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

Condensed Financial Statements as at September 30 2019

(Unaudited)

This is a translation from the Hebrew. It has been made for convenience purposes alone. In case of any discrepancy, the Hebrew version shall prevail

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
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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 Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual Financial Statements as at December 31 2018. The statements herein should be read in conjunction with the 2018 Annual Report.

Condensed Financial Information and Key Performance Indicators

Key performance indicators (in %)

	As at September 30		As at December 31
	2019	2018	2018
Key performance indicators:			
Return on capital[(c)]	**10.4**	10.2	9.5
Return on average assets[(c)(e)]	**0.80**	0.76	0.72
CET1 capital ratio	**11.73**	11.25	11.07
Leverage Ratio	**7.41**	7.05	7.05
Liquidity coverage ratio	**121**	121	121
Ratio of income[(b)] to average assets[(c)(e)]	**3.05**	3.08	3.05
Efficiency ratio	**55.2**	59.5	60.6
Ratio of net interest income to average assets[(c)(e)]	**1.93**	1.97	1.97
Ratio of fees and commissions to average assets[(c)(e)]	**0.70**	0.91	0.91
Additional performance indicators:			
Ratio of total capital to risk-weighted components[(a)]	**15.55**	14.69	14.54
Equity (excluding non-controlling interests) to total assets ratio	**7.7**	7.7	7.7
Percentage of tax provision from net income, before taxes	**33.8**	33.5	33.0
Loan loss expenses out of average outstanding loans to the public[(f)]	**0.21**	0.15	0.19
Of which: Expenses in respect of collective provision for average outstanding loans to the public[(f)]	**0.20**	0.22	0.26
Net interest income to average outstanding interest-bearing assets (NIM)[(c)]	**2.15**	2.18	2.19
Total revenue to total assets under management by the Group[(b)(c)(d)]	**0.91**	0.90	0.96
Total operating and other expenses to total assets under management by the Group[(c)(d)]	**0.50**	0.54	0.58
Key credit quality indicators:			
Percentage of loan loss provision in respect of loans to the public out of outstanding loans to the public[(f)]	**1.32**	1.36	1.41
Percentage of non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public[(f)]	**1.21**	1.37	1.36
Percentage of net accounting write-offs out of average loans to the public[(f)]	**(0.18)**	(0.07)	(0.09)

(a) Equity - Including non-controlling interests and various adjustments.
(b) Total revenue - Net interest income and noninterest income.
(c) Annualized.
(d) Including off-balance-sheet activities.
(e) Average assets are the total assets - income-generating and others.
(f) Including balances classified as held-for-sale assets and liabilities in comparative figures. For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

Main income statement data

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	In NIS millions				
Net income attributable to the Bank's shareholders	**765**	936	**2,780**	2,569	3,257
Interest income, net	**2,092**	2,196	**6,678**	6,616	8,890
Expenses in respect of loan losses	**181**	198	**451**	314	519
Noninterest income	**1,132**	1,483	**3,881**	3,724	4,871
Of which: Fees and commissions	**800**	1,023	**2,426**	3,068	4,121
Total operating and other expenses	**1,936**	2,045	**5,832**	6,154	8,337
Of which: Salaries and related expenses	**1,043**	1,119	**3,304**	3,412	4,544
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic and diluted net income	**0.52**	0.62	**1.87**	1.69	2.15

Main balance sheet data

	As at September 30		As at December 31
	2019	2018[(a)]	2018[(a)]
	In NIS millions		
Total assets	**454,508**	450,675	460,657
Of which: Cash and deposits with banks	**62,809**	74,789	81,419
Securities	**85,781**	76,861	74,571
Loans to the public, net	**279,678**	267,681	271,173
Total liabilities	**418,905**	415,079	424,496
Of which: Deposits by the public	**358,921**	358,875	364,591
Deposits by banks	**4,317**	5,168	5,210
Bonds, capital notes and subordinated bonds	**20,002**	17,805	17,798
Shareholders' equity	**35,144**	34,760	35,305

(a) Excluding the balances for Leumi Card[1] which were classified as held-for-sale assets and liabilities in 2018. For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

1 Currently Max IT Finance Ltd. (hereinafter: "**Leumi Card**").

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 materialization 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 in accordance with any law.

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

During the first nine months of the year, the Israeli economy grew at an annualized rate of approximately 3.2 percent, compared to the same period last year, mostly due to a relatively quick growth in private consumption and exports, while investment in fixed assets and the public consumption grew at a slower rate than the overall growth rate. The annualized growth rate in the third quarter was approximately 4.1 percent compared to this year's second quarter.

The Global Economy

In October 2019, the International Monetary Fund (IMF) revised its global growth projections for 2019. The revised projections show a slight moderation of 0.2 percent in the current forecast (compared with the previous one from July 2019), to a rate of approximately 3.0 percent in 2019, the lowest rate since the financial crisis years of 2008-9. This is due to the cumulative effect of the US-China trade war which, according to IMF estimates, could detract 0.8 percent from the gross world product (GWP) in 2020, the ongoing Brexit crisis in the UK and the uncertainty of reaching/failing to reach a settlement. The escalation of the trade war, which has been reflected in a series of customs measures imposed by the US since mid-2018, the countermeasures by China, and the development of a currency war, could directly and indirectly harm the world's economies, thus increasing macroeconomic risk. The trade war is also reflected in Japan-Korea and US-Europe relations.

For more information, please see section entitled: "Other Risks" - "Macroeconomic Risk".

All of the above - along with the slowdown already noticeable in most of the large economies, after several years of exceeding the growth potential - have led the world's largest central banks to signal, and some of them also to launch, a highly expansionary monetary policy - a trend change compared to measures taken until recently (on the change of emphasis in Israel's monetary policy in the context of its forward guidance - please see under "Inflation and Monetary Policy" below). The IMF projected US growth for 2019 is expected to be approximately 2.4 percent compared to approximately 2.6 percent in the previous projection. In the Eurozone, the projected growth is approximately 1.2 percent for 2019, a 0.1 percentage point decline compared with the previous projection. The significance of revising

[1] Data sources: Publications by the Central Bureau of Statistics, Bank of Israel, Ministry of Finance, Tel Aviv Stock Exchange.

these projections to figures that are lower than the actual 2018 figures, along with the lower global trade projections in 2019 among the advanced countries - from 2.2 percent in July to 1.2 percent in October - reflects the notion that a growth slowdown is expected in most of the key trading areas of the Israeli economy.

The State Budget and its Funding

In the first nine months of the year, the state budget deficit amounted to approximately NIS 30.9 billion, compared to a deficit of approximately NIS 23.8 billion in the corresponding period last year. The deficit target for the entire 2019 is NIS 40.2 billion, which is about 2.9 percent of the GDP, with the accumulated deficit in the last 12 months ended September 2019 reaching approximately 3.3 percent of the GDP. However, this result was affected by high tax payments in October 2018, due to deferred tax payments from September to October 2018, on the back of the timing of the Jewish High Holidays in 2018. Net of this effect, the deficit would have been 3.8 percent of GDP.

In January 2019, the Minister of Finance submitted to the government a revised forecast of the revenues and expenditures for 2019, bringing the deficit forecast for the coming year to 3.6 percent of GDP (approximately NIS 50 billion). This signifies a deviation of 0.7 percent of GDP from the maximum deficit permitted by law; if reached during the year, the deviation will require various adjustments to reduce the deficit and maintain fiscal stability.

Foreign Trade and Capital Flows

Israel's trade deficit from January to September 2019 reached approximately USD 17.4 billion, vs. approximately USD 15.8 billion in the corresponding 2018 period. The increase in the trade deficit arises from a slight increase in imported goods combined with a decrease in exported goods.

In the first eight months of the year, nonresidents' direct investments in Israel - through the banking system totaled approximately USD 6.5 billion, while nonresidents' financial investments through tradable securities in Israel totaled a negative amount of approximately USD 0.2 billion. On the other hand, total foreign investments by Israeli residents (direct investments through banks in Israel and financial investments in tradable securities) totaled approximately USD 6.7 billion, so that outbound investments were slightly higher than inbound investments in foreign currency.

Exchange Rate and Foreign Exchange Reserves

In the first nine months of the year, the shekel appreciated against the USD by approximately 7.1 percent, and approximately 11.3 percent against the euro.

On examining the effects of the macroeconomic factors, it appears that part of the explanation for this substantial appreciation stems from an increase in the current account surplus of the payments balance of Israel. In the first half of the year (the figure known as at the publication of the report), this surplus totaled USD 7.0 billion (based on data net of seasonality) compared to a surplus of USD 3.6 billion in the same period last year.

The Bank of Israel's foreign exchange reserves totaled, as at the end of September 2019, approximately USD 119.5 billion vs. approximately USD 115.3 billion as at the end of December 2018.

From January to September 2019, the Bank of Israel purchased foreign currency in the amount of approximately USD 88 million.

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) was up 0.6 percent in January to September and 0.3 percent in the 12 months ending in September 2019, a rate that is below the lower band of the government's price stability target (1-3 percent).

The "known" CPI was up 0.5 percent in the first nine months of the year.

The Bank of Israel interest rate, which is 0.25 percent, remained unchanged during the reporting period. However, compared to previous announcements by the Monetary Committee, there was a textual change the Committee's forward guidance in its October 7 interest rate announcement. The announcement now reads as follows: "The Monetary Committee assessment is that in view of the inflation environment in Israel, the monetary policies of central banks, the slowing in the global economy, and the continued appreciation of the shekel, it will be necessary to leave the interest rate at its current level for a prolonged period, or to reduce it in order to support a process at the end of which inflation will stabilize around the midpoint of the target range, and so that the economy will continue to grow strongly." Moreover, if necessary, the Committee will take additional steps to make monetary policy even more accommodative".

Israel’s Capital Market

The Shares and Convertible Securities Index was up by approximately 11.6 percent during the first nine months of 2019, following an approximately 3.9 percent decrease in 2018, against the back of similar trends in stock exchanges around the word, particularly in the US.

The average daily trade volume of shares and convertible securities was down by approximately 21.0 percent in the first nine months of the year compared with the 2018 average, totaling approximately NIS 1.259 billion.

The government bond market in January to September was characterized by sharp appreciation, in view of the expectations for continued expansionary monetary policy in Israel and around the world. The CPI-Linked Government Bond Index was up approximately 9.3 percent, while the non-linked Government Bond Index was up by approximately 7.3 percent.

The Non-Government (corporate bonds) CPI-Linked Bond Index in January to September 2019 was up by approximately 7.5 percent, following an approximately 0.8 percent decrease in 2018.

Financial Assets Held by the Public

The value of the public's financial assets portfolio as at the end of August 2019 was NIS 3,925 billion, a 6.9 percent increase compared to December 2018. The weight of the shares (Israeli and foreign) out of the Israeli public's financial asset portfolio was 23.3 percent at the end of August 2019, compared to 22.6 percent at the end of December 2018.

Material Changes in Financial Statement Items

The **net income** attributable to shareholders (hereinafter: the "**net income**") in the first nine months of 2019 (hereinafter: the "**Reporting Period**") amounted to NIS 2,780 million compared to NIS 2,569 million in the same period last year, an 8.2 percent increase.

The return on equity in the reporting period was 10.4 percent compared to 10.2 percent in the first nine months of last year. Net of the effect of Leumi Card, the return on equity in the reporting period was 9.6 percent, similarly to the corresponding period last year.

The return on capital in the third quarter of 2019 was 8.7 percent compared with 11.2 percent in the corresponding period last year. Net of the effect of Leumi Card on the return on equity in the third quarter of 2018 was 10.6 percent. For more information, please see below in the Report of the Board of Directors and Management (hereinafter: "**Pro Forma Information Excluding Leumi Card**").

Both for the reported period and the quarter, in comparison to the same periods last year, the results were adversely affected by the variance in the consumer price index (CPI) in each of the periods. The CPI in the first nine months of the year stood at a rate of 0.5 percent compared to a rate of approximately 1.1 percent in the same period last year. The CPI for the third quarter was a negative 0.7 percent compared to a positive CPI of 0.2 percent in the same quarter last year. For more information, please see section entitled "Net Interest Income."

The **Common Equity Tier 1 (CET1)** to risk components ratio as at September 30 2019 was 11.73 percent. The total capital ratio as at September 30 2019 was 15.55 percent.

On November 26 2019, the Board of Directors approved a dividend of 40% of the net income of the third quarter of 2019. The dividend amount approved for the quarter totals approximately NIS 306 million. The cumulative dividend for the first nine months of the year totaled approximately NIS 1,112 million.

It should be noted that as part of the Bank's buyback plan - which was approved in May 2019 and which ended on November 21 2019 – shares totaling NIS 700 million were purchased. For more information, please see section entitled "Equity and Capital Adequacy".

