	3,051	7	-	3,058
Securities borrowed or purchased under agreements to resell	1,465	-	-	1,465
Other	525	-	-	525
Total - Other	5,041	7	-	5,048
Total assets	47,913	35,937	3,340	87,190

Note 15B - Items Measured at Fair Value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	September 30 2018 (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
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	242	165	407
Interest rate contracts	365	3,518	-	3,883
Foreign exchange rate contracts	1	2,743	197	2,941
Stock contracts	1,136	614	-	1,750
Commodity and other contracts	14	52	-	66
MAOF (Israeli financial instruments and futures) market activity	268	-	-	268
Total liabilities in respect of derivative instruments	1,784	7,169	362	9,315
Other:				
Deposits in respect of loaned securities	2,879	39	6	2,924
Securities loaned or sold under agreements to repurchase	655	-	-	655
Other	1,203	-	-	1,203
Total - Other	4,737	39	6	4,782
Total liabilities	6,521	7,208	368	14,097

Note 15B - Items Measured at Fair Value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	September 30 2017 (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
	In NIS millions			
Assets				
Available-for-sale securities:				
Government of Israel bonds	37,013	1,991	-	39,004
Foreign governments' bonds	3,841	9,537	-	13,378
Bonds of Israeli financial institutions	-	23	-	23
Bonds of foreign financial institutions	45	8,509	-	8,554
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	7,302	1,311	8,613
Other Israeli bonds	4	78	-	82
Other foreign bonds	-	2,567	-	2,567
Available-for-sale shares and mutual funds	1,844	-	-	1,844
Total available-for-sale securities	42,747	30,007	1,311	74,065
Held-for-trading securities:				
Government of Israel bonds	4,734	26	-	4,760
Foreign governments' bonds	352	121	-	473
Bonds of Israeli financial institutions	55	-	-	55
Bonds of foreign financial institutions	-	197	-	197
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	288	-	288
Other Israeli bonds	157	-	-	157
Other foreign bonds	-	334	-	334
Held-for-trading shares and mutual funds	4	-	-	4
Total held-for-trading securities	5,302	966	-	6,268
Assets in respect of derivative instruments:				
NIS-CPI contacts	-	173	228	401
Interest rate contracts	20	5,066	267	5,353
Foreign exchange rate contracts	1	2,438	609	3,048
Stock contracts	1,127	596	153	1,876
Commodity and other contracts	7	15	3	25
MAOF (Israeli financial instruments and futures) market activity	251	-	-	251
Total assets in respect of derivatives	1,406	8,288	1,260	10,954
Other:				
Credit and deposits for loaned securities	2,609	6	-	2,615
Securities borrowed or purchased under agreements to resell	872	-	-	872
Other	1,080	-	-	1,080
Total - Other	4,561	6	-	4,567
Total assets	54,016	39,267	2,571	95,854

Note 15B - Items Measured at Fair Value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	September 30 2017 (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
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	240	216	456
Interest rate contracts	19	5,009	-	5,028
Foreign exchange rate contracts	1	3,481	202	3,684
Stock contracts	1,127	660	69	1,856
Commodity and other contracts	7	17	-	24
MAOF (Israeli financial instruments and futures) market activity	227	-	-	227
Total liabilities in respect of derivative instruments	1,381	9,407	487	11,275
Other:				
Deposits in respect of loaned securities	2,323	8	47	2,378
Securities loaned or sold under agreements to repurchase	637	-	-	637
Other	1,313	-	-	1,313
Total - Other	4,273	8	47	4,328
Total liabilities	5,654	9,415	534	15,603

Note 15B - Items Measured at Fair Value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	December 31 2017 (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
	In NIS millions			
Assets				
Available-for-sale securities:				
Government of Israel bonds	34,246	2,387	-	36,633
Foreign governments' bonds	7,700	3,055	-	10,755
Bonds of Israeli financial institutions	-	11	-	11
Bonds of foreign financial institutions	44	9,609	-	9,653
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	7,160	1,369	8,529
Other Israeli bonds	3	67	-	70
Other foreign bonds	-	2,352	-	2,352
Available-for-sale shares and mutual funds	1,936	-	-	1,936
Total available-for-sale securities	43,929	24,641	1,369	69,939
Held-for-trading securities:				
Government of Israel bonds	3,178	26	-	3,204
Foreign governments' bonds	82	-	-	82
Bonds of Israeli financial institutions	90	-	-	90
Bonds of foreign financial institutions	-	142	-	142
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	268	-	268
Other Israeli bonds	111	-	-	111
Other foreign bonds	-	299	-	299
Held-for-trading shares and mutual funds	1,307	-	-	1,307
Total held-for-trading securities	4,768	735	-	5,503
Assets in respect of derivative instruments:				
NIS-CPI contacts	-	149	166	315
Interest rate contracts	30	3,852	266	4,148
Foreign exchange rate contracts	-	2,206	616	2,822
Stock contracts	669	1,113	63	1,845
Commodity and other contracts	3	26	3	32
MAOF (Israeli financial instruments and futures) market activity	411	-	-	411
Total assets in respect of derivatives	1,113	7,346	1,114	9,573
Other:				
Credit and deposits for loaned securities	2,473	7	-	2,480
Securities borrowed or purchased under agreements to resell	1,161	-	-	1,161
Other	1,155	-	-	1,155
Total - Other	4,789	7	-	4,796
Total assets	54,599	32,729	2,483	89,811

Note 15B - Items Measured at Fair Value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	December 31 2017 (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
	In NIS millions			
Liabilities				
Liabilities in respect of derivative instruments:				
NIS-CPI contacts	-	176	255	431
Interest rate contracts	29	3,804	-	3,833
Foreign exchange rate contracts	-	3,030	184	3,214
Stock contracts	663	1,179	-	1,842
Commodity and other contracts	3	22	-	25
MAOF (Israeli financial instruments and futures) market activity	395	-	-	395
Total liabilities in respect of derivative instruments	1,090	8,211	439	9,740
Other:				
Deposits in respect of loaned securities	2,219	14	44	2,277
Securities loaned or sold under agreements to repurchase	555	-	3	558
Other	1,721	-	-	1,721
Total - Other	4,495	14	47	4,556
Total liabilities	5,585	8,225	486	14,296

Note 15B - Items Measured at Fair Value (cont.)

B. Items measured at fair value on a non-recurring basis

	September 30 2018 (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 during the period
	In NIS millions				
Impaired credit whose collection is subject to collateral	-	-	585	585	114
Held-to-maturity bonds	733	2,711	-	3,444	(58)
Total	733	2,711	585	4,029	56

	September 30 2017 (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 during the period
	In NIS millions				
Impaired credit whose collection is subject to collateral	-	-	809	809	205
Held-to-maturity bonds	-	809	-	809	(5)
Total	-	809	809	1,618	200

	December 31 2017 (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 during the period
	In NIS millions				
Impaired credit whose collection is subject to collateral	-	-	728	728	344
Held-to-maturity bonds	-	868	-	868	2
Total	-	868	728	1,596	346

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended September 30 2018 (unaudited)										
		Net realized/ unrealized gains (losses) including:									
	Fair value as at the beginning of the period	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2018	Unrealized gains (losses) in respect of instruments held as at September 30 2018
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,683	349	(20)	-	-	(68)	-	288	-	2,232	(14)
Assets in respect of derivative instruments:											
NIS-CPI contacts	190	(19)	-	-	-	-	-	1	-	172	(8)
Interest rate contracts	171	23	-	-	-	(92)	-	-	-	102	(73)
Foreign exchange rate contracts	983	(320)	-	120	-	-	-	-	-	783	33
Stock contracts	162	(117)	-	-	-	-	-	-	-	45	(81)
Commodity and other contracts	8	(2)	-	-	-	-	-	-	-	6	(1)
Total assets in respect of derivatives	1,514	(435)	-	120	-	(92)	-	1	-	1,108	(130)
Total assets	3,197	(86)	(20)	120	-	(160)	-	289	-	3,340	(144)
Liabilities											
Liabilities in respect of derivative instruments											
NIS-CPI contacts	162	78	-	-	-	-	-	(50)	(25)	165	6
Interest rate contracts	8	(8)	-	-	-	-	-	-	-	-	-
Foreign exchange rate contracts	184	13	-	-	-	-	-	-	-	197	(2)
Stock contracts	-	-	-	-	-	-	-	-	-	-	-
Total liabilities in respect of derivative instruments	354	83	-	-	-	-	-	(50)	(25)	362	4
Total - Other	5	1	-	-	-	-	-	-	-	6	-
Total liabilities	359	84	-	-	-	-	-	(50)	(25)	368	4

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income item.
(b) Unrealized losses included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended September 30 2017 (unaudited)										
		Net realized/ unrealized gains (losses) including:									
	Fair value as at the beginning of the period	In the income statement[a]	In other comprehensive income[b]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at September 30 2017	Unrealized gains (losses) in respect of instruments held as at September 30 2017
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,454	(3)	(2)	198	(12)	(324)	-	-	-	1,311	(1)
Assets in respect of derivative instruments											
NIS-CPI contacts	205	35	-	-	-	-	-	22	(34)	228	(1)
Interest rate contracts	205	148	-	-	-	(86)	-	-	-	267	75
Foreign exchange contracts	975	(516)	-	150	-	-	-	-	-	609	37
Stock contracts	103	50	-	-	-	-	-	-	-	153	(4)
Commodity and other contracts	8	(5)	-	-	-	-	-	-	-	3	(3)
Total assets in respect of derivatives	1,496	(288)	-	150	-	(86)	-	22	(34)	1,260	104
Total assets	2,950	(291)	(2)	348	(12)	(410)	-	22	(34)	2,571	103
Liabilities											
Liabilities in respect of derivative instruments											
NIS-CPI contacts	218	(8)	-	-	-	-	-	11	(5)	216	17
Interest rate contracts	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts	254	(52)	-	-	-	-	-	-	-	202	(61)
Stock contracts	-	69	-	-	-	-	-	-	-	69	-
Total liabilities in respect of derivative instruments	472	9	-	-	-	-	-	11	(5)	487	(44)
Total - Other	50	(3)	-	-	-	-	-	-	-	47	12
Total liabilities	522	6	-	-	-	-	-	11	(5)	534	(32)