Net interest income in the first nine months of 2019 was up by NIS 287 million, a 4.5 percent increase over the Pro Forma Information Excluding Leumi Card in the same period last year. The increase in net interest income mainly arises from an increase in the average outstanding loans to the public and an increase in the return on interest-bearing assets.

Loan loss expenses for the first nine months of 2019 reflect an expense rate of 0.21 percent of the average outstanding loans to the public, net vs. a 0.12 percent expense rate in the same period last year, based on the Pro Forma Information Excluding Leumi Card. The increase in the expense rate stems mainly from increase in the scope of activity, decrease in collections and reclassification.

Noninterest financing income in the first nine months of 2019 totaled NIS 1,303 million, compared with a total of NIS 594 million in the corresponding period last year. The first nine months of 2019 was affected by the sale of Leumi Card for NIS 314 million, from the effect of the sale of Super-Pharm for a total of NIS 71 million, from the effect of the sale of ABS and a revaluation totaling of NIS 52 million, and from the effect of derivatives and exchange rate differences. The income in the corresponding period last year included gains on the sale of Avgol Industries totaling approximately NIS 121 million and a gain on the sale of the Tel Aviv Stock Exchange totaling approximately NIS 47 million.

Operating and other fees and commissions decreased by NIS 28 million in the first nine months of 2019 based on the Pro Forma Information Excluding Leumi Card in the same period last year, mostly as a results of fees and commissions in respect of distribution of financial products.

Other income totaled NIS 152 million compared to NIS 62 million last year. Most of the increase stems from a gain on the sale of buildings.

Operating and other expenses in the first nine months of 2019 based on the Pro Forma Information Excluding Leumi Card in the same period last year of NIS 173 million, a 3.1 percent increase.
Salaries and related expenses were up by NIS 106 million, mostly on the back of higher provisions for bonuses, which also include the one-time sign-on bonus granted in respect of the signing of the collective salary agreement. Other operating expenses increased by NIS 67 million, mainly due to recording of a one-time accounting loss of NIS 54 million, recorded due to the exchange of bonds series, as detailed in the section entitled "Equity and Capital Adequacy".

The efficiency ratio for the first nine months of the year continued to improve, reaching 55.2 percent. Net of the effect of the gain on the sale of Leumi Card, the efficiency ratio in the first quarter was 56.9 percent, compared with 59.6 percent based on the Pro Forma Information Excluding Leumi Card in the same period last year.

The corporation's share in associates, after tax in the first nine months of the year totaled losses in the amount of NIS 22 million, mostly on the back of provisions for impairment in respect of investments in associates recorded in the first quarter of the year.

Basic earnings per share attributable to shareholders in the reporting period totaled NIS 1.87 compared to NIS 1.69 per share in the corresponding period last year.

Material Developments in Income, Expenses and Other Comprehensive Income

Change in net income in the third quarter of 2019 compared to the corresponding period last year

	For the three months ended September 30		Change	
	2019	2018		
	In NIS millions		In NIS millions	In %
Interest income, net	**2,092**	2,196	(104)	(4.7)
Expenses for loan losses	**181**	198	(17)	(8.6)
Noninterest income	**1,132**	1,483	(351)	(23.7)
Operating and other expenses	**1,936**	2,045	(109)	(5.3)
Profit before taxes	**1,107**	1,436	(329)	(22.9)
Provision for taxes	**324**	515	(191)	(37.1)
Profit after taxes	**783**	921	(138)	(15.0)
The Bank’s share in the profits (losses) of associates	**(8)**	35	(43)	-
Net income attributable to non-controlling interests	**(10)**	(20)	10	50.0
Net income attributable to the Bank's shareholders	**765**	936	(171)	(18.3)
Return on equity (in %)	**8.7**	11.2		
Basic earnings per share (NIS)	**0.52**	0.62		

Change in the net income in the first nine months of 2019 compared to corresponding period last year

	For the nine months ended September 30		Change	
	2019	2018		
	In NIS millions		In NIS millions	In %
Interest income, net	**6,678**	6,616	62	0.9
Expenses for loan losses	**451**	314	137	43.6
Noninterest income	**3,881**	3,724	157	4.2
Operating and other expenses	**5,832**	6,154	(322)	(5.2)
Profit before taxes	**4,276**	3,872	404	10.4
Provision for taxes	**1,444**	1,298	146	11.2
Profit after taxes	**2,832**	2,574	258	10.0
The Bank’s share in the profits (losses) of associates	**(22)**	47	(69)	-
Net income attributable to non-controlling interests	**(30)**	(52)	22	42.3
Net income attributable to the Bank's shareholders	**2,780**	2,569	211	8.2
Return on equity (in %)	**10.4**	10.2		
Basic earnings per share (NIS)	**1.87**	1.69		

Net income development by quarter

	2019	2018					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Interest income, net	**2,092**	2,466	2,120	2,274	2,196	2,414	2,006
Expenses (income) in respect of loan losses	**181**	288	(18)	205	198	(14)	130
Noninterest income	**1,132**	1,194	1,555	1,147	1,483	1,149	1,092
Operating and other expenses	**1,936**	1,950	1,946	2,183	2,045	2,133	1,976
Profit before taxes	**1,107**	1,422	1,747	1,033	1,436	1,444	992
Provision for taxes	**324**	499	621	321	515	521	262
Profit after taxes	**783**	923	1,126	712	921	923	730
The Bank’s share in the profits (losses) of associates	**(8)**	10	(24)	(11)	35	2	10
Net income attributable to non-controlling interests	**(10)**	(10)	(10)	(13)	(20)	(22)	(10)
Net income attributable to the Bank's shareholders	**765**	923	1,092	688	936	903	730
Return on equity (in %)	**8.7**	10.6	12.7	8.1	11.2	11.1	9.0
Basic earnings per share (NIS)	**0.52**	0.62	0.73	0.46	0.62	0.59	0.48

Leumi Card[1]

On July 28 2018 - in accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel 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 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. On February 25 2019, the sales transaction was completed, after the conditions precedent thereto were fulfilled.

Consolidated pro forma income statement, excluding the effect of Leumi Card[(a)]

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	In NIS millions				
Interest income	**2,526**	2,729	**8,761**	8,193	11,030
Interest expense	**434**	614	**2,083**	1,802	2,447
Interest income, net	**2,092**	2,115	**6,678**	6,391	8,583
Expenses in respect of loan losses	**181**	172	**451**	236	403
Interest income, net of loan loss expenses	**1,911**	1,943	**6,227**	6,155	8,180
Noninterest income					
Noninterest finance income	**305**	454	**1,303** (b)	595	684
Fees and commissions	**800**	805	**2,426**	2,454	3,304
Other income	**27**	6	**152**	62	68
Total noninterest income	**1,132**	1,265	**3,881**	3,111	4,056
Operating and other expenses					
Salaries and related expenses	**1,043**	1,046	**3,304**	3,198	4,245
Buildings and equipment - Maintenance and depreciation	**379**	363	**1,124**	1,109	1,495
Other expenses	**514**	455	**1,404**	1,352	1,904
Total operating and other expenses	**1,936**	1,864	**5,832**	5,659	7,644
Profit before taxes	**1,107**	1,344	**4,276**	3,607	4,592
Provision for profit tax	**324**	474	**1,444**	1,203	1,504
Profit after tax	**783**	870	**2,832**	2,404	3,088
The banking corporation's share in associates' profits (losses), after tax	**(8)**	31	**(22)**	41	30
Before attribution to non-controlling interests	**775**	901	**2,810**	2,445	3,118
Attributable to non-controlling interests	**(10)**	(7)	**(30)**	(12)	(19)
The banking corporation's share in Leumi Card's results	**-**	42	**-**	136	158
Attributable to the Bank's shareholders	**765**	936	**2,780**	2,569	3,257

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi Card.
(b) Including a NIS 314 million gain on the sale of Leumi Card (before tax effect).

Comment: In the first nine months of 2019 the return on equity net of the effect of Leumi Card was 9.6 percent, similarly to the corresponding period last year and 9.0 percent in the entire 2018.

For more information regarding comparative results of the held-for-sale operation, please see section entitled "Major Investees" - Leumi Card" and Note 36F to the Financial Statements as at December 31 2018.

1 Currently Max IT Finance Ltd. (hereinafter: "**Leumi Card**").

Interest income, net

Interest income, net of the Leumi Group, based on the Pro Forma Information Excluding Leumi Card in the first nine months of 2019, were up by approximately NIS 287 million compared to the same period last year, a 4.5 percent increase. The increase in interest income mainly arises from an increase in the average outstanding loans to the public and an increase in the return on interest-bearing assets. Net interest income in the first nine months of the year and of the corresponding period last year were positively affected by the CPI by NIS 91 million and NIS 241 million in corresponding period last year, respectively. The CPI for the first nine months of the year and the corresponding period last year was a positive 0.5 percent and 1.1 percent, respectively.

In the third quarter of the year, based on the Pro Forma Information Excluding Leumi Card, the net interest income was down by NIS 23 million, a 1.1 percent decrease over the same period last year. The decrease in the interest income, net arises mainly from the negative effect of the change in the CPI, which totaled NIS 118 million, compared with a positive effect of NIS 33 million in last year's corresponding quarter. The CPI for the third quarter of the year was a negative 0.7 percent and a positive rate of 0.2 percent for the same quarter last year

The ratio of net interest income to the average balance of interest-bearing assets (net return on interest-bearing assets) in the first nine months of the year was 2.15 percent, compared with 2.12 percent in the corresponding period last year, based on the Pro Forma Information Excluding Leumi Card. The ratio in the corresponding period last year, including Leumi Card, is 2.18 percent.

The net return on interest-bearing assets in the third quarter of the year is 2.03 percent, compared with 2.10 percent in the corresponding period last year, based on the Pro Forma Information Excluding Leumi Card. The ratio in the corresponding period last year, including Leumi Card, is 2.16 percent.

The total **interest spread** in the reporting period was 1.91 percent, compared with a 1.88 percent spread in the corresponding period last year, based on the Pro Forma Information Excluding Leumi Card. The ratio in the corresponding period last year is 1.94 percent.

The following table presents interest spread information by segment:

In the interest spread indices segment in the reporting period was 0.95 percent, compared with a 1.11 percent spread in the corresponding period last year. In the foreign exchange segment, the interest spread in the reporting period was 0.82 percent, compared with 0.78 percent in the corresponding period last year. In the non-linked NIS segment, the interest spread in the reporting period was 2.21 percent, compared with 2.18 percent in the corresponding period last year. Based on the Pro Forma Information Excluding Leumi Card, the interest spread in the non-linked shekel segment in the corresponding period last year was 2.09 percent.

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

Expenses for Loan Losses

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Expense (income) in respect of loan losses - Specific	**17**	(135)	152	+
Expenses in respect of loan losses - Collective	**434**	449	(15)	(3.3)
Total expense for loan losses	**451**	314	137	43.6
Of which:				
Loan loss expenses in respect of commercial credit risk	**327**	130	197	+
Loan loss expenses for credit risk in respect of housing loans	**14**	26	(12)	(46.2)
Loan loss expenses for other credit risk for private individuals	**112**	160	(48)	(30.0)
Loan loss income in respect of credit risk to banks and governments	**(2)**	(2)	-	-
Total expense for loan losses	**451**	314	137	43.6
Ratios (in %):[(a)]				
Percentage of specific loss (income) for loan losses out of the average outstanding loans to the public	**0.01**	(0.06)	0.07	+
Percentage of expenses for loan losses, gross out of recorded average outstanding loans to the public	**0.21**	0.15	0.06	40.00
Percentage of net write-offs in respect of loans to the public out of the average outstanding loans to the public	**(0.22)**	(0.06)	(0.16)	-
Percentage of net write-offs in respect of loans to the public out of the outstanding loan loss provisions for loans to the public	**(5.46)**	(4.15)	(1.31)	31.57

(a) Last year's first nine months results, net of the effect of Leumi Card, are as follows: The percentage of specific income for loan losses out of the average outstanding loans to the public was (0.06); the percentage of expense for gross loan losses out of the average recorded outstanding loans to the public was 0.12; the percentage of net write-offs for the average outstanding loans to the public was (0.07); the percentage of net write-offs for loans to the public out of the loan loss provision for loans to the public was (5.79).

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Expense (income) in respect of loan losses - Specific	**68**	73	(124)	(56)	-	(71)	(64)
Expenses in respect of loan losses - Collective	**113**	215	106	261	198	57	194
Total expense (income) in respect of loan losses	**181**	288	(18)	205	198	(14)	130
Of which:							
Loan loss expenses (income) for credit risk in respect of commercial credit risk	**147**	202	(22)	117	114	(47)	63
Loan loss expenses (income) for credit risk in respect of housing loans	**(2)**	25	(9)	6	22	(2)	6
Loan loss expenses for other credit risk for private individuals	**38**	60	14	80	62	35	63
Loan loss expenses (income) for credit risk in respect of banks and governments	**(2)**	1	(1)	2	-	-	(2)
Total expense (income) in respect of loan losses	**181**	288	(18)	205	198	(14)	130
Ratios (in %):[(b)]							
Percentage of specific expense (income) for loan losses out of average outstanding loans to the public[(a)]	**0.10**	0.10	(0.18)	(0.09)	-	(0.11)	(0.10)
Percentage of expenses (income) for gross loan losses out of average outstanding loans to the public[(a)]	**0.26**	0.41	(0.03)	0.30	0.29	(0.02)	0.19
Percentage of net write-offs in respect of loans to the public out of average outstanding loans to the public[(a)]	**(0.29)**	(0.29)	(0.09)	(0.08)	(0.17)	(0.09)	(0.04)
Percentage of net write-offs in respect of loans to the public out of the outstanding loan loss provision in respect of loans to the public[(a)]	**(19.66)**	(19.66)	(6.48)	(5.54)	(11.94)	(6.60)	(2.80)

(a) Including balances classified as held-for-sale assets (comparative figures). For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

(b) The third quarter results of 2018, net of the Leumi Card affect, are: The percentage of specific income for loan losses out of the average outstanding loans to the public was 0; the percentage of expense for gross loan losses out of the average recorded outstanding loans to the public was 0.25; the percentage of net write-offs for the average outstanding loans to the public was (0.14); the percentage of net write-offs for loans to the public out of the loan loss provision balance for loans to the public was (10.67).

For more information regarding loan loss expenses, please see Note 6 and Note 13.

Noninterest Income

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Noninterest finance income	**1,303**	594	709	+
Fees and commissions[(a)]	**2,426**	3,068	(642)	(20.9)
Other income	**152**	62	90	+
Total	**3,881**	3,724	157	4.2

(a) Based on the Pro Forma Information Excluding Leumi Card, fees and commissions decreased by NIS 28 million compared to the corresponding period last year.

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Noninterest finance income	**305**	333	665	88	454	89	51
Fees and commissions	**800**	817	809	1,053	1,023	1,022	1,023
Other income	**27**	44	81	6	6	38	18
Total	**1,132**	1,194	1,555	1,147	1,483	1,149	1,092

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first nine months of the year was 36.8 percent, compared with 36.0 percent in the corresponding period last year and 35.4 percent for the 2018 full year.

Breakdown of noninterest finance income

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Income in respect of derivatives and net exchange rate differences for non-trading activities	**577**	276	301	+
Gains (losses) on sale of available-for-sale bonds, net	**152**	(7)	159	+
Gains and dividend from not held for trading equity securities[(c)(d)]	**91**	111	(20)	(18.0)
Gain on sale of investees' equity securities[(b)]	**287**	127	160	+
Gains on sold loans, net	**15**	-	15	-
Net income in respect of derivatives for trading activities	**50**	32	18	56.3
Realized and unrealized gains from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)]	**131**	55	76	+
Total	**1,303**	594	709	+

(a) Realized and unrealized gains from fair value adjustments of held-for-trading bonds and equity securities, net, mainly include the effect of exchange rate differences.
(b) The first nine months' period of 2019 - includes gain of NIS 314 million from the sale of Leumi Card and NIS 71 million (before tax effect) from the sale of Super-Pharm (before tax effect), less loss on the sale of the Romanian office in the amount of NIS 99 million.
(c) The first nine months' period of 2019 includes a gain on the sale of ABS equity and approximately NIS 52 million revaluation (before tax effect).
(d) As at December 31 2018 - presented as available-for-sale equity securities.

	2019	2018					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Net income (expense) in respect of derivatives and net exchange rate differences for non-trading activities	**285**	73	219	(184)	240	98	(62)
Gains (losses) on sale of available-for-sale bonds, net	**118**	32	2	(3)	(21)	(11)	25
Gains (losses) and dividend from not held-for-trading equity securities[(b)]	**(32)**	63	60	60	80	31	-
Gains (losses) on sale of investees' equity	**(97)**	70	314	96	121	7	(1)
Gains on sold loans, net	**15**	-	-	-	-	-	-
Net income (expenses) in respect of derivatives for trading activities	**(53)**	78	25	114	50	(37)	19
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)]	**69**	17	45	5	(16)	1	70
Total	**305**	333	665	88	454	89	51

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and equity securities, net, also include the effect of exchange rate differences.
(b) As at December 31 2018 - presented as available-for-sale equity securities.

Breakdown of fees and commissions

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Account management	**519**	528	(9)	(1.7)
Activity in securities and certain derivatives	**481**	489	(8)	(1.6)
Credit cards[(a)]	**230**	843	(613)	(72.7)
Handling of credit	**144**	135	9	6.7
Financial products distribution fees and commissions	**222**	238	(16)	(6.7)
Exchange differences	**273**	270	3	1.1
Loan fees and commissions	**326**	326	-	-
Other fees and commissions	**231**	239	(8)	(3.3)
Total fees and commissions[(b)]	**2,426**	3,068	(642)	(20.9)

(a) Based on the Pro Forma Information Excluding Leumi Card, credit card fees and commissions were similar to the same period last year.
(b) Based on the Pro Forma Information Excluding Leumi Card, fees and commissions decreased by NIS 28 million compared to the corresponding period last year.

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Account management	**172**	172	175	188	174	175	179
Activity in securities and certain derivatives	**163**	158	160	149	155	166	168
Credit cards	**74**	85	71	286	299	276	268
Handling of credit	**44**	45	55	51	42	47	46
Financial products distribution fees and commissions	**76**	76	70	78	79	79	80
Exchange differences	**91**	91	91	91	89	87	94
Loan fees and commissions	**103**	114	109	128	107	110	109
Other fees and commissions	**77**	76	78	82	78	82	79
Total fees and commissions	**800**	817	809	1,053	1,023	1,022	1,023

Breakdown of other income

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Gains on severance pay reserve	**20**	15	5	33.3
Other income, including on sale of buildings and equipment	**132**	47	85	+
Total	**152**	62	90	+

	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Gains (losses) on severance pay fund	**3**	9	8	(7)	6	6	3
Other income, including on sale of buildings and equipment	**24**	35	73	13	-	32	15
Total	**27**	44	81	6	6	38	18

Operating and Other Expenses

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses[(a)]	**3,304**	3,412	(108)	(3.2)
Depreciation and amortization	**447**	425	22	5.2
Maintenance expenses for buildings and equipment	**677**	742	(65)	(8.8)
Other expenses	**1,404**	1,575	(171)	(10.9)
Total operating and other expenses	**5,832**	6,154	(322)	(5.2)

(a) Salaries and related expenses in respect of the Pro Forma Information Excluding Leumi Card were up NIS 106 million compared to the corresponding period last year.

	2019	2018					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and related expenses	**1,043**	1,125	1,136	1,132	1,119	1,225	1,068
Depreciation and amortization	**152**	147	148	146	139	126	160
Maintenance expenses for buildings and equipment	**227**	223	227	256	241	250	251
Other expenses	**514**	455	435	649	546	532	497
Total operating and other expenses	**1,936**	1,950	1,946	2,183	2,045	2,133	1,976

The operating expenses in the first nine months of 2019 constitute 55.2 percent of total income, compared with 59.5 percent in the corresponding period last year and 60.6 percent in the entire 2018. Net of the effect of the sale of Leumi Card and based on the Pro Forma Information Excluding Leumi Card, the efficiency ratio is 56.9 percent compared to 59.6 percent in the corresponding period last year and 60.5 percent in the entire 2018.

The efficiency ratio in the third quarter of 2019 is 60.0 percent compared to 55.6 percent in the corresponding period last year. Net of the irregular accounting expense in the quarter as a result of the bonds series exchange, the efficiency ratio is 58.4 percent compared to 55.1 percent last year and relative to the Pro Forma Information Excluding Leumi Card.

Total (annualized) operating and other expenses constitute 1.71 percent of total assets, compared with 1.82 percent in the corresponding period last year and 1.81 percent in the entire 2018.

Salary expenses

	For the nine months ended September 30			
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Salaries and related expenses	**3,043**	3,141	(98)	(3.1)
Pension, severance and retirement expenses	**261**	271	(10)	(3.7)
Total salary expenses	**3,304**	3,412	(108)	(3.2)

	2019	2018					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and related expenses	**953**	1,035	1,055	1,055	1,028	1,134	979
Pension, severance and retirement expenses	**90**	90	81	77	91	91	89
Total salary expenses	**1,043**	1,125	1,136	1,132	1,119	1,225	1,068

Summary of the Comprehensive Income Statement

Since the beginning of 2019, the discount rate for liabilities for employees decreased from a rate of 2.74 percent to a rate of 1.55 percent, leading to an increase in liabilities to employees, as detailed in Note 8 to the financial statements. On the other hand, the fair value of available-for-sale bonds was up. As a result, the other comprehensive loss for the first nine months of the year totaled NIS 1,382 million, with NIS 694 million of which recorded as "other comprehensive loss" in the third quarter of the year.

Changes in accumulated other comprehensive income (loss) for the three-month periods ended September 30 2019 and 2018 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Net translation adjustments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for under the equity method	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at June 30 2018	(157)	(119)	(36)	(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	(159)	(127)	(26)	(2,303)	(2,615)	(48)	(2,567)
Balance as at June 30 2019	226	(147)	(6)	(2,934)	(2,861)	(33)	(2,828)
Net change during the period	**265**	**(41)**	**(2)**	**(927)**	**(705)**	**(11)**	**(694)**
Balance as at September 30 2019	**491**	**(188)**	**(8)**	**(3,861)**	**(3,566)**	**(44)**	**(3,522)**

Please see comments below.

Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30 2019 and 2018 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Net translation adjustments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for under the equity method	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2017	104	(170)	(39)	(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	(159)	(127)	(26)	(2,303)	(2,615)	(48)	(2,567)
Balance as at December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	**835**	**(115)**	**1**	**(2,121)**	**(1,400)**	**(18)**	**(1,382)**
Cumulative effect for first-time application of US GAAP[e]	**(27)**	**-**	**-**	**-**	**(27)**	**-**	**(27)**
Gain on sale of subsidiaries' equity	**-**	**-**	**-**	**23**	**23**	**4**	**19**
Balance as at September 30 2019	**491**	**(188)**	**(8)**	**(3,861)**	**(3,566)**	**(44)**	**(3,522)**

Changes in accumulated other comprehensive income (loss) for the year ended December 31 2018 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Net translation adjust-ments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for under the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2017	104	(170)	(39)	(2,950)	(3,055)	(4)	(3,051)
Net change during the year[d]	(421)	110	30	1,187	906	18	888
Sale of equity in subsidiaries to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance as at December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)

(a) Adjustments arising from 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) Adjustments in respect of employee benefits include the costs of the implemented voluntary retirement program.
(d) Including balances classified as held-for-sale assets. For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - "Financial Instruments", including updates thereof. Please see Note 1.B.1.

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

The **total assets of** the Leumi Group as at September 30 2019 amounted to NIS 454.5 billion, compared to NIS 460.7 billion as at the end of 2018 - a 1.3 percent decrease, and compared to September 2018 - a 0.9 percent increase.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approximately NIS 96.1 billion, 21.1 percent of the total assets. In the first nine months of 2019, the shekel appreciated against the US dollar by 7.1 percent, appreciated by 11.3 percent against the euro, and appreciated by 10.7 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 1.6 percent decrease in the Group's total assets.

Total assets under the Group's management – total assets and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,557 billion in September 30 2019, compared with a total of NIS 1,434 billion as at the end of 2018.

1. Changes in the main balance sheet items

	September 30	December 31	Change	
			From December	From September
	2019	2018[a]	2018	2018
	In NIS millions		In %	
Total assets	**454,508**	460,657	(1.3)	0.9
Cash and deposits with banks	**62,809**	81,419	(22.9)	(16.0)
Securities	**85,781**	74,571	15.0	11.6
Loans to the public, net	**279,678**	271,173	3.1	4.5
Buildings and equipment	**2,973**	2,853	4.2	8.7
Deposits by the public	**358,921**	364,591	(1.6)	-
Deposits by banks	**4,317**	5,210	(17.1)	(16.5)
Bonds, capital notes and subordinated bonds	**20,002**	17,798	12.4	12.3
Shareholders' equity	**35,144**	35,305	(0.5)	1.1

(a) Excluding the balances for Leumi Card, which were classified as held-for-sale assets and liabilities in 2018. For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

2. Changes in the main off-balance-sheet items

	September 30	December 31	Change	
			From December	From September
	2019	2018	2018	2018
	In NIS millions		In %	
Documentary credit, net	**1,109**	1,359	(18.4)	(14.7)
Loan guarantees, net	**5,126**	5,143	(0.3)	(1.2)
Guarantees for apartment buyers, net	**20,897**	18,655	12.0	15.1
Guarantees and other liabilities, net	**16,301**	16,231	0.4	3.7
Derivatives[a]	**798,281**	737,779	8.2	6.5
Options - All types	**356,937**	208,519	71.2	20.5

(a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.
For more information, please see Note 11.