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income item.
(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine months ended September 30 2018 (unaudited)										
	Fair value as at the beginning of the year	Net realized/ unrealized gains (losses) including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2018	Unrealized gains (losses) in respect of instruments held as at September 30 2018
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,369	293	(26)	-	-	(204)	-	800	-	2,232	(20)
Assets in respect of derivative instruments:											
NIS-CPI contacts	166	(20)	-	-	-	-	-	26	-	172	(24)
Interest rate	266	(25)	-	-	-	(139)	-	-	-	102	(150)
Foreign exchange	616	(97)	-	264	-	-	-	-	-	783	170
Stock contracts	63	(18)	-	-	-	-	-	-	-	45	42
Commodity and other contracts	3	3	-	-	-	-	-	-	-	6	5
Total assets in respect of derivatives	1,114	(157)	-	264	-	(139)	-	26	-	1,108	43
Total assets	2,483	136	(26)	264	-	(343)	-	826	-	3,340	23
Liabilities											
Liabilities in respect of derivative instruments:											
NIS-CPI contacts	255	(56)	-	-	-	-	-	43	(77)	165	41
Interest rate	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	184	13	-	-	-	-	-	-	-	197	(16)
Stock contracts	-	-	-	-	-	-	-	-	-	-	-
Total liabilities in respect of derivative instruments	439	(43)	-	-	-	-	-	43	(77)	362	25
Total - Other	47	(41)	-	-	-	-	-	-	-	6	3
Total liabilities	486	(84)	-	-	-	-	-	43	(77)	368	28

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income item.
(b) Unrealized losses included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year. In addition, SBA-type transactions were transferred following reallocation of the unpaid reserve balance.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine months ended September 30 2017 (unaudited)										
	Fair value as at the beginning of the year	Net realized/unrealized gains (losses) including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30 2017	Unrealized gains (losses) in respect of instruments held as at September 30 2017
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,426	(93)	(10)	835	(23)	(824)	-	-	-	1,311	(1)
Assets in respect of derivative instruments:											
NIS-CPI contacts	202	17	-	-	-	-	-	43	(34)	228	47
Interest rate contracts	130	283	-	-	-	(146)	-	-	-	267	165
Foreign exchange contracts	575	(468)	-	502	-	-	-	-	-	609	474
Stock contracts	57	96	-	-	-	-	-	-	-	153	43
Commodity and other contracts	3	-	-	-	-	-	-	-	-	3	2
Total assets in respect of derivatives	967	(72)	-	502	-	(146)	-	43	(34)	1,260	731
Total assets	2,393	(165)	(10)	1,337	(23)	(970)	-	43	(34)	2,571	730
Liabilities											
Liabilities in respect of derivative instruments:											
NIS-CPI contacts	162	26	-	-	-	-	-	63	(35)	216	79
Interest rate contracts	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange contracts	245	(43)	-	-	-	-	-	-	-	202	(30)
Stock contracts	-	69	-	-	-	-	-	-	-	69	-
Total liabilities in respect of derivative instruments	407	52	-	-	-	-	-	63	(35)	487	49
Total - Other	34	13	-	-	-	-	-	-	-	47	27
Total liabilities	441	65	-	-	-	-	-	63	(35)	534	76

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income item.
(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31 2017 (audited)										
		Net realized/ unrealized gains (losses) including:									
	Fair value as at the beginning of the year	In the income statement[a]	In other comprehensive income[b]	Purchases and issues	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from level 3[c]	Fair value as at December 31 2017	Unrealized gain (losses) in respect of instruments held as at December 31 2017
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,426	(61)	(10)	887	-	(873)	-	-	-	1,369	(1)
Assets in respect of derivative instruments:											
NIS-CPI contacts	202	(25)	-	-	-	-	-	20	(31)	166	10
Interest rate	130	329	-	-	-	(193)	-	-	-	266	154
Foreign exchange	575	(532)	-	573	-	-	-	-	-	616	505
Stock contracts	57	6	-	-	-	-	-	-	-	63	43
Commodity and	3	-	-	-	-	-	-	-	-	3	3
Total assets in respect of derivatives	967	(222)	-	573	-	(193)	-	20	(31)	1,114	715
Total assets	2,393	(283)	(10)	1,460	-	(1,066)	-	20	(31)	2,483	714
Liabilities											
Liabilities in respect of derivative instruments:											
NIS-CPI contacts	162	73	-	-	-	-	-	52	(32)	255	114
Interest rate	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange	245	(61)	-	-	-	-	-	-	-	184	(26)
Stock contracts	-	-	-	-	-	-	-	-	-	-	-
Total liabilities in respect of derivative instruments	407	12	-	-	-	-	-	52	(32)	439	88
Total - Other	34	13	-	-	-	-	-	-	-	47	27
Total liabilities	441	25	-	-	-	-	-	52	(32)	486	115

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income item.
(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss).
(c) Transfers from Level 2 to Level 3 – forward contracts for a period of more than one year and less than 5 years were transferred when the term to maturity was less than one year.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity was more than one year and less than five years.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	September 30 2018 (unaudited)				
	Fair value	Evaluation technique	Unobservable inputs	Range	Average(3)
	In NIS millions				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities(1)					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,232	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of failure	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets in respect of derivative instruments(2)					
NIS-CPI interest contracts	151	Discounted cash	Expected inflation	0%-1.38%	0.57%
	21	Discounted cash	Counterparty risk	0.77%-100%(*)	1.74%
Interest rate contracts	102	Discounted cash	Counterparty risk	0.77%-100%(*)	1.74%
Foreign exchange rate	71	Discounted cash	Expected inflation	0.01%-1.13%	0.57%
	712	Discounted cash	Counterparty risk	0.77%-100%(*)	1.74%
Stock contracts	45	Discounted cash	Counterparty risk	0.77%-100%(*)	1.74%
Commodity contracts	6	Discounted cash	Counterparty risk	0.77%-100%(*)	1.74%
Liabilities					
Liabilities in respect of derivative instruments(2)					
NIS-CPI interest contracts	165	Discounted cash	Expected inflation	0.01%-1.13%	0.57%
Foreign exchange rate	197	Discounted cash	Expected inflation	0.01%-1.13%	0.57%
B. Items measured at fair value on a non-recurring basis					
Impaired credit whose collection is subject to collateral	585	Collateral's fair value			

(a) In respect of a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Qualitative information on fair value measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
A change in the expected inflation rate will affect contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.

3. The average figure for unobserved input "Contract's counter-party risk" reflects a weighted average.

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	September 30 2017 (unaudited)				
	Fair value	Evaluation technique	Unobservable inputs	Range	Average[3]
	In NIS millions				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,311	Discounted cash flows	Spread	125-190 bp	157 bp
			Probability of failure	2.5%-3.8%	3.15%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets in respect of derivative instruments[2]					
NIS-CPI interest contracts	166	Discounted cash flows	Expected inflation	(0.29)%-0.28%	(0.01%)
	62	Discounted cash flows	Counterparty risk	0.21%-100%[*]	1.78%
Interest rate contracts	267	Discounted cash flows	Counterparty risk	0.21%-100%[*]	1.78%
Foreign exchange rate contracts	83	Discounted cash flows	Expected inflation	(0.29)%-0.28%	(0.01%)
	526	Discounted cash flows	Counterparty risk	0.21%-100%[*]	1.78%
Stock contracts	153	Discounted cash flows	Counterparty risk	0.21%-100%[*]	1.78%
Commodity contracts	3	Discounted cash flows	Counterparty risk	0.21%-100%[*]	1.78%
Liabilities					
Liabilities in respect of derivative instruments[2]					
NIS-CPI interest contracts	216	Discounted cash flows	Expected inflation	(0.29)%-0.28%	(0.01%)
Foreign exchange rate contracts	202	Discounted cash flows	Expected inflation	(0.29)%-0.28%	(0.01%)
B. Items measured at fair value on a non-recurring basis					
Impaired credit whose collection is subject to collateral	809	Collateral's fair value			

(a) In respect of a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Qualitative information on fair value measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.

3. The average figure for unobserved input "Contract's counter-party risk" reflects a weighted average.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31 2017 (audited)				
	Fair value	Evaluation technique	Unobservable inputs	Range	Average(3)
	In NIS millions				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	1,369	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of failure	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets in respect of derivative instruments(2)					
NIS-CPI interest contracts	110	Discounted cash	Expected inflation	0.07%-0.51%	0.29%
	56	Discounted cash	Counterparty risk	0.50%-100%(*)	1.44%
Interest rate contracts	266	Discounted cash	Counterparty risk	0.50%-100%(*)	1.44%
Foreign exchange rate	93	Discounted cash	Expected inflation	0.07%-0.51%	0.29%
	523	Discounted cash	Counterparty risk	0.50%-100%(*)	1.44%
Stock contracts	63	Discounted cash	Counterparty risk	0.50%-100%(*)	1.44%
Commodity contracts	3	Discounted cash	Counterparty risk	0.50%-100%(*)	1.44%
Liabilities					
Liabilities in respect of derivative instruments(2)					
NIS-CPI interest contracts	255	Discounted cash	Expected inflation	0.07%-0.51%	0.29%
Foreign exchange rate	184	Discounted cash	Expected inflation	0.07%-0.51%	0.29%
B. Items measured at fair value on a non-recurring basis					
Impaired credit whose collection is subject to collateral	728	Collateral's fair value			

(a) In respect of a defaulted counterparty.

Note 15D - Quantitative Information on Items Measured at Fair Value which were Included in Level 3 (cont.)

Qualitative information on fair value measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: Counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the index-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.

3. The average figure for unobserved input "Contract's counter-party risk" reflects a weighted average.

Note 16 - Miscellaneous Topics

A. Securities Law (Amendment No. 63), 2017 – Restructuring of the Tel Aviv Stock Exchange

On April 6 2017, the above amendment was published, with the primary objective of turning the Stock Exchange into a for-profit corporation, with an ownership structure that is separate from access to trading, and which will be a significant competitor for global stock exchanges and alternative trading platforms in Israel and abroad. For this purpose, the Stock Exchange is to undergo a court-sanctioned restructuring process, at the end of which it will turn from a limited liability company to a company with a shareholder's equity, which will be divided among the Stock Exchange members.

The court approved the restructuring arrangement on September 7 2017.

Pursuant to the provisions of the law, the Bank will be required to sell its stake in the Stock Exchange in excess of 5 percent, according to the outline and schedule prescribed by the law

On January 18 2018, the Bank filed with the Stock Exchange an offer to sell and transfer its entire stake in the Stock Exchange (the "Offered Shares"), following the Exchange's offer to its shareholders, made on December 28 2017, to purchase their stock.

On April 16 2018, the Exchange informed the Bank it had accepted the Bank's offer (the "Acceptance Notice"). Pursuant to the Acceptance Notice, all the Offered Shares will be sold and transferred to a transferee or several transferees. The Acceptance Notice clarified that the remuneration for the Offered Shares will exceed the price in the Bank's offer, but the difference between the actual remuneration and the total price quoted by the Bank for the Offered Shares will be transferred to the Exchange as required under the above legal provisions. According to the Acceptance Notice, the transaction is subject to regulatory approval and closing.

On June 12 2018, the Tel Aviv Stock Exchange (hereinafter: the "TASE") requested that the Bank postpone the record date as of August 31, 2018, to give the Israel Securities Authority more time to finalize its assessment of the transaction outline and the holding permit for certain investors interested in purchasing the shares.

On June 13 2018, the Bank informed the TASE it agrees to postponing the record date to August 31 2018.

On August 27 2018, the TASE informed the Bank that the transaction had been completed.
For the abovementioned transaction, the Bank has recorded a pretax gain of NIS 47 million in its financial statements for the third quarter of 2018.

B. Bank Leumi USA

On May 22 2018, the deal for incorporating strategic partners into BLUSA was completed. Under the terms and conditions of the agreement, each of the partners acquired 7.5 percent of the shareholder's equity of Bank Leumi Corporation, an American corporation through which the Bank holds a controlling interest in BLUSA. Under the terms and conditions of the agreement, the consideration paid for the sold shares was $141 million. The transaction was accounted for as a capital transaction and the difference between the consideration and the minority's share in the capital was stated directly in capital.

C. Bank Leumi of Israel Trust Company Ltd.

On April 17 2018, the deal between the Bank and Hermetic for the sale of 75 percent of Hermetic Trust's shares was completed. The finalized transaction did not have a material effect on the financial results.

D. Leumi Partners Ltd.

1. In July 2018, Leumi Partners completed the sale of a wholly owned subsidiary, Avgol Industries. The Bank has recorded a pretax gain of NIS 121 million from the sale in its third quarter financial statements.

Note 16 - Miscellaneous Topics (cont.)

2. On August 16 2018, Leumi Partners Ltd. entered into an agreement with Direct Insurance - Financial Investments Ltd., whereby Leumi Partners shall receive - by way of a private placement - ordinary shares of Financial Investments Ltd. of NIS 1 p.v. each in exchange for Leumi Partners' entire stake in Financial Investments Ltd. of the Direct Insurance of the Direct Insurance Group (2006) Ltd., constituting 19.23 percent of the issued and paid up shareholder's equity of Direct Financing. The completion of the transaction is subject to the fulfillment of conditions precedent, as is the practice, until December 31 2018 or a later date to be agreed upon by the parties. The Bank is expected to record a pretax gain of NIS 76 million in respect of the sale of Direct Insurance's shares.

E. Bank Leumi Romania (BLROM)

On June 14 2018, Leumi signed a binding agreement with British investment fund Argo Capital Management Limited for the sale of the Bank's entire holdings in Bank Leumi Romania. The finalization of the transaction is subject to several preconditions, including regulatory approvals. The transaction is not expected to have a material effect on the Bank's financial results.

F. Held-for-sale assets and liabilities

On July 28 2018 - in accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, and after reviewing the various alternatives, and following a procedure for the disposal of the Bank's holdings in the company - an agreement was signed between the Bank and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus, for the sale of the Bank's entire interests in Leumi Card.

Following are the main points of the agreement:

1. The consideration to be paid to the Sellers for all of Leumi Card's shares is NIS 2.5 billion (with the Bank's share being NIS 2 billion).

2. Excluding adjustments for dividend distribution, if and when Leumi Card shall distribute dividends to its shareholders in the period until the transaction has been completed, the consideration amount shall not be adjusted.

3. The consideration amount shall be paid by three installments. Two deferred payments, which shall be completed after the completion date, shall be guaranteed by an autonomous bank guarantee (or an equivalent of an autonomous guarantee by an insurance company), which shall be delivered to the sellers at the completion date to guarantee the abovementioned payments.

   The payments shall be as follows:

   - A total of NIS 1,047 million shall be paid on the transaction completion date.
   - A total of NIS 342 million shall be paid 12 months after the transaction completion date.
   - A total of NIS 1,111 million shall be paid 24 months after the transaction completion date.

4. The agreement includes several conditions precedent, including obtaining the regulatory approval required under law. A period of 3 months was set for meeting the conditions precedent, with an option to extend the period by an additional 3 months at the request of any of the parties, after which the Bank alone shall have the right to extend the period by an additional three months. In addition, a mechanism was set to shorten the period and cancel the agreement in the event that it becomes apparent that the regulatory approvals are not likely to be obtained. If the transaction is not completed by December 31 2018, the entire consideration amount shall bear an annual interest rate of 8% from January 1 2019 until the transaction has been completed.

Note 16 - Miscellaneous Topics (cont.)

5. The agreement includes representations typical of company sale transactions, as well as an indemnification mechanism in respect of breach of representations. The reimbursement mechanism determines a 1.5 percent minimum for activating the mechanism and is restricted to a maximum total reimbursement rate of 10 percent of the transaction amount (excluding in respect of breach of material representations or in case of fraud).
6. The agreement includes an appendix which outlines the main finance terms and conditions the Bank shall grant Leumi Card for its ongoing activity following the completion of the transaction. Granting the loan is subject to a separate agreement between the Bank and Leumi Card and to obtaining the approval of the relevant competent organs at the Bank and Company.

As part of the negotiations with the Acquirer, the Bank has agreed to include several terms and conditions in the operating agreement to be signed between the Bank and Leumi Card (hereinafter: the "Operational Agreement"). In exchange to the Bank's agreement to include these conditions, the Bank shall be paid - six years from the effective date of the operating agreement - a total of NIS 50 million to NIS 128 million.

Subject to overachieving the results of Leumi Card outlined in the business model presented to the acquirer as part of the sale procedure, the Bank shall be paid - five years after the operation agreement came into effect - a total of NIS 145 million. Under certain circumstances, provided the Bank shall be eligible for the additional payment, the said payment may be postponed for a period of up to two years, and shall bear interest.

The Acquirer granted Leumi Partners, a wholly-owned subsidiary of the Bank, an option to acquire up to 20 percent of the corporation through which the Acquirer shall acquire Leumi Card, under the same terms and conditions in which the Acquirer shall acquire Leumi Card provided that were the option to be exercised, Leumi Partner's holding would be a passive financial holding, with no influence on directing the activity of the company. The exercise of the above option is subject, inter alia, to obtaining the necessary regulatory approvals. The exercise or non-exercise of the option as aforesaid or the completion of the transaction pursuant to the option shall not affect the execution of Leumi Card's sale agreement.

Subject to the completion of the transaction and under the assumption that the sale shall meet the necessary terms and condition for accounting recognition at the completion date, and taking into account the selling costs - including grants expected to be paid in connection with the transaction, based on the figures as at June 30 2018 and excluding the contingent consideration - the Bank is expected to record a NIS 234 million profit, net of tax. The final profit to be recorded will be determined at the transaction's completion date, based on Leumi Card's capital as at that date and the additional terms and conditions included in the agreement.

On August 1 2018, the Supervisor of Banks notified the Bank that the Bank of Israel opposes the exercise of the option given to Leumi Partners to acquire an additional 20 percent of the corporation through which the buyer shall acquire Leumi Card. The non-exercise of the option as aforesaid shall not affect the implementation of Leumi Card's sale agreement.

As aforesaid, the completion of the agreement is subject to meeting various conditions precedent. On October 28 2018, the date for meeting the conditions precedent prescribed in the agreement was extended by three months.

Leumi Card is presented as a held-for-sale disposal group. Balance sheet balances of Leumi Card are presented as a single figure under assets and liabilities without retroactive presentation of comparative results. There has been no change in the presentation format in the income statement.

Note 16 - Other Topics (cont.)

Note 16 - Miscellaneous Topics (cont.)

Assets classified as held-for-sale – Balances of Leumi Card for the purpose of Leumi Group's consolidated financial statements

	September 30 2018 (unaudited)
	In NIS millions
Cash and deposits with banks	67
Loans to the public, gross	8,462
Loan loss provision	(152)
Loans to the public, net	8,310
Buildings and equipment	240
Investment in associates	6
Other assets	183
Total assets held for sale	8,806

Liabilities classified as held-for-sale – Leumi Card's balances for the purpose of Leumi Group's consolidated financial statements

	September 30 2018 (unaudited)
	In NIS millions
Deposits from the public	84
Deposits from banks	750
Other liabilities	6,261
Total liabilities held for sale	7,095

Recognized income and expenses

The Group has no income and expenses directly recognized in other comprehensive income which relate to held for sale assets and disposal groups.

BANK LEUMI OF ISRAEL LTD. AND ITS INVESTEE COMPANIES
Corporate Governance, Additional Details and Appendices

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Changes in the Board of Directors

As of the date of this report and its publication date, the Board of Directors has 11 directors. As part of the amendment to Proper Conduct of Banking Business Directive No. 301 (hereinafter: “Directive 301”), by July 1 2020, the maximum number of directors in a banking corporation will be 10.

Pursuant to the Bank of Israel's directive, in 2017 the number of directors was reduced to 13 and in 2018 - their number will be reduced to 12.

On November 6 2018, the Banking Supervision Department issued an instruction whereby - to meet the provisions of Directive 301, and pursuant to directives issued in previous years regarding reducing the number of directors - in 2019, directors ending their third and last term will not be replaced. In this context, it should be noted that Mr. David Brodet (Chairman of the Board of Directors) and Mr. Yoav Nardi are expected to end their third and final term at the Bank on July 21 2019.

On July 23 2018, following the Bank's inquiry in the matter, the Supervisor of Banks agreed - pursuant to her authority under Section 11E(a)(6) to the Banking Ordinance, 1941, inter alia, in light of the expected decrease in the number of directors at the Bank following the end of their tenure - to extend the term of office of Dr. Shmuel Ben Zvi, an external director of the Bank, in accordance with the Banking Supervision Directive 301 (hereinafter: "External Director"") until the earliest of six months from the end of his first term, July 28 2018, or until the number of directors is in line with that required by the Banking Supervision Department.[1] Dr. Ben Zvi was elected to an additional term as External Director by the annual general meeting of the Bank held on October 4 2018. Dr. Ben Zvi’s second tenure shall commence once the Supervisor of Banks has given her approval or notice of non-objection, which shall apply retroactively as from July 29 2018 (the date on which Dr. Ben Zvi’s first tenure ended). On November 5 2018, the Bank received the Supervisor’s non-objection letter for Dr. Ben Zvi’s appointment as External Director.