Loans to the Public, Net

Net loans to the public in the Leumi Group as at September 30 2019 totaled NIS 279.7 billion vs. NIS 271.2 billion as at the end of 2018, a 3.1 percent increase.

It should be noted that the change in the shekel's exchange rate against all foreign currencies contributed to a 1.2 percent decrease in the total loans to the public, so that net of the effect of the change in the exchange rates, the credit grew by 4.3 percent relative to December 31 2018.

In addition to loans to the public, the Group invests in corporate securities, which total - as at September 30 2019 - NIS 15,120 million compared to NIS 17,426 million as at the end of 2018, and which also embody credit risk.

Changes in loans to the public after loan loss provision, by main economic sectors:[(a)]

	September 30	December 31			Change net of exchange rate differences
	2019	2018	Change		
	In NIS millions			In %	
Private individuals - Housing loans	**83,063**	80,411	2,652	3.3	3.5
Private individuals - Other	**28,165**	28,736	(571)	(2.0)	(1.8)
Construction and real estate	**61,097**	58,765	2,332	4.0	5.6
Commercial	**28,379**	28,588	(209)	(0.7)	0.7
Industry	**20,612**	19,112	1,500	7.8	10.6
Other	**58,362**	55,561	2,801	5.0	7.2
Total	**279,678**	271,173	8,505	3.1	4.3

(a) Data as at December 31 2018 do not include the credit for Leumi Card, which was classified as a held-for-sale asset in 2018. For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

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

Troubled Credit Risk

Troubled credit risk after specific and collective provisions

	September 30			December 31		
	2019			2018		
	Balance-sheet	Off balance-sheet	Total	Balance-sheet	Off balance-sheet	Total
	In NIS millions					
Non-performing credit risk, net	**1,913**	**79**	**1,992**	2,181	86	2,267
Substandard credit risk, net	**442**	**148**	**590**	297	45	342
Credit risk under special supervision, net	**2,196**	**406**	**2,602**	3,137	743	3,880
Less troubled credit risk of balances classified as held-for-sale assets[(a)]	**-**	**-**	**-**	(293)	(4)	(297)
Total	**4,551**	**633**	**5,184**	5,322	870	6,192

(a) For information regarding the held-for-sale operation (comparative figures), please see section entitled "Main Changes in the Reporting Period" and Note 36F. to the financial statements as at December 31 2018.

	September 30 2019	December 31 2018
	In NIS millions	
Troubled credit risk - Commercial	**5,070**	6,168
Troubled credit risk - Retail	**1,415**	1,889
Less troubled credit risk of balances classified as held-for-sale assets[(a)]	**-**	(372)
Total	**6,485**	7,685
Outstanding loan loss provision	**1,301**	1,568
Less balances of loan loss provision of balances classified as held-for-sale assets[(a)]	**-**	(75)
Troubled loans after loan loss provision	**5,184**	6,192

(a) For more information regarding the held-for-sale operation (comparative figures), please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

For more information regarding troubled loans, please see section entitled "Credit Risk" and Note 13.

Reclassification of outstanding loans in respect of loans to private individuals (excluding housing loans) and loans to small businesses

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

Following the above, as part of the notes to the financial statements as at September 30 2018, the outstanding loans to individuals (excluding housing loans) and loans to small businesses were reclassified from non-troubled loans to troubled loans. A total of NIS 259 million was reclassified in respect of loans to private individuals, gross (excluding housing loans). A total of NIS 239 million was reclassified in respect of loans to small businesses, gross.

In addition, as at September 30 2018, a total of NIS 222 million in respect of loans to private individuals was reclassified to gross non-performing loans (NIS 182 million was reclassified from non-troubled loans and NIS 40 million was reclassified from performing troubled loans). Additionally, NIS 252 million for loans to small businesses was reclassified to gross non-performing loans as at September 30 2018 (NIS 174 million was reclassified from non-troubled loans and NIS 78 million - from performing troubled loans). Please see also Note 6.

The effect of this revision on the financial performance for the reporting period is immaterial.

Securities

As at September 30 2019, the Group's investments in securities amounted to NIS 85.8 billion, compared to NIS 74.6 billion as at the end of 2018, a 15.0 percent increase.

The Group's securities are divided into four classes: held-for-trading securities, not held for trading equity securities (2018 - available-for-sale), available-for-sale bonds and held-to-maturity securities.

Securities purchased by the Bank are classified, on the date of their purchase, to one of the following portfolios: Held-for-trading securities, available-for-sale bonds, not held-for-trading securities (2018 - available-for-sale equity securities), or held-to-maturity securities 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), for market making purposes or as part of the trading room activity are classified to the held-for-trading portfolio. Securities purchased as part of managing the Bank's assets and liabilities are classified to the available-for-sale portfolio or as not held-for-trading equity securities (as at January 1 2019). Securities purchased to be held to maturity are classified to the held-to-maturity portfolio.

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 bonds are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is stated under a separate line item entitled "adjustments in respect of presentation of available-for-sale securities at fair value" less related tax, in "other comprehensive income". On January 1 2019, not held-for-trading equity securities with an available fair value are presented in the balance sheet at fair value and the difference between the fair value and amortized cost is stated in a separate line item entitled "gains on investment in equity securities" under "noninterest finance income" in profit and loss. In 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.

Classification of the securities item in the consolidated balance sheet

	September 30 2019					December 31 2018				
	Held-to-maturity securities	Available-for-sale bonds[(a)]	Not held-for-trading equity securities	Held-for-trading securities[(b)]	Total	Held-to-maturity securities	Available-for-sale bonds[(a)]	Available-for-sale equity securities[(a)]	Held-for-trading securities[(b)]	Total
	In NIS millions									
Bonds										
Of the Israeli government	**3,063**	**36,385**		**3,243**	**42,691**	2,334	30,573		5,677	38,584
Of foreign governments[(c)]	**-**	**15,383**		**81**	**15,464**	-	5,904		52	5,956
Of Israeli financial institutions	**-**	**-**		**71**	**71**	-	-		119	119
Of foreign financial institutions[(d)]	**-**	**9,832**		**190**	**10,022**	-	9,707		132	9,839
Asset-backed (ABS) or mortgage-backed (MBS)	**1,558**	**7,713**		**183**	**9,454**	1,596	9,433		271	11,300
Of other Israeli entities	**-**	**128**		**64**	**192**	-	242		290	532
Of other foreign entities	**1,313**	**3,133**		**148**	**4,594**	946	3,517		220	4,683
Equity securities and mutual funds			**3,274**	**19**	**3,293**			3,556	2	3,558
Total securities[(e)]	**5,934**	**72,574**	**3,274**	**3,999**	**85,781**	4,876	59,376	3,556	6,763	74,571

(a) Including unrealized gains (losses) from fair value adjustments in the amount of NIS 1,005 million recorded in other comprehensive income (December 31 2018 - NIS (494) million).
(b) Including unrealized gains (losses) from fair value adjustments in the amount of NIS 42 million recorded in profit and loss (December 31 2018 - NIS (24) million).
(c) Of which: The US government - NIS 11,275 million (December 31 2018 – NIS 2,362 million).
(d) Most bonds of foreign financial institutions are rated Supranational or are state-backed.
(e) For information regarding the held-for-sale operation (comparative figures), please see section entitled "Main Changes in the Reporting Period" and Note 36F. in the financial statements as at December 31 2018.

As at September 30 2019, approximately 84.6 percent of the Group's nostro (own) portfolio was classified as available-for-sale, 4.7 percent as held-for-trading, 3.8 percent as not held for trading equity securities, and 6.9 percent as held-to-maturity. Approximately 3.8 percent of the securities’ value is investments in corporate equity securities that are not equity-accounted, but rather stated at cost or according to the listed share price.

For information on the value of securities by method of measurement, please see Note 15A.

Available-for-sale portfolio

1. In the first nine months of 2019, there was a NIS 1,265 million increase (before tax) in other comprehensive income in respect of available-for-sale bonds (2018 - securities), compared with a decrease of NIS 401 million (before tax) in the corresponding period last year.
2. In the first nine months of 2019, net gains on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 152 million, compared with a net loss of NIS 7 million in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds (2018 - securities) as at September 30 2019 totaled a positive NIS 491 million (after tax) compared with a negative NIS 317 million as at the end of 2018. These amounts represent net unrealized gains (losses) as at the reporting dates.

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 2019, the held-for-trading portfolio has NIS 4.0 billion in bonds, compared with NIS 6.8 billion in bonds as at December 31 2018. As at September 30 2019, the held-for-trading portfolio constitutes 4.7 percent of the Group's total nostro portfolio, compared with 9.1 percent as at December 31 2018.

Realized and unrealized gains in respect of held-for-trading bonds in the amount of NIS 127 million were recorded in the income statement in the first nine months of 2019, compared with losses of NIS 30 million in the same period last year.

Investments in equity securities and funds

As at September 30 2019, investments in shares and funds totaled NIS 3,293 million, of which NIS 2,131 million was tradable and NIS 1,162 million - non-tradable. As at January 2019, changes in the fair value of unrealized not held for trading equity securities and funds will be recognized directly, on a regular basis, in the income statement rather than in other comprehensive income.

Of the total investment, NIS 3,274 million is classified to the non-trading portfolio and NIS 19 million - to the trading portfolio.

As at September 30 2019, the capital required in respect of these investments is NIS 453 million.

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

Investments in foreign securities

a. Investments in foreign asset-backed bonds

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to NIS 9.5 billion (about USD 2.7 billion) as at September 30 2019, compared to NIS 11.3 billion as at the end of 2018. Out of the above portfolio, as at September 30 2019, NIS 7.7 billion (about USD 2.2 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As at September 30 2019, the portfolio of available-for-sale foreign asset-backed bonds includes investments in mortgage-backed bonds totaling NIS 6.0 billion. 97.7 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As at September 30 2019, the total net increase in value from mortgage-backed bonds charged to shareholders' equity was approximately NIS 37 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 448 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 3.25 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 1.7 billion, of which CLO bonds account for NIS 1.2 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.39 years.

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

b. Investments in foreign non-asset-backed securities

As of September 30 2019, the Group's securities portfolio includes NIS 35.8 billion (USD 10.3 billion) in foreign non-asset-backed securities. NIS 33.2 billion (about USD 9.5 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.2 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 section entitled "Credit Risks".

As at September 30 2019, the outstanding aggregate increase in the value of equity capital in respect of bonds which are not backed by assets issued abroad within the available-for sale portfolio amounted to NIS 532 million (NIS 350 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. 91.5 percent of the securities in the held-for-trading portfolio are investment-grade.

As at September 30 2019, the value of the non-asset-backed held-for-trading portfolio was NIS 0.4 billion (USD 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 2019, investments in bonds issued in Israel amounted to NIS 39.7 billion, of which NIS 39.4 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. 48.7 percent of corporate bonds investments - which are NIS 0.1 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 0.1 billion - include a positive capital reserve of NIS 4 million.

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

For more information, please see Note 5.

Deposits by the Public

As at September 30 2019, the public's deposits with the Group amounted to NIS 358.9 billion, compared to NIS 364.6 billion as at the end of 2018, a 1.6 percent decrease.

The change in the shekel exchange rates against all foreign currencies decreased the public's total deposits by 2.4 percent, so that net of the change, the public's deposits increased by 0.9 percent.

Changes in off-balance-sheet financial assets balances of customers in the Leumi Group

	September 30	December 31		
	2019	2018	Change	
	In NIS millions		In NIS millions	In %
Securities portfolios[a]	**782,915**	665,268	117,647	17.7
Assets for which operating services are provided:[a][b][c]				
Mutual funds	**52,810**	47,536	5,274	11.1
Provident and pension funds	**143,677**	146,187	(2,510)	(1.7)
Study funds	**122,710**	113,864	8,846	7.8

(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 or 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.

Bonds, Capital Notes and Subordinated Bonds

As at September 30 2019, bonds, capital notes and subordinated bonds amounted to NIS 20.0 billion, compared to NIS 17.8 billion as at the end of 2018, a 12.4 percent increase and a 12.3 percent increase compared to September 2018.

Shelf prospectus and bond issue

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

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 1.69 billion in Bonds Series 180. The bonds are repayable in two equal installments on February 28 2023 and February 28 2025 and carry an annual interest rate of 2.02 percent, payable annually on February 28 of each year from 2020 to 2025 (inclusive).

The Series 180 Bonds are not recognized for regulatory capital purposes.

According to a shelf prospectus dated January 30 2019, the Bank issued, on January 31 2019, a total of NIS 664.2 million in Subordinated Bonds Series 403.

According to a shelf prospectus dated March 12 2019, the Bank issued, on March 13 2019, an extension of Series 403, under which the Bank issued a total of NIS 777 million par value in subordinated bonds in consideration of NIS 798.4 million.

The Subordinated Bonds Series 403 are repayable by a lump sum on February 28 2030, with an early repayment option for the issuer exercisable not before January 31 2025 and no later than February 28 2025. The Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 2.42 percent until February 28 2025. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised 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 revision date.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 403 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 minimum rate (NIS 11.53 per share, subject to adjustments), the highest of the two.

According to a shelf offering report dated July 4 2019, which was amended on July 9 2019, the Bank made two exchange tender offers, as follows: 1) Offer to all holders of Series 201 Subordinated Capital Notes, whereby the Bank will purchase from them all Series 201 Subordinated Capital Notes held by them, by way of an unlimited exchange tender offer, in exchange for the issue of units of NIS 50,000 p.v. each of Series 404 Subordinated Bonds of the Bank, carrying an annual interest of 1.95 percent, at an exchange rate of 50,000:49,262, as detailed in the Shelf Offering Report. 2) Offer to all holders of Series N Subordinated Capital Notes, whereby the Bank will purchase from them all Series N Subordinated Bonds held by them, by way of an unlimited exchange tender offer, in exchange for the issue of units of NIS 50,000 p.v. each of Series 404 Subordinated Bonds of the Bank, carrying an annual interest of 1.95 percent, at an exchange rate of 50,000:44,445, as detailed in the Shelf Offering Report.

According to the investors' response to said exchange tender offers, on July 15 2019, NIS 139.9 million p.v. in Series 201 Subordinated Capital Notes were exchanged for NIS 142 p.v. in Series 404 Subordinated Bonds and NIS 976.9 million p.v. in Series N Subordinated Bonds were exchanged for 1,099 million p.v. in Series 404 Subordinated Bonds, bringing the total issued Series 404 Subordinated Bonds to NIS 1,241 million p.v. As a result of the exchange, an accounting loss of NIS 54 million was recorded.

The Subordinated Bonds Series 404 are repayable by a lump sum on September 30 2029, with an early repayment option for the issuer exercisable not before September 19 2024 and no later than September 30 2024. The Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.95 percent until September 30 2024. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised 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 revision date.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 404 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 minimum rate (NIS 12.54 per share, subject to adjustments), the highest of the two.

These Subordinated Bonds Series 403 and 404 are eligible for inclusion in Tier 2 capital as of the issue date.

Early redemption of subordinated capital notes

On February 10 2019, the Bank's Board of Directors decided to fully redeem in April-May 2019, NIS 1 billion p.v. in (non-tradable) subordinated capital notes linked to the Consumer Price Index and issued in 2009. Accordingly, a total of NIS 1.2 billion in subordinated bonds were redeemed in April and May 2019.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 35,144 million on September 30 2019 compared with NIS 35,305 million as at the end of 2018, a 0.5 percent year-on-year decrease. The decrease arises mainly from a dividend distribution during the period, share buyback and by other comprehensive loss, following an increase in the negative adjustments in respect of employee benefits as a result of a decrease in the discount rate and effect of the actuarial changes arising from the salary agreement and efficiency plan. The decrease was partially offset by the net income for the period and by an increase in the capital reserve in respect of the available-for-sale portfolio.

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

The ratio of shareholders' equity to total assets as at September 30 2019 reached 7.7 percent, similarly to December 31 2018.

Capital Adequacy Structure

	September 30		December 31
	2019	2018	2018
	In NIS millions		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital adjustments and deductions	**36,882**	35,451	35,190
Tier 2 capital, after deductions	**12,009**	10,827	11,033
Total capital	**48,891**	46,278	46,223
Balances of risk-weighted assets[(a)]			
Credit risk	**285,798**	288,449	288,837
Market risks	**5,313**	4,059	6,295
Operational risk	**23,205**	22,485	22,713
Total balances of risk-weighted assets	**314,316**	314,993	317,845
Capital-to-risk weighted assets ratio (CRAR)			
Ratio of Common Equity Tier 1 capital to risk-adjusted assets[(b)]	**11.73%**	11.25%	11.07%
Ratio of total capital to risk-adjusted assets[(b)]	**15.55%**	14.69%	14.54%

(a) For more information regarding the held-for-sale operation (comparative figures), please see section entitled "Main Changes in the Reporting Period" and Note 36F to the Financial Statements as at December 31 2018.

(b) CET1 capital ratio and total capital ratio based on the Pro Forma Information Excluding Leumi Card, as at September 30 2018 is 11.37 percent and 14.80 percent, respectively and as at December 31 2018 is 11.23 percent and 14.66 percent, respectively.

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 (hereinafter in this section - the "Directives"). 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, which includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital.

2. Tier 2 capital.

The sum of these tiers is also known as "capital basis for capital adequacy purposes" 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's 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 used to calculate the employee benefits liability, as detailed below.

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

Tier 2 capital

Tier 2 capital mainly includes equity instruments and the balance of the collective loan loss provisions, subject to the ceiling prescribed by the Directives.

As at December 31 2013, equity instruments included in Tier 2 capital are subject to transitional provisions and a recognition ceiling, as prescribed by the Directives, such that the amount recognized in effect in respect of the equity instruments is the lower of the amortized amount of the instruments and the recognition ceiling based on the balance of the equity 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 2019 is 30 percent.

From the beginning of 2014, equity 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 principal 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 trigger 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 more information regarding subordinated bonds issued by the Bank in 2019 which are eligible for inclusion in Tier 2 capital, please see section entitled "Bonds, Capital Notes and Subordinated Bonds".

For a description of the main features of issued regulatory equity instruments, please see the Bank's website at: www.leumi.co.il.

Capital Adequacy

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 to 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 total assets are at least 20 percent of the Israeli banking sector's total assets is required to meet a Common Equity Tier 1 capital ratio of at least 10 percent and a minimum total capital ratio of at least 13.5 percent as at 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", a 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 outstanding housing loans. The effect of this requirement on the capital ratio in the reporting period is 0.26 percent.

As a result, the minimum capital requirements applicable to the Bank as at September 30 2019 are 10.26 percent for the Common Equity Tier 1 capital ratio and 13.76 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 the capital adequacy required as a result. The capital plan is approved by the Bank's management and Board of Directors and takes into account the Group's various P&L centers 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 subject 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 has set capital targets 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 at 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 specific approval from the Bank of Israel regarding the method of calculating the discount rate 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 capitalization 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 discount rate.

For more information regarding the discounting methodology, please see "Critical Accounting Policies and Estimates".

Easement for operational efficiency plans

In January 2016, the Banking Supervision Department published a circular entitled "Operational Efficiency of the Banking System in Israel". Pursuant to the circular, a banking corporation which meets the prescribed conditions will be granted an easement, 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 at September 30 2019, 65 percent of the plan's costs are attributable to regulatory capital.

In June 2017, the Banking Supervision Department published an additional circular entitled "Increasing Operational Efficiency of the Banking System in Israel - Increasing Efficiency in Real Estate." The circular extended the relief in respect of improving 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 at September 30 2019, 45 percent of the plan's costs are attributable to regulatory capital.

In September 2018, the Banking Supervision Department published a circular regarding the extension of the validity of the two circulars by another year and a half, until December 31 2019, in an effort to allow for additional efficiency plans.

On July 29 2019, the Bank signed a special collective agreement for 2019-2022 with the workers' union. As a result, the Bank has incurred a one-time increase in its actuarial liability totaling NIS 526 million before tax (about NIS 329 million after tax). The estimated effect of the agreement on the Bank's Capital Adequacy Ratio is a decrease of 0.1 percent in the CET1 capital ratio.

As part of the understanding regarding the collective agreement, the Bank's Board of Directors approved a voluntary retirement plan, the effect of which on the regulatory capital, estimated at a decrease of 0.07 percent in the capital ratios, will be spread on a straight line basis over a five-year period. As at September 30 2019, 5 percent of the plan's costs are attributable to regulatory capital.

For more information, please see Note 8.

Regulatory and other changes in measuring the capital requirements

Developments in measuring capital adequacy in the rules 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 operational risk, and changes were made in market risk measurement. 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.

Circular regarding the revision of Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" and Proper Conduct of Banking Business No. 313, "Limitations on Indebtedness of a Borrower and a Group of Borrowers"

On November 13 2018, the Bank of Israel published a circular revising Proper Conduct of Banking Business Directives Nos. 203 and 313. According to the circular, 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.

Circulars on amendment to 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 the amendment of Proper Conduct of Banking Business Directives, with the objective of granting the credit companies reliefs 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, even after their split from the banking corporation under the Strum Law. I.e., the credit card company's risk weight will be one rank lower than the weight of the risk derived from the State of Israel's rating. In addition, the risk of a debt whose original maturity is up to three months will be weighted at 20 percent.

Circular Revising Proper Conduct of Banking Business Directive No. 332, "Buybacks by Banking Corporations"

On February 28 2019, the Bank of Israel published the Circular Revising Proper Conduct of Banking Business Directive No. 332, "Buybacks by Banking Corporations". The Circular revokes the prohibition on performing buybacks and allows banking corporations to purchase their own stock subject to certain terms and conditions. The Circular also revises the restrictions on granting loans guaranteed by securities issued by the banking corporation.

Sale of Leumi Card Ltd.

In accordance with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, the transaction for the sale of the Bank's interests in Leumi Card was completed on February 25 2019.

For more information regarding the said sale agreement, please see section entitled "Major Investees - Leumi Card."

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 314.3 billion at the end of September 2019. Every 1 percent increase in risk-weighted assets (about NIS 3.1 billion) will reduce the Common Equity Tier 1 capital ratio by 0.12 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 36.9 billion as at the end of September 2019. Total capital amounts to NIS 48.9 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, signifies a cumulative effect of 0.08 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 effect of approximately 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 November 20 2017, the Bank's Board of Directors approved a 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, subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution.

On March 6 2019, 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 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter, 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 being made by 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.

On November 26 2019, the Board of Directors approved a dividend of 40 percent of the net income of the third quarter of 2019. The dividend approved amounted to NIS 306 million, which is 20.87 agorot per share of NIS 1 par value. The Board of Director has set December 11 2019 as the record date for purposes of dividend payment and December 22 2019 as payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
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	361
November 12 2018	December 10 2018	25.08	375
March 6 2019	April 3 2019	18.40	275
May 26 2019	June 23 2019	29.27	437
August 13 2019	September 8 2019	24.95	369

The Bank's share buyback plan

On May 26 2019, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 700 million, from May 28 2019 to May 27 2020. The share buyback plan will take place as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or outside the TASE, through an external, independent member of the TASE, which will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 19 2019, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent.

The buyback plan took place in two separate stages, each of which was irreversible, in accordance with the safe harbor mechanism (hereinafter: "**Stage A**" and "**Stage B**"). The implementation of Stage A began on May 28 2019 and ended on August 2 2019, during which time the Bank purchased (through the independent Stock Exchange (TASE) member it has contracted) 11,961,092 shares in the amount of NIS 301 million under the said plan.

Further to what is stated in the report for the second quarter of 2019, on August 15 2019, began Stage B of the plan, which ended on November 21 2019, in which the Bank purchased (through the said external member of the TASE) 15,962,567 shares for a total of NIS approximately 399 million. The total number of shares purchased under the said plan was 27,923,659 which totaled NIS 700 million.

Leverage Ratio

Leverage ratio is expressed as a percentage and defined as measured regulatory capital divided by the measured exposure. The regulatory capital for the purpose of leverage ratio measurement is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive No. 202, taking into account the transitional arrangements. A banking corporation's exposure is the sum of the balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and off-balance-sheet items. The leverage ratio complements the capital ratio and constitutes yet another restriction on the banking sector's leverage level.

The leverage ratio may be affected by changes in the Bank's regulatory capital. When calculating the leverage ratio, the following were taken into account, inter alia: The effect of the implementation of the efficiency plan and adjustments in respect of the application 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.

	September 30	
	2019	2018
	In NIS millions	
Consolidated data		
Tier 1 capital	**36,882**	35,451
Total exposures	**497,819**	502,536
Leverage ratio		
Leverage ratio(a)	**7.41%**	7.05%
Minimum total leverage ratio set by the Banking Supervision Department	**6.00%**	6.00%

(a) The leverage ratio regarding the Pro Forma Information Excluding Leumi Card as at September 30 2018 is 7.16 percent.

For more information on capital adequacy and leverage, please see Note 9B.