On August 25 2018, Ms. Tamar Gottlieb ended her first term as an External Director pursuant to the provisions of the Companies Law, 1999 (hereinafter: “**ED**”). For more information, please see the immediate report dated August 25 2018 (Ref. No.: 2018-01-080715). Ms. Gottlieb was elected to an additional term as ED by the annual general meeting of the Bank held on October 4 2018. The second tenure in office shall commence after receipt of approval or notice of non-objection of the Supervisor of Banks. On October 15 2018, the Bank received the Supervisor’s non-objection letter for Ms. Gottlieb’s additional term, subject to the following conditions:

(1) That Ms. Gottlieb and/or Harvest Capital Markets Inc. (in which Ms. Gottlieb holds 50 percent of the share capital) shall not provide consulting and management services to the Leumi Group, its officers or any of the Bank’s material shareholders;

(2) That Ms. Gottlieb and/or Harvest Capital Markets Inc. shall not represent clients vis a vis Bank Leumi, its officers or any of the Bank’s material shareholders. for more information, please see the immediate report dated October 15 2018 (Ref. No.: 2018-01-096549).

For more information regarding the annual general meeting held on October 4 2018, please see the section entitled Annual General Meeting below.

On October 9 2018, Adv. Haim Samet ended his tenure as a director at the status of ED.

For more information, please see the immediate report dated October 10 2018 (Ref. No.: 2018-01-094719).

On October 29 2018, Prof. Yedidia Stern ended his tenure as a director at the status of External Director.

For more information, please see the immediate report dated October 31 2018 (Ref. No.: 2018-01-102024).

On October 29 2018, the Bank received the Banking Supervision Department’s non-objection letter for Mr. Ohad Marani’s appointment as External Director. As a result, on November 1 2018, Mr. Marani will begin a second term as an External Director in the Bank.

For more information, please see the section entitled Annual General Meeting below.

For more information regarding updates to Directive 301 regarding the Board of Directors, please see under “Changes in the Board of Directors” in the 2017 Annual Report.

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[1] It should be noted, in this context, as specified in the Bank's annual report for 2017, that the Bank had received guidance from the Supervisor of Banks whereby the number of directors at the Bank should be, as of the 2017 annual meeting, 13 directors, and as of the 2018 annual meeting - 12 directors. As of this report’s publication date, the Board of Directors includes 11 directors.

Internal Auditor

For more information regarding the Group's internal auditing, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and considerations underlying the work plans, as well as the Leumi Group's 2017 Annual Internal Audit Report were included in the 2017 Annual Report.

Leumi Group's Internal Audit Report for 2017 was submitted to the Audit Committee on March 19 2018, discussed by the Committee on March 21 2018 and submitted to the Board of Directors on March 25 2018.

A bi-annual compilation of audit reports and records for the first half of 2018 was submitted to the Audit Committee on August 15 2018 and discussed by the Committee on August 19 2018, submitted to the Board of Directors on August 23 2018, and reported on August 28 2018.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

Sale of State-Owned Leumi Shares

On July 16 2018, the Knesset Finance Committee announced that on July 16 2018, the Knesset Finance Committee approved the sale of the remaining Bank Leumi shares held by the State, i.e., the sale of Bank Leumi shares constituting 5.83 percent of the Bank's share capital. According to the announcement, the Accountant General at the Ministry of Finance stated that as part of the sale, the State would meet its obligations to the Bank's employees with regard to the option to sell 10 percent of the sold shares to Bank Leumi employees at a 25 percent discount.

On September 5 2018, the Bank received a notice from the Ministry of Finance regarding the completion of the transaction for the sale of 81,037,614 ordinary shares of NIS 1.00 par value each of the Bank held by the State to Citigroup Global Markets Limited at a price of NIS 23.38 per share, for a total of NIS 1,894,659,415, after which the State would still hold 7,793,155 ordinary shares of NIS 1.00 par value each for sale to the Bank's employees. Accordingly, on September 5 2018, the Government of Israel - on behalf of the State of Israel - ceased to be an interested party in the Bank. Under Leumi's privatization agreements from 2006, the Bank's employees are entitled to purchase a portion of Leumi's shares from the State of Israel in case the State disposes of some of its holdings, at a 25 percent discount.

For more information, please see the immediate reports dated September 5 2018 (Ref. Nos. 2018-01-085491, 2018-01-085455 and 2018-01-084993).

On August 22 2018, Altshuler Shaham Ltd. ceased to be an interested party in the Bank (for more information, please see the immediate report dated August 22 2018 (Ref. No. 2018-01-080142).

On September 6 2018, Altshuler Shaham Ltd. once again became an interested party in the Bank (for more information, please see the immediate report dated September 6 2018 (Ref. No. 2018-01-086154)), and to the best of the Bank's knowledge, as at September 27 2018, Altshuler Shaham Ltd. holds - through entities under its control - 5.42 percent of the Bank's issued share capital and voting rights.

For up-to-date information on interested parties' holdings in the Bank as at September 27 2018, please see the immediate report entitled Status of Holdings of Interested Persons and Senior Officers dated January 8 2018 (Ref. No. 2018-01-093852). See also the report on the list of holders of significant means of control as at March 31 2018, dated April 10 2018 (reference no: 2018-01-036136).

General Annual Meeting

Following the decision of the Bank's Board of Directors on March 25 2018, an immediate report was issued on March 26 2018 regarding the intention to convene an annual general shareholders' meeting, the agenda of which is expected to include the following: (1) Discussion of annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of two external directors in accordance with the Banking Supervision Department's Proper Conduct of Banking Business Directive no. 301 (hereinafter: "External Directors", "Directive 301"); and (4) Appointment of two external directors in accordance with the Companies Law, 5759-1999 (hereinafter: "EDs", the "Companies Law").

For more information, please see the amended immediate report dated March 26 2018 regarding the early notice about the intention to convene an annual general shareholders' meeting and its agenda, which includes several topics, such as the appointment of directors (ref. 2018-01-029917) (hereinafter: the "Early Notice").

Pursuant to the Early Notice published by the Bank and Subsections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941, the Bank received the following:

A. A notice from the Committee for the Appointment of Directors in Banking Corporations in accordance with Section 36A of the Banking (Licensing) Law, 1981 (hereinafter: the "Committee for the Appointment of Directors") dated April 30 2018, which includes a list of candidates to serve as the Bank's directors for election in the Bank's 2018 annual general meeting, as follows:

   (b) Three candidates for an external director position in accordance with the Companies Law: Mr. Yoram Gabbay; Ms. Tamar Gottlieb and Mr. Yair Kaplan.

   (c) Three candidates for the position of external director pursuant to Directive 301: Dr. Shmuel Nir Ben Zvi; Dr. Yoram Turbowicz and Mr. Ohad Marani.

B. Notice from the Committee for the Appointment of Directors dated June 21 2018 regarding the election of Mr. Rafi Danieli as its alternative candidate to serve as ED in the Bank. The Committee's notice comes after a previous candidate, Mr. Yair Kaplan, was disqualified following failure to meet threshold conditions set by the Board of Directors' Audit Committee.

C. A notice by the Altshuler Shaham Group, a shareholder which holds - to the best of the Bank's knowledge, as at the date of filing the notice with the Bank - 76,797,152 of the Bank's shares, which constitute 5.04 percent of the Bank's issued share capital and voting rights (hereinafter: "Altshuler Shaham"), whereby it is proposing Mr. Avi Zigelman as a candidate to serve as ED on the Bank's Board of Directors. Later on, on June 10 2018, an additional notice was filed by Altshuler Shaham, whereby it wishes to withdraw its request to propose a candidate on its behalf, Mr. Avi Zigelman, for the position of ED. According to the notice, the decision was made following the understanding the if Altshuler Shaham's candidate were to be appointed, the Group would be subjected to all the provisions of Proper Conduct of Banking Business Directive No. 312, including a possible increase of the regulatory burden and it fears potential harm to its clients and planholders as a result.

For more information, please see the immediate reports regarding notices of candidates to serve as the Bank's directors published on April 30 2018, June 10 2018 and June 21 2018 (Reference Nos.: 2018-01-042874, 2018-01-049575, and 2018-01-054690).

The Bank's annual general meeting was held on October 4 2018, pursuant to the decision of the Board of Directors made on August 28 2018 and the annual meeting summons report published by the Bank on August 28 2018, in which: 1) The Financial Statements and Report of the Board of Directors and Management as at December 31 2017 were presented. 2) It was decided to reappoint the auditing firms Somekh Chaikin (KPMG) and Kost Forrer Gabbay & Kasierer (EY) as joint external auditors of the Bank for a period that will commence on the date of approval of the current Annual General Meeting through the end of the next Annual General Meeting of the Bank and to authorize the Bank's Board of Directors to set the fees paid thereto. 3) Mr. Yoram Gabbay was elected external director (hereinafter: "ED") pursuant to the provisions of the Companies Law, 1999, for a period of 3 years. Mr. Gabbay's tenure in office shall commence after receipt of approval or notice of non-objection of the Supervisor of Banks. As of the publication date of the financial statements, the Bank has received no approval or non-objection for the appointment of Mr. Gabbay from the Banking Supervision Department. 4) To appoint Ms. Tamar Gottlieb as an ED for an additional 3-year period. A non-objection letter from the Banking Supervision Department was received on October 15 2018, and Ms. Gottlieb's additional term as ED commenced on that date; 5) Dr. Ben Zvi was appointed external director pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter: "External Director"), for an additional 3-year period. On November 5 2018, the Bank received the Supervisor's non-objection letter for Dr. Ben Zvi's appointment as External Director. Dr. Ben Zvi's second tenure in office commenced retroactively from July 29 2018 (the date on which his first tenure in office ended) (for more information, please see the section entitled "Changes in the Board of Directors"). 6) Mr. Ohad Marani was appointed External Director for a period of 3 years. On October 29 2018, the Bank received the Supervisor's non-objection letter for Mr. Marani's appointment as External Director. As a result, on November 1 2018, Mr. Marani began a second term as an External Director in the Bank.

For more information regarding the general meeting, please see the Bank's immediate report dated August 28 2018 regarding the convening of an annual general meeting (Ref. No.: 2018-01-081873) and the Bank's amended immediate report dated October 7 2018 regarding the results of the general meeting (Ref. No.: 2018-01) -092817).

Corporate Governance Risk Assessment Report

At the Bank's request, Entropy Corporate Governance Consulting Ltd. (hereinafter: "Entropy") conducted a risk assessment survey from January to May 2018, for the Bank (hereinafter: the "Survey"). The purpose of the survey is to examine and assess the Bank's corporate governance components, including checking for any gaps, while taking into account the organization's nature, activity, unique needs, accepted practices and best practices and drawing practical conclusions to narrow the gaps and reduce exposures arising therefrom.

The results of the survey were presented to the Bank's Board of Directors after the reporting period. According to the survey, the Bank's corporate governance level was rated Advanced. The Advanced rating is among the highest on Entropy's rating scale. As of the survey date, the Bank's corporate governance score under the model is the highest both compared to all public companies listed on the Tel Aviv Stock Exchange and to the banking industry. Under Entropy's methodology, the Advanced score places the Bank at a low risk for corporate governance failures to occur.