Operating Segments - Management's 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's approach, please see section entitled "Operating segments" in the 2018 Annual Financial Statements.

Set forth below are the condensed results of operations according to management's approach

	For the three months ended September 30 2019											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	**300**	**322**	**332**	**954**	**237**	**192**	**188**	**267**	**(1)**	**27**	**228**	**2,092**
Interest income (expenses) - Inter-segmental	**238**	**5**	**(70)**	**173**	**86**	**(36)**	**(29)**	**(191)**	**3**	**2**	**(8)**	**-**
Interest income, net	**538**	**327**	**262**	**1,127**	**323**	**156**	**159**	**76**	**2**	**29**	**220**	**2,092**
Noninterest income (expenses)	**325**	**109**	**1**	**435**	**102**	**49**	**80**	**385**	**(65)**	**67**	**79**	**1,132**
Total income (expenses)	**863**	**436**	**263**	**1,562**	**425**	**205**	**239**	**461**	**(63)**	**96**	**299**	**3,224**
Expenses (income) in respect of loan losses	**60**	**80**	**(8)**	**132**	**(26)**	**64**	**(3)**	**4**	**(9)**	**(1)**	**20**	**181**
Total operating and other expenses	**739**	**272**	**66**	**1,077**	**170**	**62**	**31**	**89**	**273**	**50**	**184**	**1,936**
Profit (loss) before tax	**64**	**84**	**205**	**353**	**281**	**79**	**211**	**368**	**(327)**	**47**	**95**	**1,107**
Tax provision (benefit)	**22**	**29**	**71**	**122**	**96**	**27**	**72**	**126**	**(144)**	**6**	**19**	**324**
Net income (loss) attributable to the Bank's shareholders	**42**	**55**	**134**	**231**	**185**	**52**	**139**	**243**	**(183)**	**32**	**66**	**765**

	For the three months ended September 30 2018											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income from external	215	325	583	1,123	258	213	183	30	1	103	285	2,196
Interest income (expenses) - Inter-segmental	291	9	(352)	(52)	30	(63)	(49)	154	(1)	(7)	(12)	-
Interest income, net	506	334	231	1,071	288	150	134	184	-	96	273	2,196
Noninterest Income	326	118	2	446	96	47	77	320	54	379	64	1,483
Total income	832	452	233	1,517	384	197	211	504	54	475	337	3,679
Expenses (income) in respect of loan losses	44	79	12	135	8	5	(7)	1	(2)	22	36	198
Total operating and other expenses	669	282	61	1,012	157	70	40	79	238	230	219	2,045
Profit (loss) before tax	119	91	160	370	219	122	178	424	(182)	223	82	1,436
Tax provision (benefit)	40	31	54	125	75	42	61	177	(51)	71	15	515
Net income (loss) attributable to the Bank's shareholders	79	60	106	245	144	80	117	250	(131)	172	59	936

	For the nine months ended September 30 2019											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium and Private Banking	Small busi-nesses	Mortgages	Banking - total	Comm-ercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income from external	664	956	1,815	3,435	719	688	621	346	1	58	810	6,678
Interest income (expenses) - Inter-segmental	962	36	(1,058)	(60)	238	(209)	(155)	208	-	10	(32)	-
Interest income, net	1,626	992	757	3,375	957	479	466	554	1	68	778	6,678
Noninterest Income	970	343	4	1,317	311	153	239	982	403	258	218	3,881
Total income	2,596	1,335	761	4,692	1,268	632	705	1,536	404	326	996	10,559
Expenses (income) in respect of loan losses	168	226	(2)	392	56	(8)	8	(32)	(10)	3	42	451
Total operating and other expenses	2,113	811	208	3,132	551	202	95	269	820	156	607	5,832
Profit (loss) before tax	315	298	555	1,168	661	438	602	1,299	(406)	167	347	4,276
Tax provision (benefit)	108	102	190	400	226	150	206	444	(93)	40	71	1,444
Net income (loss) attributable to the Bank's shareholders	207	196	365	768	435	288	396	857	(313)	103	246	2,780
Balances as at September 30 2019												
Loans to the public, net	29,298	25,320	84,425	139,043	40,407	38,248	26,096	6,824	5,947	753	22,360	279,678
Deposits by the Public	156,991	37,981	-	194,972	50,685	17,440	6,491	66,731	13	-	22,589	358,921
Assets under management	180,463	17,721	-	198,184	24,433	20,844	2,148	521,592	21,446	296,427	17,038	1,102,112

	For the nine months ended September 30 2018											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, Premium and Private Banking	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	737	997	1,878	3,612	785	631	540	(85)	4	298	831	6,616
Interest income (expenses) - Inter-segmental	772	4	(1,199)	(423)	62	(196)	(155)	761	(4)	(15)	(30)	-
Interest income, net	1,509	1,001	679	3,189	847	435	385	676	-	283	801	6,616
Noninterest Income	979	360	6	1,345	298	152	231	477	115	888	218	3,724
Total income	2,488	1,361	685	4,534	1,145	587	616	1,153	115	1,171	1,019	10,340
Expenses (income) in respect of loan losses	151	192	21	364	(3)	(61)	(85)	4	(9)	70	34	314
Total operating and other expenses	2,032	812	194	3,038	513	215	102	267	718	649	652	6,154
Profit (loss) before tax	305	357	470	1,132	635	433	599	882	(594)	452	333	3,872
Tax provision (benefit)	104	122	159	385	217	148	205	303	(159)	125	74	1,298
Net income (loss) attributable to the Bank's shareholders	201	235	311	747	418	285	394	584	(435)	330	246	2,569
Balances as at September 30 2018												
Loans to the public, net	29,608	26,620	80,574	136,802	37,211	34,461	23,580	4,558	5,661	495[a]	24,913	267,681
Deposits by 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 year ended December 31 2018											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, Premium and Private Banking	Small busi-nesses	Mortgages	Banking - total	Comm-ercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income (expenses) - From external	1,012	1,335	2,441	4,788	1,039	827	748	(23)	6	390	1,115	8,890
Interest income (expenses) - Inter-segmental	1,043	9	(1,529)	(477)	122	(243)	(207)	848	(3)	(4)	(36)	-
Interest income, net	2,055	1,344	912	4,311	1,161	584	541	825	3	386	1,079	8,890
Noninterest Income	1,322	487	10	1,819	408	217	315	492	140	1,180	300	4,871
Total income	3,377	1,831	922	6,130	1,569	801	856	1,317	143	1,566	1,379	13,761
Expenses (income) in respect of loan losses	213	270	30	513	28	(70)	(170)	23	(10)	113	92	519
Total operating and other expenses	2,733	1,099	274	4,106	713	276	132	363	958	896	893	8,337
Profit (loss) before tax	431	462	618	1,511	828	595	894	931	(805)	557	394	4,905
Tax provision (benefit)	161	172	227	560	308	221	332	330	(381)	158	91	1,619
Net income (loss) attributable to the Bank's shareholders	270	290	391	951	520	374	562	607	(424)	383	284	3,257
Balances as at December 31 2018												
Loans to the public, net	29,594	26,478	81,524	137,596	38,490	33,533	24,462	5,251	5,860	560[(a)]	25,421	271,173
Deposits by the Public	158,593	38,046	-	196,639	49,671	19,592	6,597	65,910	274	-[(b)]	25,908	364,591
Assets under management	167,486	18,354	-	185,840	22,137	19,122	1,008	421,022	21,085	285,016	17,625	972,855

(a) Excluding balances classified as held-for-sale assets in the amount of NIS 8,042 million.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 71 million.

Regulatory Operating Segments

For more information regarding the business lines according to management's approach, please see section entitled "Regulatory Operating Segments" in the 2018 Annual Financial Statements.

	For the three months ended September 30 2019									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
Interest income, net	**648**	**32**	**540**	**210**	**366**	**40**	**35**	**2**	**219**	**2,092**
Noninterest income (expenses)	**237**	**36**	**189**	**74**	**127**	**40**	**419**	**(69)**	**79**	**1,132**
Total income (expenses)	**885**	**68**	**729**	**284**	**493**	**80**	**454**	**(67)**	**298**	**3,224**
Expenses (income) in respect of loan losses	**49**	**-**	**74**	**(2)**	**59**	**(4)**	**(15)**	**-**	**20**	**181**
Total operating and other expenses	**767**	**23**	**367**	**122**	**92**	**61**	**63**	**257**	**184**	**1,936**
Profit (loss) before tax	**69**	**45**	**288**	**164**	**342**	**23**	**406**	**(324)**	**94**	**1,107**
Tax provision (benefit)	**21**	**14**	**83**	**47**	**104**	**5**	**122**	**(93)**	**21**	**324**
Net income (loss) attributable to the Bank's shareholders	**48**	**31**	**205**	**117**	**238**	**18**	**276**	**(231)**	**63**	**765**

	For the three months ended September 30 2018									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
Interest income, net	686	27	540	196	349	48	78	1	271	2,196
Noninterest Income	417	42	203	77	150	51	465	14	64	1,483
Total income	1,103	69	743	273	499	99	543	15	335	3,679
Expenses (income) in respect of loan losses	78	-	49	(4)	47	(4)	(4)	-	36	198
Total operating and other expenses	893	30	372	125	115	64	62	165	219	2,045
Profit (loss) before tax	132	39	322	152	337	39	485	(150)	80	1,436
Tax provision (benefit)	58	13	98	43	102	6	199	(18)	14	515
Net income (loss) attributable to the Bank's shareholders	59	26	223	109	234	33	322	(129)	59	936

	For the nine months ended September 30 2019									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
Interest income, net	**1,950**	**96**	**1,636**	**640**	**1,107**	**148**	**320**	**3**	**778**	**6,678**
Noninterest Income	**726**	**112**	**562**	**225**	**409**	**129**	**1,149**	**351**	**218**	**3,881**
Total income	**2,676**	**208**	**2,198**	**865**	**1,516**	**277**	**1,469**	**354**	**996**	**10,559**
Expenses (income) in respect of loan losses	**127**	**-**	**259**	**12**	**55**	**(8)**	**(36)**	**-**	**42**	**451**
Total operating and other expenses	**2,303**	**77**	**1,153**	**373**	**302**	**185**	**213**	**619**	**607**	**5,832**
Profit (loss) before tax	**246**	**131**	**786**	**480**	**1,159**	**100**	**1,292**	**(265)**	**347**	**4,276**
Tax provision (benefit)	**80**	**45**	**260**	**161**	**387**	**32**	**476**	**(69)**	**72**	**1,444**
Net income (loss) attributable to the Bank's shareholders	**166**	**86**	**526**	**319**	**772**	**68**	**794**	**(196)**	**245**	**2,780**
Balance as at September 30 2019										
Loans to the public, gross	**100,324**	**368**	**60,847**	**28,824**	**68,196**	**1,608**	**-**	**-**	**22,783**	**282,950**
Deposits by the Public	**108,614**	**24,571**	**54,994**	**37,955**	**48,898**	**61,300**	**-**	**-**	**22,589**	**358,921**
Assets under management	**68,755**	**48,592**	**49,070**	**25,671**	**72,385**	**773,366**	**47,234**	**-**	**17,039**	**1,102,112**

	For the nine months ended September 30 2018									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
Interest income, net	2,019	83	1,600	575	975	126	436	1	801	6,616
Noninterest Income	1,213	119	617	241	454	154	641	67	218	3,724
Total income	3,232	202	2,217	816	1,429	280	1,077	68	1,019	10,340
Expenses (income) in respect of loan losses	180	-	215	(153)	34	(4)	8	-	34	314
Total operating and other expenses	2,578	87	1,174	386	355	199	203	520	652	6,154
Profit (loss) before tax	474	115	828	583	1,040	85	866	(452)	333	3,872
Tax provision (benefit)	158	41	280	201	350	18	294	(118)	74	1,298
Net income (loss) attributable to the Bank's shareholders	273	74	546	382	688	68	621	(331)	248	2,569
Balance as at September 30 2018										
Loans to the public, gross[a]	104,784	395	60,623	26,631	60,439	1,253	-	-	25,239	279,364
Deposits by the public[b]	106,777	24,856	52,191	35,928	47,892	65,176	-	-	26,139	358,959
Assets under management	71,601	47,689	46,449	24,125	77,851	744,969	51,451	-	18,031	1,082,166

(a) Excluding balances classified as-held-for-sale assets in the amount of NIS 8,462 million.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 84 million.