Appointments and Retirements

Appointments

Mr. **Shmulik Arbel**, Head of the Commercial Banking Division and a member of the Bank's management, was appointed Head of the Business Commercial Division as of June 1 2018.

Retirements

Mr. **Kobi Haber**, Head of the Commercial Banking Division and LeumiTech's Chairman of the Board, retired from the Bank on May 31 2018, after 10 years of working at Leumi.

Mr. Yaron Bloch, CEO of Leumi Partners and Leumi Card's Chairman of the Board will leave his position as CEO of Leumi Partners and continue to serve as Leumi Card's Chairman of the Board.

Corporate Structure

Operational Division

As part of the strategic assessment made by the Bank towards centralizing its various operational units, a single operational division will be established during 2019, and later on - an operational department in the Banking Division. As a result, operational units from the Bank's various divisions will report to Mr. Danny Cohen, Head of the Banking Division, who is also responsible for building the Operational Division. The purpose is to bring all operational activities under one roof, in order to provide better service to customers by improving effectiveness, mitigating risk and streamlining.

Investment Advice Department

The department reports to the Strategy and Regulation Division.

Special Credit Department

The department reports to the Risk Management Division.

LeumiTech

Following the substantial growth in activity involving the high-tech industry in the Bank, all units engaged in this activity will work under LeumiTech, reporting to the Business Commercial Division.

Material Agreements

(b) After negotiations with Union Bank regarding the termination of the agreement between the Bank and Union Bank of Israel Ltd. for the provision of computing services to Union Bank, following the acquisition of Union Bank by Mizrahi Tefahot Ltd., on March 29 2018 Union Bank's Board of Directors approved Bank Leumi's offer to extend the separation period by up to 18 additional months, i.e., until no later than June 30 2021, provided that, if Union Bank wishes to terminate the agreement earlier than that date, Bank Leumi shall be given an early notice of at least 24 months. To the extent that there shall be a regulatory restriction on extending the agreement, Union Bank will not be exempt from its obligation to pay Bank Leumi for the services rendered for a period of 24 months from the date of the notice. The extension of the engagement is subject to the approval of the Antitrust Commissioner and the Supervisor of Banks.

(c) On May 15 2018, Maalot Insurance Agency Ltd. – which is wholly-owned by the Bank (hereinafter: the "Agency") – signed an agreement with Harel Insurance Company Ltd. (hereinafter: "Harel") and with Standard Insurance Ltd. of the Harel Group (hereinafter: "Standard"), according to which as of September 2 2018, the Agency shall receive outsourcing services from Standard and will continue to engage in insurance brokering with Harel as a sole insurer of new policies marketed during the agreement period, all in accordance with the manner and terms and conditions prescribed by the signed agreement.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

For more information, please see the 2017 Annual Report.

During the reporting period, several proposals for regulatory amendments and changes in various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Most of the proposals are at various stages of discussion and, consequently, it is impossible to assess whether they will be issued as binding directives and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the impact of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force, which are expected to have a significant effect on the Bank.

Legislation

Insolvency and Economic Rehabilitation Law, 2018

The law was published in the Official Gazette on March 15 2018. The law introduces a reform in insolvency proceedings of individuals and corporations. The law includes provisions for all types of debtors, as well as provisions addressing unique aspects of various types of debtors - individuals and corporations. According to the law, inter alia, a creditor secured by a floating charge will be entitled to repay his secured debt out of the floating charge only up to an amount equal to 75 percent of the value of the pledged assets.

The remaining pledged assets will be used to pay the general debts. This provision will impair the Bank’s floating charges.

The Law shall come into effect 18 months after its publication date and shall apply to relevant proceedings commencing on the effective date and thereafter.

On August 14 2018, pursuant to the Law, a draft of the insolvency and Insolvency and Economic Rehabilitation (Procedure for Applications for an Order to Open Proceedings and the Management of Insolvency and Economic Recovery Procedures), 2019 was published.

Law for Reducing the Use of Cash, 2018

The law was published in the Official Gazette on March 18 2018. The law prescribes restrictions on the use of cash and marketable checks in order to reduce black money and help fight criminal activity, including serious crimes, tax evasion, money laundering and financing of terrorism. The law reflects the recommendations of the inter-ministerial Committee to Examine Reducing the Use of Cash (the Locker Committee).

The law also limits the use of cash to specific amounts, distinguishing between payers and payees who are "dealers" and payers and payees who are “non-dealers", and various types of transactions (such as salaries, donations, gifts and loans).

In addition, the law restricts the use and reassignment of checks, including restrictions that apply to banks cashing the checks.

The law will come into force on January 1 2019; the provisions applicable to the banks will become effective on July 1 2019.

The Bank needs to prepare for all aspects of the law’s implementation.

Securities Law (Amendment No. 63), 2017 – Restructuring of the Tel Aviv Stock Exchange

On April 6 2017, the above amendment was published, with the primary objective of turning the Stock Exchange into a for-profit corporation, with an ownership structure that is separate from access to trading, and which will be a significant competitor for global stock exchanges and alternative trading platforms in Israel and abroad. For this purpose, the Stock Exchange is to undergo a court-sanctioned restructuring process, at the end of which it will turn from a limited liability company to a company with a share capital, which will be divided among the Stock Exchange members.

The court approved the restructuring arrangement on September 7 2017.

Following are the main points of the law:

(d) Access to trading will not be conditioned on having ownership interests in the Stock Exchange, but will rather be based on a contractual engagement between the Stock Exchange and members therein.

(e) On approval of the restructuring by the court, the current ownership interests of Stock Exchange members holding over 5 percent will be rendered dormant, and shall not confer on the members any right whatsoever; the members shall be required to sell any stake in excess of 5 percent within five years of the approval of the above arrangement, or by the date of the Stock Exchange's IPO and its listing, the earlier of the two.

(f) The current Stock Exchange members shall be entitled to compensation for selling their said interests out of the Stock Exchange's share capital only. Current Stock Exchange members who sell their interests will transfer to the Stock Exchange the full difference between the proceeds of the sale and the value of the interests sold by them, in accordance with the Stock Exchange's share capital, pursuant to its 2015 annual financial statements.

(g) No person shall hold a means of control in the Stock Exchange of 5 percent or more unless he/it has received an ownership permit by the Israel Securities Authority. In addition, no person shall control the Stock Exchange unless under a permit granted by the Authority. In any case, a banking corporation and member of the Stock Exchange shall not be entitled to obtain a holding permit or control the Stock Exchange.

(h) The Stock Exchange may distribute dividends to its shareholders.

(i) Corporate governance – most directors will be independent. As long as the members of the Stock Exchange (the banks) hold more than 50 percent, the majority of the independent directors will be appointed by an external committee (the Candidate Search Committee).

(j) The Finance Minister will be authorized to grant and suspend Stock Exchange’s license. Offering securities trading services through a securities trading system is prohibited unless managed by the Stock Exchange.

(k) The Stock Exchange will publish the fees and commissions Stock Exchange members charge their customers using a comparative format, and Stock Exchange members shall be required to report these fees and commissions and any change therein to the Stock Exchange.

Pursuant to the provisions of the law, the Bank is required to sell its stake in the Stock Exchange in excess of 5 percent, according to the outline and schedule prescribed by the law.

On January 18 2018, the Bank filed with the Stock Exchange an offer to sell and transfer its entire stake in the Stock Exchange (the "Offered Shares"), following the Exchange's offer to its shareholders, made on December 28 2017, to purchase their stock.

On April 16 2018, the Exchange informed the Bank it had accepted the Bank's offer (the "Acceptance Notice"). Pursuant to the Acceptance Notice, all the Offered Shares will be sold and transferred to a transferee or several transferees. The Acceptance Notice clarified that the remuneration for the Offered Shares will exceed the price in the Bank's offer, but the difference between the actual remuneration and the total price quoted by the Bank for the Offered Shares will be transferred to the Exchange as required under the above legal provisions. According to the Acceptance Notice, the transaction is subject to regulatory approval and closing.

On August 27 2018, the Stock Exchange notified the Bank that the transaction had been completed. For the abovementioned transaction, the Bank recorded a pretax gain of NIS 47 million in its financial statements for the third quarter of 2018.

The Banking Law (Customer Service), 1981 - Professional Human Response

The law was published in the Official Gazette on July 25 2018.

The amendment requires a banking corporation providing telephone services with an automatic call routing system, to offer customers professional human response for several types of services, after selecting the language or geographical area in which the telephone service is to be provided.

The waiting time for the human response shall not exceed six minutes from the beginning of the call.

Following are types of services for which the requirement is applicable: malfunction handling; checking account information; termination of service.

Customer will not be directed to leaving voicemail messages unless they choose to.

The law shall come into effect 12 months after its publication.

The Bank is reviewing the preparations required and is working to implement them.

Payment Services

On October 15 2018, the Payment Services Bill, 2018 was approved in the first reading.

The bill is intended to replace the Debit Cards Law, 1986, with an up-to-date law that reflects technological developments in the field. It is also based on the principles of the European Payment Service Directive (PSD).

The bill covers the contractual relations and consumer protections which shall apply to payment provision services and seeks to regulate two types of contracts: (1) One type - between a payment service provider (issuer of means of payment or a payment account manager) and the payer; (2) A second system - between the payment service provider (clearing entity or payment account manager) and the beneficiary (payee).

In addition, the bill seeks to prescribe general guidance regarding payment orders, the performance of payment transactions and the liability arrangements governing them.

On August 13 2018, a memorandum of law of the Control of Financial Services (Regulated Financial Services), (Amendment No.) (Provision of Payment Services), 2018 was promulgated. The memorandum of law deals with aspects of the licensing and supervision of entities that provide (or shall provide) payment services in Israel, and constitutes an additional and complementary layer to the said bill.

If passed, the above provisions are expected to require the Bank to make necessary adjustments.

Law of Regulation of Non-Bank Loans (Amendment No. 5), 2017 - Fair Credit Law

Following a description of the law in the 2017 Annual Report, according to which the law will enter into force on November 9 2018, an amendment to the Law was published, according to which the Law's effective date was postponed to the earlier of the following: (a) A period of six months from the date on which the first regulations under the Law were promulgated; (b) Twenty-seven months from the date on which the Law was published.
As detailed in the Annual Report, the Law covers disclosure requirements to borrowers, restrictions on maximum cost of credit and rules regarding early repayment of loans.

Directives issued by the Banking Supervision Department

Amendments to Proper Conduct of Banking Business Directive Provisions regarding E-Banking

On March 22 2018, amendments to the provisions of Proper Conduct of Banking Business Directives 367 and 420 were published. Under the amendments, an additional alternative to identifying a customer opening an e-banking account was provided - using remote visual identification and verification technology. Using this technology will enable the Bank, among other things, to open online accounts for minors aged 16 and customers without a preexisting account. In addition, subject to conducting an adequate risk assessment, the Bank may now use unencrypted e-mail.

On October 7 2018, an amendment was published to Proper Conduct of Banking Business Directives Nos. 367 and 462, which includes additional easements, such as the possibility of granting power of appointment to a portfolio manager license holder online, without the customer's need to reach the branch, and granting customers which are corporations the option to waive explanations regarding matters regulated in portfolio managers' power of appointment, provided such a corporation has signed an appropriate waiver before an attorney on his behalf.

The various easements provided in the directives will enable the Bank to advance and expand the use of digital banking to further boost customer experience, maximize the management of operational risks, streamline its activity, and reduce costs.

Proper Conduct of Banking Business Directive No. 359A regarding outsourcing and Proper Conduct of Banking Business No. 363 regarding managing cyber security risks in the supply chain.

On October 8 2018, the Directive on outsourcing was published. The purpose of the Directive is to enable banking corporations to employ outsourcing, with the aim of increasing accessibility and availability for customers, continue streamlining processes and increase competition in the banking and payments domains, while prescribing the principles banking corporations are to follow in order to reduce their exposure to potential risks embodied in outsourcing.

The directive determines, inter alia, what constitutes outsourcing, lists activities that may not be outsourced, requires due diligence to be performed on service providers and prescribes the manner in which it should be performed, and also requires banks to report to the Banking Supervision Department regarding outsourcing certain activities. In addition, the Directive allows banking corporations to have outsourcers refer households to them for the purpose of securing loans, allowing outsourcers (for example, car agencies) to offer customers to contact a bank when buying a product, subject to the terms prescribed by the Directive.

The Directive shall come into on March 31 2020. A banking corporation which will complete the preparations for all the requirements of the directive prior to the effective date, will be able to implement the directive on the date on which the preparations have been completed. Contracts concluded prior to the Directive's publication will be given an extension period of three and a half years (for a total of five years) to adjust the contracts to the Directive, as needed.

In addition, on April 24 2018, the Banking Supervision Department published a directive on managing cybersecurity risks in the supply chain. The aim of the directive is to establish a banking corporation's responsibility to ensure a secure work environment when working with material suppliers and its duty to manage cybersecurity risks adequately when such outsourcers work on its premises – both on the banking corporation's premises and when using the outsourcers' interfaces with the corporation, inter alia: A requirement to set principles for obligations of material suppliers in respect of cybersecurity risks; duty to set individual requirements in respect of cybersecurity risks in contracts with material suppliers in accordance with the risk assessment and a duty to ensure that the supplier meets these principles; as well as conducting various regular reviews to ensure the suppliers' compliance with the banking corporation's requirements.

It will be incorporated into a directive on outsourcing at a later stage.

The Bank is preparing to implement the directive.

Draft amendment to Proper Banking Management Directive No. 332 on Buybacks by Banking Corporations

For more information, please see the section entitled "Capital and Capital Adequacy".

Operational Efficiency of the Banking System in Israel - Extension of the Validity of the Banking Supervision Department's letters

In recent years, the Banking Supervision Department published two letters regarding the operational efficiency of the banking system. The objective of the letters is to promote efficiency measures in the banking system, proposing easements to banking corporations implementing efficiency programs.

On September 16 2018, the Banking Supervision Department announced the extension of the validity of the aforesaid efficiency letters by 18 additional months, until December 31 2019.

Initiative to Reduce Fees and Commissions for Small- and Micro-Businesses

On October 14 2018, the Banking Supervision Department informed the banking corporations of its intention to publish an amendment to the Banking (Service to Customer) (Fees and Commissions) Regulations, 2008, according to which they shall be required to identify all small businesses which can benefit from switching to one of the current account tracks (packages offering a number of transactions for a fixed fee), and inform them that they have been transferred to such a track.

When the amendment will have passed and becomes effective, it may affect the Bank's income from these fees and commissions.

Draft Amendment to Directive 325 regarding Management of Credit Facilities

On October 29 2018, the Bank of Israel published a draft amendment to Proper Conduct of Banking Business Directive No. 325 regarding management of credit facilities. The main change in the draft is the application of the directive - which hitherto covered only current accounts - to credit card facilities. The Directive also prescribed revised work processes both regarding credit card facilities and current account facilities, including the manner in which the facilities are managed, what constitutes an overdraft line of credit, and the various notices a banking corporation is required to send customers in this context.

If passed, the above amendment is expected to require the Bank to make necessary adjustments.

Directives regarding Credit Cards

Proper Conduct of Banking Business Directives following the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (the "Strum Law"):

On July 4 2018, the Bank of Israel published amendments to Proper Conduct of Banking Business, with the objective of granting the credit companies easements immediately following their split from the banks.

Following are the main points of amendments:

1. Proper Conduct of Banking Business Directive No. 203 (Measurement and Capital Adequacy - Credit Risk - The Standard Approach):

   For measurement and capital adequacy purposes, the banks are to weight the credit they extend to the credit card companies similarly to credit extended to banks.

2. Proper Conduct of Banking Business Directive No. 221 (Liquidity Coverage Ratio):

   A regulatory requirement provides relief in respect of liquidity risk management, so that credit companies will be required to manage their liquidity risk according to an internal model, but will not be required to comply with the regulatory liquidity coverage ratio.

3. Proper Conduct of Banking Business Directive No. 470 (Debit Cards):

   (f) The proceeds of all debit card transactions of a bank-issuer shall be transferred from the bank-issuer to the issuing operator on the date on which the issuing operator is required to transfer the funds to the clearing house, regardless of the customer's charge date and the clearing house. The arrangement will become effective on February 1 2019.

   (g) New operating agreements between a bank-issuer (a large bank) and an issuing operator signed until January 31 2022 require the Supervisor of Banks' approval

On August 1 2018, the Bank of Israel issued an amendment to Proper Conduct of Banking Business Directive No. 313 (Restrictions on the Indebtedness of a Borrower or Group of Borrowers): According to the amendment, a bank's exposure to a "credit card company type group of borrowers" shall not exceed 15 percent of the banking corporation's share capital, similarly to the restriction applicable to the exposure to a "banking borrower group." The Directive will become effective gradually, within 3 years of a credit company's split from the banking corporation.

On October 29 2018, the Bank of Israel published another draft amendment to Proper Conduct of Banking Business Directive No. 470 regarding debit cards. The main change in the draft relates to the manner of applying Section 7G to the Banking Law (Customer Service), which was passed into law as part of the Law for Minimizing Market Centralization and Promoting Economic Competition (the "Strum Law"), according to which a banking corporation shall provide customers, upon demand, information regarding transactions made by way of non-banking debit cards (which are paid for by directly charging the customer's current account in a banking corporation).

The decision of the Antitrust Authority regarding the Cross-Clearing Arrangement

On April 25 2018, the Antitrust Authority published its decision regarding exemption from cartel clearance approval in respect of the cross-clearing arrangement. According to the decision, as of July 1 2021, funds transferred from an issuer to a clearing house in a lump-sum transaction shall be made no later than one day after the transaction's transmission by the merchant.

In addition, on May 16 2018, the Antitrust Authority published its decision regarding the extension of a cartel clearance exemption in respect of cross-clearing by Isracard. Pursuant to the decision, the exemption will be extended until December 31 2023, subject to meeting the conditions set out in the decision, including the conditions stipulated in the abovementioned decision dated April 25 2018.

The above directives on debit cards will affect the Bank's preparations for applying the Law for Minimizing Market Centralization and Promoting Economic Competition in the Israeli Banking Market; they are expected to impact the debit card market in the coming years.

Additional Topics

Various Legislative Initiatives for Increasing Competition in the Retail Credit Market

Recently, special emphasis has been placed on legislation to encourage competition, mainly in the retail credit market. This trend is reflected in various legislative provisions and initiatives which are intended to ease the entry of new players into the market, inter alia, by increasing the resources available to them, providing regulatory easements, and granting reliefs for connecting to the payment and clearing systems.

Following are several examples of provisions aimed at encouraging such competition:

(b) The Law for Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 5767-2017 prescribes the following: It requires large banks (Leumi and Poalim) to sell their credit card companies within a certain period of time; prohibits these banks from operating, issuing or clearing credit card transactions and holding means of control in corporations engaged in such activities; requires the Bank, during a defined transition period, to conduct credit card issuance through external operators; establishes various restrictions which apply to large banks regarding contacting a customer for the purpose of "credit card renewal"; and also requires the banks, during a defined period, to reduce their customers' credit facilities. As a result of the aforementioned law, the Bank is required to sell subsidiary Leumi Card Ltd. within a certain period of time, as determined by the law.

(c) The Supervision of Financial Services (Regulated Financial Services) Law, 5766-2016, which came into force on June 1 2017, provides a comprehensive framework for the regulation of the non-banking and non-institutional credit market in Israel;

(d) Regulating the policy of banking corporations' conduct vis-à-vis customers providing regulated financial services and offering platforms;

(e) The Antitrust Authority's decision to make the communications protocol used for executing debit card transactions available to all market players;

(f) The Bank of Israel's policy regarding the conditions for hosting new clearers over existing clearers' platforms;

(g) Setting general criteria for an applicant for a permit to control and hold means of control in a clearer or credit card company;

(h) Amendment to the Securities Regulation regarding offering of securities through an offering platform, in order to enable corporations to conduct crowdfunding without having to issue a prospectus (Peer to Business Lending - P2B);

(i) Proposal to revise investment rules applicable to financial institutions;

(j) The Bank of Israel has set out a revised policy easing the conditions for the establishment of a new bank (limited to managing deposits and granting loans) and guidelines for license applicants;

(k) Conditions set by the Ministry of Finance for receiving government grants for the setting up a banking IT services bureau;

(l) Draft Banking Ordinance (Licensing) (Increasing the Ceiling under Section 21(b)(8)(a) to the Law), 2018, according to which the maximum nominal value of bonds that a non-bank credit company may issue to the public (in addition to granting credit and subject to other terms and conditions prescribed by law) shall increase from NIS 2.5 billion to NIS 5 billion;

(m) Amendment No. 27 to the Banking (Customer Service) Law, published on March 22 2018 as part of the Economic Plan (Legislative Amendments on Implementing the Economic Policy for the Budget Year 2019) Law. The amendment states that a bank will allow a customer who wishes to transfer his account from one bank to another to do so online, in a convenient, reliable, and secure manner - and without being charged for the procedure, within seven business days from the date on which the original bank received the approval of the bank to which the customer wishes to transfer his/her account, or within another period as determined by the Governor of the Bank of Israel, with the approval of the Minister of Finance.