	For the year ended December 31 2018									
	In NIS millions									
	Activity in Israel								Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
Interest income, net	2,744	117	2,160	786	1,330	166	507	-	1,080	8,890
Noninterest Income	1,633	155	832	331	621	206	714	79	300	4,871
Total income	4,377	272	2,992	1,117	1,951	372	1,221	79	1,380	13,761
Expenses (income) in respect of loan losses	273	-	279	(156)	7	4	20	-	92	519
Total operating and other expenses	3,543	113	1,560	544	472	269	271	672	893	8,337
Profit (loss) before tax	561	159	1,153	729	1,472	99	930	(593)	395	4,905
Tax provision (benefit)	191	59	422	271	537	34	291	(278)	92	1,619
Net income (loss) attributable to the Bank's shareholders	324	100	728	456	932	66	678	(311)	284	3,257
Balance as at December 31 2018										
Loans to the public, gross[(a)]	106,132	396	60,578	27,515	61,674	687	-	-	25,753	282,735
Deposits by the public[(b)]	108,874	26,128	54,329	38,867	49,553	61,003	-	-	25,908	364,662
Assets under management	68,044	43,916	42,951	23,801	68,113	666,146	42,260	-	17,624	972,855

(a) Including balances classified as held-for-sale assets in the amount of NIS 8,210 million
(b) Including balances classified as held-for-sale liabilities in the amount of NIS 71 million.

Major Investees

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 non-financial corporations which do not engage in banking.

The Bank's total investments in investees (including in capital notes), as at September 30 2019, was NIS 11.7 billion, compared with NIS 11.8 billion as at December 31 2018, with the investee companies contributing NIS 214 billion to the Group's net income in the first nine months of 2019, compared with NIS 601 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 7,898 million as at September 30 2019, compared with NIS 7,535 million as at December 31 2018. Their contribution to the Group's net income in the first nine months of 2019 was NIS 103 million, compared with NIS 330 million in the corresponding period last year.

Leumi Card Ltd.

On February 25 2019, the sale of Leumi Card Ltd. to Warburg Pincus Financial Holdings Israel LTD. was completed.

For more information regarding the sale of Leumi Card Ltd., please see the 2018 Annual Financial Statements section entitled "Major Investees" - "Leumi Card".

Leumi Partners Ltd.

Sale of interests in Super-Pharm

On May 7 2019, the transaction for the sale of Leumi Partners Ltd.'s interests in Super-Pharm Israel Ltd. (hereinafter: the "**Company**") to Union Investments and Development Ltd. was completed. The sold shares constitute 15 percent of the Company's issued and paid up share capital. The Bank recorded a NIS 75 million pre-tax gain from the transaction. For more information, please see the immediate report dated May 7 2019.

Acquisition of Equity in Taavura Holdings Ltd.

On June 25 2019, Leumi Partners completed the acquisition of 20 percent of Taavura of the Nesher Israel Cement Enterprises Ltd. group, for NIS 251.1 million. On the same date, entities from the Phoenix Group acquired another 20 percent of Taavura's shares. For more information, please see the immediate report dated June 25 2019.

Foreign Consolidated Companies

The Bank's total investments (including in capital notes) in its foreign offices as at September 30 2019 was NIS 3,774 million, compared with NIS 4,190 million as of the end of 2018.

In the first nine months of 2019, the foreign offices' contribution to the Group's shekel net income was NIS 109 million, compared with a net income of NIS 266 million in the corresponding period last year.

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

Bank Leumi USA

On May 22 2019, Bank Leumi USA distributed USD 60 million in dividends. Bank Leumi's pro-rata share in BLC is USD 50.8 million.

Bank Leumi Romania (BLROM)

On July 10 2019, the transaction for the sale of the Bank's interests in Leumi Romania to First Bank S.A - a Romania-based bank controlled by Investment Fund JC Flowers - was completed. The completion of the transaction does not have a material effect on the Bank's financial results. For more information, please see the immediate report dated July 10 2019.

Bank Leumi UK (BLUK)

On November 2 2017, a scoping meeting was held with the Enforcement Division of the Financial Conduct Authority (FCA) regarding for Bank Leumi UK (BLUK), on controls and systems for the implementation of anti-money-laundering regulations. The procedure is under the FCA's purview. On July 11 2019, the FCA confirmed that the procedure had ended and that it would not take any action against BLUK.

Risk Exposure and Management Thereof

This section was written in great detail in the 2018 Annual Report of the Board of Directors and Management and in the 2018 Annual Risk Management Report. It should therefore be read in conjunction with these reports.

The Bank's business activity involves managing financial and non-financial risks. The key financial risks managed by the Bank are as follows: Credit risks, which are integral to the Bank's core business, as well as market and liquidity risks. In addition to financial risks, the Bank's activity poses non-financial risks, the management of which is a necessary precondition to meeting the Group's ongoing and long-term goals. These risks include operational risks, such as technological and cyber risks, legal risks, regulatory risks, compliance risks, reputational risks, conduct risks and strategic risk.

Leumi's risk strategy management is to maintain the Group's stability and support the achievement of its business objectives. 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. The risk management framework includes mechanisms for identifying and estimating risk, defining the corporate structure and areas of responsibility for managing risk as well as putting in place 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 were no significant changes in the risks and their severity levels in relation to the table included in the 2018 Annual Report of the Board of Directors and Management, except for a global systemic risk and strategic risk.

Global systemic risk

The estimate of the effect of a global systemic risk on the Bank's CET1 capital was downgraded in the first quarter of 2019 from "moderate to high" to "moderate". The downgrading of the risk is explained by a combination of factors whose net effect is positive, inter alia by: Improvement in the Bank's balance sheet components; the continued improvement in the US job market and a change of attitude by central banks toward continued quantitative easing of the monetary policy; including the discontinued interest rate hike trajectory in the US. Issues still contributing to uncertainty are mainly global-geopolitical in nature (such as the level of uncertainty around a Brexit agreement) and over China and the US reaching a trade agreement.

Strategic Risk

The "Strum Law" highlighted the payments issue as one which is at the heart of the competition between banks and non-bank entities; the latter have been encouraged to launch financial activity by entering the payments domain. The sale of the credit card companies by the two largest banks increased competition in this field, allowing the credit card companies to compete with the banks on key financial services, such as granting consumer credit and business credit to small and mid-sized businesses. As part of the Bank's preparation for handling these competitive changes, the Bank launched digital wallet app PAY. During the reporting period, the Bank of Israel imposed a restriction on the growth of the banks' payment apps in the near future. The restriction is quantitative in nature (the maximum total transaction amount with merchants) as well as qualitative - the ability to make direct payments from one account to another is now contingent upon MASAV providing their services to non-bank entities as well. Payments activities are a daily activity with customers and involve ongoing contact with them. Assuming the restriction of the Bank of Israel will be in force for a significant period of time, some of the payments activity will be assumed by credit card companies and other entities in a manner that may compromise the banks' relations with its customers and hurt their ability to sell products such as loans. As a result, we foresee higher risk in relation to other risks, and the level of strategic risk was increased in the second quarter of 2019 from "low to moderate" to "moderate".

For more information, please see "Other Risks" under "Risk profile - Defining risk factors' severity" in the 2018 Annual Report of the Board of Directors and Management.

Credit Risks

Credit provision is a core activity of the Bank and the Group, which is conducted in a decentralized manner by various business lines.

Credit risk is the Bank's risk of loss as a result of the possibility that a 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, such as: Loans to the public; loans to banks; loans to governments; deposits with banks; investments in bonds.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, "Credit Risk Management", and Proper Conduct of Banking Business Directive No. 314, "Sound Credit Risk Assessment and Valuation for Debts", 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".

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

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.

Troubled credit risk and non-performing assets

	September 30 2019		
	Balance-sheet	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:[a]			
Non-performing credit risk	**2,392**	**209**	**2,601**
Substandard credit risk	**579**	**160**	**739**
Credit risk under special supervision[b]	**2,698**	**447**	**3,145**
Total troubled credit risk	**5,669**	**816**	**6,485**
Of which: Performing loans in arrears of 90 days or more[b]	**1,033**	**-**	**1,033**
2. Non-performing assets:			
Non-performing loans (NPL)	**2,023**	**-**	**2,023**
Assets received in respect of settled loans	**7**	**-**	**7**
Total non-performing assets	**2,030**	**-**	**2,030**
Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public[d]			**0.71%**

	September 30 2018		
	Balance sheet[d]	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:[a]			
Non-performing credit risk	2,950	224	3,174
Substandard credit risk	517	58	575
Credit risk under special supervision[b]	3,138	928	4,066
Less troubled credit risk balances classified as held-for-sale assets[c]	(361)	(16)	(377)
Total troubled credit risk	6,244	1,194	7,438
Of which: Performing loans in arrears of 90 days or more[b]	947	-	947
2. Non-performing assets:			
Non-performing loans (NPL)	2,664	-	2,664
Assets received in respect of settled loans	10	-	10
Less non-performing loans of balances classified as held-for-sale assets[c]	(37)	-	(37)
Total non-performing assets	2,637	-	2,637
Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public[d]			0.94%

	As at December 31 2018		
	Balance-sheet	Off balance-sheet	Total
	In NIS millions		
1. Troubled credit risk:[a]			
Non-performing credit risk	2,804	226	3,030
Substandard credit risk	426	48	474
Credit risk under special supervision[b]	3,732	821	4,553
Less troubled credit risk balances classified as held-for-sale assets[c]	(368)	(4)	(372)
Total troubled credit risk	6,594	1,091	7,685
Of which: Performing loans in arrears of 90 days or more[b]	1,054	-	1,054
2. Non-performing assets:			
Non-performing loans (NPL)	2,521	-	2,521
Assets received in respect of settled loans	9	-	9
Less non-performing loans of balances classified as held-for-sale assets[c]	(45)	-	(45)
Total non-performing assets	2,485	-	2,485
Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public[d]			0.89%

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 collective indebtedness.

(a) Risk of credit risk that is either non-performing, substandard or under special supervision.

(b) Including for 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 delinquency period and which are in arrears of 90 days or more.

(c) For more information regarding the held-for-sale operation (comparative results), please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

(d) Percentage of non-accrual non-performing loans to the public (NPL) out of total loans to the public, includes balances classified as held-for-sale assets.

Change in Balance of Non-Performing Loans

Change in non-performing loans in respect of loans to the public

	Nine months ended September 30 2019			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Outstanding non-performing loans as at the beginning of the period	**2,380**	**31**	**340**	**2,751**
Debts classified as non-performing debts during the period	**994**	**-**	**137**	**1,131**
Debts reclassified into performing loans	**(31)**	**-**	**(1)**	**(32)**
Written off non-performing loans	**(515)**	**-**	**(56)**	**(571)**
Repaid non-performing loans	**(683)**	**(13)**	**(111)**	**(807)**
Other	**(45)**	**(3)**	**-**	**(48)**
Disposal of an investment in a previously-consolidated subsidiary	**(23)**	**(15)**	**(1)**	**(39)**
Outstanding non-performing loans as at the end of the period	**2,077**	**-**	**308**	**2,385**

	Nine months ended September 30 2018			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Outstanding non-performing loans as at the beginning of the period	3,049	29	377	3,455
Debts classified as non-performing debts during the period	649	1	186	836
Debts reclassified into performing loans	(309)	-	-	(309)
Written off non-performing loans	(246)	-	(91)	(337)
Repaid non-performing loans	(501)	-	(96)	(597)
Other	(107)	-	-	(107)
Less balances classified as held-for-sale assets[a]	(3)	-	(34)	(37)
Outstanding non-performing loans as at the end of the period	2,532	30	342	2,904

(a) For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F in the financial statements as at December 31 2018.

Of which: Change in troubled debts under restructuring

	Nine months ended **September 30 2019**			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Outstanding troubled loans under restructuring as of the beginning of the period	**1,318**	**8**	**319**	**1,645**
Restructurings carried out during the period	**230**	**-**	**122**	**352**
Debts reclassified into performing loans following subsequent restructuring	**-**	**-**	**-**	**-**
Written off restructured debts	**(116)**	**-**	**(36)**	**(152)**
Repaid restructured debts	**(614)**	**-**	**(111)**	**(725)**
Other	**(20)**	**(1)**	**-**	**(21)**
Disposal of an investment in a previously-consolidated subsidiary	**(18)**	**(7)**	**(1)**	**(26)**
Outstanding troubled loans under restructuring as at the end of the period	**780**	**-**	**293**	**1,073**

	Nine months ended September 30 2018			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Outstanding troubled loans under restructuring as of the beginning of the period	1,756	10	332	2,098
Restructurings carried out during the period	207	-	134	341
Debts reclassified into performing loans following subsequent restructuring	(162)	-	-	(162)
Written off restructured debts	(102)	-	(41)	(143)
Repaid restructured debts	(418)	-	(97)	(515)
Other	9	-	3	12
Less balances classified as held-for-sale assets[(a)]	-	-	(13)	(13)
Outstanding troubled loans under restructuring as at the end of the period	1,290	10	318	1,618

(a) Including balances classified as held-for-sale assets (comparative figures). For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled loans, the Bank is following the Banking Supervision Department's directives, which became effective on January 1 2011 and the revised directives published subsequent to that date. The Bank estimates, assesses and revises the loan loss provision on a regular basis, based on past experience, analysis of individual borrowers, as well as according to economic forecasts and assessments of the various markets and business sectors.