The Governor may, with the consent of the Minister of Finance, determine that the aforesaid shall not apply to small banks (the value of whose assets is less than 5 percent of the value of the assets of all banks in Israel) or a digital bank, or only after a certain period at the Governor's discretion. The Banking Supervision Department will issue guidelines for implementing the account transfer requirement.

This amendment shall come into force three years from the date of its publication. The Minister of Finance, with the consent of the Governor and approval of the Knesset's Economic Affairs Committee, may postpone the said date by two additional periods of no longer than six months each.

On October 29 2018, the Bank of Israel published Draft Banking Rules (Customer Service) (Transfer of a Customer's Financial Activity between Banks), 2018. The draft details the type of accounts to which the said Amendment 27 shall apply. These amendments, along with initiatives led by the Bank of Israel - such as building a central credit register, encouraging the banking system to improve efficiency and promoting regulation that supports the transition to direct e-banking - are expected to affect the Israeli banking market in the coming years.

The Parliamentary Committee of Inquiry into the Financial System's Conduct in Credit Agreements with Large Business Borrowers

On July 5 2017, the Knesset approved the Knesset Committee's proposal regarding the establishment of a parliamentary committee headed by the Chairman of the Economic Affairs Committee, MK Eitan Cabel, to discuss the conduct of the institutional entities and regulators regarding granting credit to large business borrowers since 2003. The Parliamentary Committee will submit to the Knesset, upon concluding its deliberations, a report outlining its actions and conclusions. The Committee is currently engaged in deliberations. The committee is currently holding its deliberations.

On October 28 2018, the Chairman of the Board of Directors, the President and CEO and the Head of Strategy and Regulatory Affairs Division appeared before the Committee and answered its members' questions.

Automated Banking Services Ltd. (ABS) – Exemption from Cartel Clearance Approval – Decision of the Antitrust Authority dated September 24 2017

On September 24 2017, the Antitrust Authority granted an exemption, under certain conditions, from a cartel clearance approval between ABS and its shareholders, including Bank Leumi. The exemption stipulated, inter alia, the following:

(n) At the beginning of 2018 and at no consideration, ABS shall transfer all of its rights to the EMV Credit Protocol to an association, to be established by ABS and other users, who will join the association as members. As of the date of transferring its rights to the Protocol, ABS will cease to provide services associated with the Protocol (except for operating services for a limited period of time).

(o) The requirements for joining the ABS systems will be equitable. ABS will not refuse a request by any entity to connect to its systems, provided it meets the connection requirements.

(p) A restriction on the distribution of dividends to ABS's shareholders was revoked. As of the end of 2019 or the date on which ABS ceases to provide any services to the association, whichever is earlier, ABS is entitled to distribute a dividend to its shareholders, if the following conditions are met: ABS's rights to the Protocol have been transferred to the association and no shareholder is in possession of more than 10 percent of the means of control in ABS. The decision stipulates a special arrangement with regard to the distribution of retained earnings accrued in ABS as of the resolution date, which shall be transferred to the existing shareholders.

(q) On March 28 2018, pursuant to the aforesaid, and subject to the special arrangement stipulated in the Antitrust Authority's decision regarding the distribution of the retained earnings, ABS distributed dividends to its shareholders. The Bank received a NIS 71.5 million in dividend, of which NIS 64.5 million is held in trust in accordance with the terms of the Antitrust Authority's approval.

Exemption from a cartel clearance approval for Bank Clearing Center Ltd. (MASAV)

On September 20 2018, the Antitrust Authority extended the validity of the exemption decision regarding the give largest banks' joint ownership of Bank Clearing Center Ltd. (MASAV) to March 20 2020

The terms of the exemption decision define the areas of activity in which MASAV may engage.

International Regulation

General Data Protection Regulation – the European privacy protection regulation.

The General Data Protection Regulation (GDPR) is a privacy protection regulation replacing data protection Directive 95/46/EC, which was used until now by European Union member states as a basis for enacting information protection laws.

The GDPR is a comprehensive regulation on privacy, which covers, inter alia, obligations and conditions for processing personal information, rights of information carriers, etc. The regulation became effective on May 25 2018.

The Bank has formulated a policy on the topic and implements it.

Credit Rating

Following are the credit ratings of the State of Israel and the Bank as at November 1 2018:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	Positive	P-1
	S&P	AA-	Positive	A-1+
	Fitch	A+	Stable	F1+
Bank Leumi: Foreign exchange	Moody's	A2	Stable	P-1
	S&P	A-	Positive	A-2
	Fitch	A	Stable	F1
Local rating (in Israel)	S&P Maalot	AAA	Stable	-
	Midroog	Aaa	Stable	P-1

On January 3 2018, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On February 7 2018, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On April 17 2018, credit rating agency Fitch reiterated the State of Israel's rating and rating outlook.

On April 26 2018, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On June 20 2018, credit rating agency Moody's added a new additional rating for banks worldwide - CRR. Leumi's CRR rating was set at A1/P-1.

On July 4 2018, credit rating agency Moody's reiterated the Bank's rating and rating outlook.

On July 13 2018, credit rating agency Moody's upgraded Israel's outlook to Positive.

On August 3 2018, credit rating agency S&P upgraded Israel's long-term credit outlook to AA- and its short-term credit rating to A-1+.

On August 14 2018, credit rating agency Midroog reiterated the Bank's rating and rating outlook.

On October 14 2018, credit rating agency S&P Maalot published a rating for Leumi Card, a subsidiary of the Bank; the rating was ilAA and the outlook - stable.

On October 24 2018, credit rating agency S&P Maalot reiterated the rating for Leumi Card, a subsidiary of the Bank.

On November 7 2018, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On November 7 2018, credit rating agency S&P reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates[(a)] and Analysis of Changes in Interest Income and Expenditures

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the three months ended September 30					
	2018			2017		
	Average outstan-ding balance[(b)]	Interest income	% of income	Average outstan-ding balance[(b)]	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets						
Loans to the public[(c)]						
In Israel	**245,408**	**2,180**	**3.60**	236,851	1,842	3.15
Outside Israel	**24,976**	**305**	**4.97**	22,530	250	4.51
Total[(h)]	**270,384**	**2,485**	**3.73**	259,381	2,092	3.27
Loans to governments						
In Israel	**716**	**8**	**4.54**	646	6	3.77
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**716**	**8**	**4.54**	646	6	3.77
Deposits with banks						
In Israel	**8,659**	**22**	**1.02**	5,907	26	1.77
Outside Israel	**398**	**1**	**1.01**	384	1	1.05
Total	**9,057**	**23**	**1.02**	6,291	27	1.73
Deposits with central banks						
In Israel	**48,954**	**13**	**0.11**	46,081	12	0.10
Outside Israel	**1,443**	**6**	**1.67**	3,347	2	0.24
Total	**50,397**	**19**	**0.15**	49,428	14	0.11
Securities borrowed or purchased under agreements to resell						
In Israel	**1,072**	**-**	**-**	1,006	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,072**	**-**	**-**	1,006	-	-
Bonds - held-to-redemption and available-for-sale[(d)]						
In Israel	**65,462**	**227**	**1.39**	65,052	112	0.69
Outside Israel	**5,233**	**39**	**3.01**	4,692	29	2.50
Total	**70,695**	**266**	**1.51**	69,744	141	0.81
Bonds - held-for-trading[(d)]						
In Israel	**6,885**	**9**	**0.52**	7,822	13	0.67
Outside Israel	**78**	**1**	**5.23**	155	1	2.61
Total	**6,963**	**10**	**0.58**	7,977	14	0.70
Total interest-bearing assets	**409,284**	**2,811**	**2.78**	394,473	2,294	2.35
Noninterest bearing receivables in respect of credit cards	**6,742**			6,987		
Other noninterest bearing assets[(e)]	**35,706**			38,788		
Total assets	**451,732**	**2,811**		440,248	2,294	
Total interest-bearing assets attributed to foreign activities	**32,128**	**352**	**4.46**	31,108	283	3.69

Part B - Average Outstanding Balances and Interest Rates - Liabilities and Capital

	For the three months ended September 30					
	2018			2017		
	Average outstan-ding balance[(b)]	Interest expense	% of expense	Average outstan-ding balance[(b)]	Interest expense	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities						
Deposits from the public						
In Israel	**247,916**	**(394)**	**(0.64)**	244,048	(235)	(0.39)
Demand deposits	**114,286**	**(18)**	**(0.06)**	107,165	(9)	(0.03)
Fixed deposits	**133,630**	**(376)**	**(1.13)**	136,883	(226)	(0.66)
Outside Israel	**14,886**	**(66)**	**(1.79)**	14,993	(37)	(0.99)
Demand deposits	**5,709**	**(20)**	**(1.41)**	5,210	(6)	(0.46)
Fixed deposits	**9,177**	**(46)**	**(2.02)**	9,783	(31)	(1.27)
Total	**262,802**	**(460)**	**(0.70)**	259,041	(272)	(0.42)
Deposits from the Israeli government						
In Israel	**226**	**(1)**	**(1.78)**	141	(1)	(2.87)
Outside Israel	**322**	**-**	**-**	500	-	-
Total	**548**	**(1)**	**(0.73)**	641	(1)	(0.63)
Deposits from central banks						
In Israel	**3**	**-**	**-**	42	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**3**	**-**	**-**	42	-	-
Deposits from banks						
In Israel	**5,439**	**(6)**	**(0.44)**	3,557	(3)	(0.34)
Outside Israel	**93**	**-**	**-**	28	-	-
Total	**5,532**	**(6)**	**(0.43)**	3,585	(3)	(0.34)
Securities borrowed or purchased under agreements to resell						
In Israel	**537**	**-**	**-**	425	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**537**	**-**	**-**	425	-	-
Bonds						
In Israel	**17,511**	**(148)**	**(3.42)**	21,751	(100)	(1.85)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**17,511**	**(148)**	**(3.42)**	21,751	(100)	(1.85)
Total interest-bearing liabilities	**286,933**	**(615)**	**(0.86)**	285,485	(376)	(0.53)
Noninterest bearing deposits from the public	**97,056**			87,006		
Noninterest-bearing payables in respect of credit cards	**6,295**			6,624		
Other noninterest bearing liabilities[(f)]	**26,502**			28,216		
Total liabilities	**416,786**	**(615)**		407,331	(376)	
Total capital resources	**34,946**			32,917		
Total capital commitments and resources	**451,732**	**(615)**		440,248	(376)	
Interest rate spread		**2,196**	**1.92**		1,918	1.82
Net return[(g)] on interest-bearing assets						
In Israel	**377,156**	**1,910**	**2.04**	363,365	1,672	1.85
Outside Israel	**32,128**	**286**	**3.61**	31,108	246	3.20
Total	**409,284**	**2,196**	**2.16**	394,473	1,918	1.96
Total interest-bearing liabilities attributed to operations outside Israel	**15,301**	**(66)**	**(1.74)**	15,521	(37)	(0.96)

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the nine months ended September 30					
	2018			2017		
	Average outstan-ding balance(b)	Interest income	% of income	Average outstan-ding balance(b)	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets						
Loans to the public(c)						
In Israel	**242,243**	**6,676**	**3.69**	235,863	6,123	3.48
Outside Israel	**24,310**	**876**	**4.83**	23,229	713	4.11
Total(h)	**266,553**	**7,552**	**3.80**	259,092	6,836	3.53
Loans to governments						
In Israel	**724**	**24**	**4.44**	629	18	3.83
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**724**	**24**	**4.44**	629	18	3.83
Deposits with banks						
In Israel	**8,447**	**82**	**1.30**	4,707	77	2.19
Outside Israel	**350**	**2**	**0.76**	519	4	1.03
Total	**8,797**	**84**	**1.28**	5,226	81	2.07
Deposits with central banks						
In Israel	**49,372**	**38**	**0.10**	45,656	35	0.10
Outside Israel	**2,179**	**16**	**0.98**	4,771	4	0.11
Total	**51,551**	**54**	**0.14**	50,427	39	0.10
Securities borrowed or purchased under agreements to resell						
In Israel	**999**	**1**	**0.13**	1,038	1	0.13
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**999**	**1**	**0.13**	1,038	1	0.13
Bonds - held-to-redemption and available-for-sale(d)						
In Israel	**65,915**	**565**	**1.14**	62,430	382	0.82
Outside Israel	**5,078**	**107**	**2.82**	5,307	97	2.44
Total	**70,993**	**672**	**1.26**	67,737	479	0.94
Bonds - held-for-trading(d)						
In Israel	**5,930**	**31**	**0.70**	8,703	44	0.67
Outside Israel	**72**	**2**	**3.72**	160	2	1.67
Total	**6,002**	**33**	**0.73**	8,863	46	0.69
Total interest-bearing assets	**405,619**	**8,420**	**2.78**	393,012	7,500	2.55
Noninterest bearing receivables in respect of credit cards	**6,677**			6,676		
Other noninterest bearing assets(e)	**37,549**			37,541		
Total assets(j)	**449,845**	**8,420**		437,229	7,500	
Total interest-bearing assets attributed to foreign activities	**31,989**	**1,003**	**4.20**	33,986	820	3.23

Part B - Average Outstanding Balances and Interest Rates - Liabilities and Capital

	For the nine months ended September 30					
	2018			2017		
	Average outstan-ding balance[b]	Interest expense	% of expense	Average outstan-ding balance[b]	Interest expense	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities						
Deposits from the public						
In Israel	**248,119**	**(1,172)**	**(0.63)**	240,352	(877)	(0.49)
Demand deposits	**113,377**	**(43)**	**(0.05)**	101,761	(24)	(0.03)
Fixed deposits	**134,742**	**(1,129)**	**(1.12)**	138,591	(853)	(0.82)
Outside Israel	**15,488**	**(172)**	**(1.48)**	15,762	(102)	(0.86)
Demand deposits	**5,240**	**(45)**	**(1.15)**	4,779	(16)	(0.45)
Fixed deposits	**10,248**	**(127)**	**(1.66)**	10,983	(86)	(1.05)
Total	**263,607**	**(1,344)**	**(0.68)**	256,114	(979)	(0.51)
Deposits from the Israeli government						
In Israel	**239**	**(3)**	**(1.68)**	160	(3)	(2.51)
Outside Israel	**258**	**-**	**-**	605	-	-
Total	**497**	**(3)**	**(0.81)**	765	(3)	(0.52)
Deposits from central banks						
In Israel	**41**	**-**	**-**	40	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**41**	**-**	**-**	40	-	-
Deposits from banks						
In Israel	**4,926**	**(17)**	**(0.46)**	4,031	(12)	(0.40)
Outside Israel	**66**	**(1)**	**(2.03)**	19	-	-
Total	**4,992**	**(18)**	**(0.48)**	4,050	(12)	(0.40)
Securities borrowed or purchased under agreements to resell						
In Israel	**484**	**(1)**	**(0.28)**	393	(1)	(0.34)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**484**	**(1)**	**(0.28)**	393	(1)	(0.34)
Bonds						
In Israel	**16,223**	**(438)**	**(3.62)**	22,369	(549)	(3.29)
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**16,223**	**(438)**	**(3.62)**	22,369	(549)	(3.29)
Total interest-bearing liabilities	**285,844**	**(1,804)**	**(0.84)**	283,731	(1,544)	(0.73)
Noninterest bearing deposits from the public	**95,792**			87,182		
Noninterest bearing payables in respect of credit cards	**6,274**			6,329		
Other noninterest bearing liabilities	**27,838**			27,635		
Total liabilities[k]	**415,748**	**(1,804)**		404,877	(1,544)	
Total capital resources	**34,097**			32,352		
Total capital commitments and resources	**449,845**	**(1,804)**		437,229	(1,544)	
Interest rate spread		**6,616**	**1.94**		5,956	1.82
Net return[g] on interest-bearing assets						
In Israel	**373,630**	**5,786**	**2.07**	359,026	5,238	1.95
Outside Israel	**31,989**	**830**	**3.47**	33,986	718	2.83
Total	**405,619**	**6,616**	**2.18**	393,012	5,956	2.03
Total interest-bearing liabilities attributed to operations outside Israel	**15,812**	**(173)**	**(1.46)**	16,386	(102)	(0.83)

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Israeli Operations

	For the three months ended September 30					
	2018			2017		
	Average outstan-ding balance[(b)]	Interest income (expenses)	% of income (expense)	Average outstan-ding balance[(b)]	Interest income (expenses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	**46,512**	**442**	**3.86**	47,460	149	1.26
Total interest-bearing liabilities	**31,725**	**(236)**	**(3.01)**	34,617	(90)	(1.04)
Interest rate spread			**0.85**			0.22
Unlinked NIS						
Total interest-bearing assets	**272,542**	**1,644**	**2.43**	266,736	1,612	2.44
Total interest-bearing liabilities	**194,820**	**(107)**	**(0.22)**	198,360	(139)	(0.28)
Interest rate spread			**2.21**			2.16
Foreign currency						
Total interest-bearing assets	**58,102**	**373**	**2.59**	49,169	250	2.05
Total interest-bearing liabilities	**45,087**	**(206)**	**(1.84)**	36,987	(110)	(1.19)
Interest rate spread			**0.75**			0.86
Total activity in Israel						
Total interest-bearing assets	**377,156**	**2,459**	**2.63**	363,365	2,011	2.23
Total interest-bearing liabilities	**271,632**	**(549)**	**(0.81)**	269,964	(339)	(0.50)
Interest rate spread			**1.82**			1.73

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Israeli Operations (cont.)

	For the nine months ended September 30					
	2018			2017		
	Average outstan-ding balance(b)	Interest income (expenses)	% of income (expense)	Average outstan-ding balance(b)	Interest income (expenses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	**45,748**	**1,547**	**4.53**	47,836	1,233	3.45
Total interest-bearing liabilities	**30,946**	**(790)**	**(3.42)**	35,739	(725)	(2.71)
Interest rate spread			**1.11**			0.74
Unlinked NIS						
Total interest-bearing assets	**272,390**	**4,880**	**2.40**	263,341	4,724	2.40
Total interest-bearing liabilities	**196,045**	**(321)**	**(0.22)**	193,510	(438)	(0.30)
Interest rate spread			**2.18**			2.10
Foreign currency						
Total interest-bearing assets	**55,492**	**990**	**2.39**	47,849	723	2.02
Total interest-bearing liabilities	**43,041**	**(520)**	**(1.61)**	38,096	(279)	(0.98)
Interest rate spread			**0.78**			1.04
Total activity in Israel						
Total interest-bearing assets	**373,630**	**7,417**	**2.66**	359,026	6,680	2.49
Total interest-bearing liabilities	**270,032**	**(1,631)**	**(0.81)**	267,345	(1,442)	(0.72)
Interest rate spread			**1.85**			1.77

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2018 vs. 2017 For the three months ended September 30			2018 vs. 2017 For the nine months ended September 30		
	Increase (decrease) due to change[(h)]		Net change	Increase (decrease) due to change[(h)]		Net change
	Quantity	Price		Quantity	Price	
	In NIS millions					
Interest bearing assets						
Loans to the public						
In Israel	**76**	**262**	**338**	**176**	**377**	**553**
Outside Israel	**30**	**25**	**55**	**39**	**124**	**163**
Total	**106**	**287**	**393**	**215**	**501**	**716**
Other interest-bearing assets						
In Israel	**11**	**99**	**110**	**46**	**138**	**184**
Outside Israel	**(9)**	**23**	**14**	**(51)**	**71**	**20**
Total	**2**	**122**	**124**	**(5)**	**209**	**204**
Total interest income	**108**	**409**	**517**	**210**	**710**	**920**
Interest bearing liabilities						
Deposits from the public						
In Israel	**6**	**153**	**159**	**37**	**258**	**295**
Outside Israel	**-**	**29**	**29**	**(3)**	**73**	**70**
Total	**6**	**182**	**188**	**34**	**331**	**365**
Other interest bearing liabilities						
In Israel	**(14)**	**65**	**51**	**(106)**	**-**	**(106)**
Outside Israel	**-**	**-**	**-**	**(1)**	**2**	**1**
Total	**(14)**	**65**	**51**	**(107)**	**2**	**(105)**
Total interest expense	**(8)**	**247**	**239**	**(73)**	**333**	**260**
Total, net	**116**	**162**	**278**	**283**	**377**	**660**

Comments:
(f) The data in the above tables are stated after the effect of derivatives instruments hedging.
(g) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average book balance of loan loss provisions; foreign subsidiaries - based on quarterly opening balances.
(h) Before deducting the average balance of loan loss provisions. Including impaired debts not accruing interest income.
(i) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted/added from the average balance of held-for-trading bonds and available -for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under other comprehensive income, in the "Adjustments in respect of presentation of available-for-sale securities at fair value" item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 170 million (September 30 2017 – NIS (97) million).
(j) Including book balances of derivative instruments, other noninterest accruing assets, non-monetary assets, less loan loss provision.
(k) Including book balances of derivative instruments and non-monetary liabilities.
(l) Net yield – net interest income divided by total interest-bearing assets.
(m) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the old quantity by the price change.
(n) Fees and commissions for the nine-month period in the amount of NIS 267 million were included in interest income from loans to the public (September 30 2017 - NIS 320 million).
(o) Of which, held-for-sale assets in the amount of NIS 8,639 million.
(p) Of which, held-for-sale liabilities in the amount of NIS 6,540 million.