Change in the balance of loan loss provision in respect of non-performing loans

	Nine months ended **September 30 2019**			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Balance of loan loss provision in respect of non-performing loans as at the beginning of the period	**459**	**4**	**150**	**613**
Loan loss expense (income)	**70**	**-**	**(43)**	**27**
Write-offs	**(515)**	**-**	**(56)**	**(571)**
Collection of debts written off in previous years	**320**	**-**	**108**	**428**
Other	**(2)**	**-**	**-**	**(2)**
Disposal of an investment in a previously-consolidated subsidiary	**(12)**	**(4)**	**-**	**(16)**
Balance of loan loss provision in respect of non-performing loans as at the end of the period	**320**	**-**	**159**	**479**

	Nine months ended September 30 2018			
	In NIS millions			
	Com-mercial	For housing	Private individuals - Other	Total
Balance of loan loss provision in respect of non-performing loans as at the beginning of the period	447	5	61	513
Loan loss income	(130)	-	30	(100)
Write-offs	(246)	-	(91)	(337)
Collection of debts written off in previous years	372	-	124	496
Less balances classified as held-for-sale assets[(a)]	(3)	-	(7)	(10)
Balance of loan loss provision in respect of non-performing loans as at the end of the period	440	5	117	562

(a) For more information regarding the held-for-sale operation (comparative figures), please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

For more information regarding the methodology for calculating the collective provision, please see "Critical Accounting Policies". For more information regarding provisions, please see Note 6.

Breakdown of credit risk indicators

	September 30		December 31
	2019	2018[(a)(b)]	2018[(a)(b)]
	In %		
Percentage of non-performing loans to the public out of outstanding loans to the public	**0.84**	1.04	0.99
Percentage of performing loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.37**	0.33	0.37
Percentage of troubled credit risk to the public out of the overall credit risk for the public	**1.59**	1.90	1.94
Percentage of expenses in respect of loan losses out of the average balance of loans to the public	**0.16**	0.12	0.19
Percentage of net write-offs in respect of loans to the public out of average balance of loans to the public	**(0.18)**	(0.07)	(0.09)
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding loans to the public	**1.32**	1.36	1.41
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding non-performing loans to the public	**156.02**	130.60	142.95
Percentage of balance of the loan loss provision in respect of loans to the public out of outstanding non-performing loans to the public and the outstanding loans to the public in arrears of 90 days or more	**108.86**	98.79	103.82
Percentage of net write-offs in respect of loans to the public out of the outstanding loan loss provisions for loans to the public	**(13.54)**	(5.26)	(6.40)

(a) Including balances classified as held-for-sale assets (comparative figures). For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.
(b) Reclassified. For more information, please see Note 6.

The Bank's Total Credit Risk to the Public by Economic Sector

	September 30 2019						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-perfor-ming credit risk	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							
Industry	25,552	24,900	652	399	53	150	(410)
Construction & real estate - construction[f]	52,516	52,072	444	129	18	14	(361)
Construction & real estate - Real estate activity	30,693	30,171	522	410	(20)	(39)	(385)
Trade	30,996	30,086	910	437	228	177	(377)
Financial services	32,507	32,496	11	4	(17)	(9)	(175)
Other industries	44,424	43,411	1,013	333	2	18	(519)
Commercial - Total[g]	216,688	213,136	3,552	1,712	264	311	(2,227)
Private individuals - Housing loans	85,706	84,899	807	-	14	17	(470)
Private individuals - Other	45,425	44,819	606	308	113	103	(645)
Total loans to the public - Activity in Israel	347,819	342,854	4,965	2,020	391	431	(3,342)
Banks and governments in Israel	46,437	46,437	-	-	(2)	-	(1)
Total activity in Israel	394,256	389,291	4,965	2,020	389	431	(3,343)
For borrower activity outside Israel							
Total, public - Foreign activity	58,812	57,292	1,520	574	62	73	(379)
Foreign banks and governments	49,422	49,422	-	-	-	-	-
Total activity outside Israel	108,234	106,714	1,520	574	62	73	(379)
Total activity in Israel and abroad	502,490	496,005	6,485	2,594	451	504	(3,722)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 293,189, 82,488, 1,006, 12,322 and 113,485 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) Balance-sheet and off-balance-sheet credit risk that is non-performing, substandard or under special supervision, including housing loans which are in arrears of 90 days or more, 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.
(e) Credit risk whose credit rating at the reporting date is in line with the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) Outstanding commercial loans include outstanding housing loans in the amount of NIS 808 million extended to purchasing groups currently in the process of construction.

	September 30 2018						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	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							
Industry	24,331	23,582	749	413	(21)	(51)	(463)
Construction & real estate - construction[f]	52,800	51,987	813	306	5	(2)	(346)
Construction & real estate - Real estate activity	28,155	27,522	633	450	(96)	(81)	(381)
Trade	29,247	28,487	760	317	80	112	(292)
Financial services	24,340	24,316	24	5	(11)	-	(179)
Other industries	44,543	43,151	1,392	590	123	58	(525)
Commercial - Total[g]	203,416	199,045	4,371	2,081	80	36	(2,186)
Private individuals - Housing loans	81,218	80,411	807	-	27	4	(467)
Private individuals - Other	64,291	63,313	978	372	161	125	(767)
Less outstanding held-for-sale loans to the public[h]	(19,742)	(19,365)	(377)	(37)	-	-	168
Total loans to the public - Activity in Israel[i]	329,183	323,404	5,779	2,416	268	165	(3,252)
Banks and governments in Israel	40,584	40,584	-	-	(2)	-	(1)
Less balances classified as held-for-sale[h]	(33)	(33)	-	-	-	-	-
Total activity in Israel	369,734	363,955	5,779	2,416	266	165	(3,253)
For borrower activity outside Israel							
Total, public - Foreign activity	62,038	60,379	1,659	712	48	37	(421)
Foreign banks and governments	44,592	44,592	-	-	-	-	-
Less outstanding held-for-sale loans to banks[h]	(34)	(34)	-	-	-	-	-
Total activity outside Israel	106,596	104,937	1,659	712	48	37	(421)
Total activity in Israel and abroad	476,330	468,892	7,438	3,128	314	202	(3,674)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 280,778, 73,513, 1,465, 9,827 and 110,747 million, respectively.

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

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

(d) Balance-sheet and off-balance-sheet credit risk that is non-performing, substandard or under special supervision, including housing loans which are in arrears of 90 days or more, 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.

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

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

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

(h) For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

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

	December 31 2018						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	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							
Industry	24,314	23,457	857	470	9	(76)	(513)
Construction & real estate - construction[f]	47,469	46,704	765	282	7	10	(348)
Construction & real estate - Real estate activity	28,665	28,061	604	433	(107)	(80)	(372)
Trade	29,556	28,465	1,091	277	129	131	(323)
Financial services	28,076	28,054	22	8	(13)	(6)	(185)
Other industries	44,686	43,377	1,309	553	151	56	(544)
Commercial - Total[g]	202,766	198,118	4,648	2,023	176	35	(2,285)
Private individuals - Housing loans	82,339	81,477	862	-	32	4	(473)
Private individuals - Other	64,930	63,951	979	383	241	165	(808)
Less outstanding held-for-sale loans to the public[h]	(19,869)	(19,497)	(372)	(45)	-	-	184
Total loans to the public - Activity in Israel	330,166	324,049	6,117	2,361	449	204	(3,382)
Banks and governments in Israel	44,203	44,203	-	-	-	-	(3)
Less balances classified as held-for-sale[h]	(33)	(33)	-	-	-	-	-
Total activity in Israel	374,336	368,219	6,117	2,361	449	204	(3,385)
For borrower activity outside Israel							
Total, public - Foreign activity	64,845	63,277	1,568	616	70	52	(431)
Foreign banks and governments	38,689	38,689	-	-	-	-	-
Less outstanding held-for-sale loans to banks[h]	(2)	(2)	-	-	-	-	-
Total activity outside Israel	103,532	101,964	1,568	616	70	52	(431)
Total activity in Israel and abroad	477,868	470,183	7,685	2,977	519	256	(3,816)

(a) Balance-sheet credit risk and off-balance-sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 290,254, 71,013, 1,257, 12,756 and 102,588 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) Balance-sheet and off-balance-sheet credit risk that is non-performing, substandard or under special supervision, including housing loans which are in arrears of 90 days or more, 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.
(e) Credit risk whose credit rating at the reporting date is in line with the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) The outstanding commercial loans include outstanding housing loans in the amount of NIS 913 million extended to purchasing groups currently in the process of construction.
(h) For more information regarding the held-for-sale operation, please see section entitled "Main Changes in the Reporting Period" and Note 36F to the financial statements as at December 31 2018.

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 out of all the business economic sectors. As with other industries, the credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-industries.

Credit granted to the real estate sector is in line with the Bank's risk appetite, according to the adequate risk level and pricing. As a result, and in an effort to continue being a dominant player in real estate financing, the Bank strives to make optimal and effective use of the internal and regulatory restrictions in this domain.

The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the industry's risk characteristics.
The Bank also assesses the real estate industry risk under a central stress scenario, with credit losses broken down by sub-sectors and examined against the risk assessment and risk appetite.

In addition to the regulatory restriction and in order to effectively manage the internal credit risk mix, the Bank is careful to maintain geographical diversification of the projects, according to demand and across the various sub-sectors.

Following similar policies purchased in the past, an insurance policy for the portfolio of guarantees was purchased in 2018, pursuant to the Sales (Apartments) Law and for the commitment to issue such guarantees from international reinsurers with high global credit ratings. The policy insures the Bank against paying for the forfeiture of the guarantees, according to the terms and conditions of the policy. The purchase of the insurance policy enables the Bank to reduce the capital held in respect of the credit risk arising from the issuance of the guarantees, while using the policy as a "credit risk mitigator" (the reduction is in line with the rating of the reinsurers). The insurance is for projects commencing by December 31 2019.

For more information about this segment, please see under "Credit Risks" in the 2018 Annual Report of the Board of Directors and Management.

Groups of Borrowers[1]

The Group conducts orderly monitoring processes to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 313, "Restrictions on Indebtedness of a Borrower or Group of Borrowers".

On August 1 2018, the Bank of Israel issued an amendment to Proper Conduct of Banking Business Directive No. 313. 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 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.
As at September 30 2019, the Bank complies with the Directive's requirements.

On October 27 2019, the Banking Supervision Department issued an amendment to Proper Conduct of Banking Business Directive No. 313, "Restrictions on the Indebtedness of a Borrower or Group of Borrowers". The amendment states that a borrower's net indebtedness for speculative and non-supervised activity will be limited to 10 percent of the banking corporation's capital (in lieu of 15 percent). This limitation will also apply to the cumulative indebtedness of said borrowers belonging to a group of borrowers engaged in speculative activity (in lieu of the 25 percent limitation for an ordinary group of borrowers).
The effective date of the Directive for a bank that meets the restrictions is the date of its publication. A bank that does not meet the restrictions is required to reduce the deviation of the exposure at fixed quarterly rates until July 1 2020.

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1 A group of borrowers is 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 an equity 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 an equity standpoint), with the owned corporation and any other entity controlled by the owners as 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.

As at September 30 2019, the Bank complies with the requirements of the Directive.

As at September 30 2019, 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).

Exposure to Foreign Countries

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

	September 30 2019		
	Exposure[(a)(b)]		
	Balance sheet	Off balance-sheet[(c)]	Total
	In NIS millions		
United States	**25,230**	**6,474**	**31,704**
United Kingdom	**12,905**	**9,794**	**22,699**
France	**2,288**	**1,786**	**4,074**
Switzerland	**1,514**	**1,557**	**3,071**
Germany	**5,067**	**1,271**	**6,338**
Other	**12,973**	**2,054**	**15,027**
Total exposure to foreign countries	**59,977**	**22,936**	**82,913**
Of which: total exposure to GIPS countries[(d)]	**765**	**152**	**917**
Of which: total exposure to LDC countries[(e)]	**1,201**	**900**	**2,101**
Of which: total exposure to countries with liquidity issues[(f)]	**227**	**227**	**454**

	September 30 2018		
	Exposure[(a)(b)]		
	Balance sheet	Off balance-sheet[(c)]	Total
	In NIS millions		
United States	32,308	6,611	38,919
United Kingdom	11,447	9,607	21,054
France	2,398	2,063	4,461
Switzerland	1,992	1,677	3,669
Germany	5,108	2,033	7,141
Other	14,551	2,230	16,781
Total exposure to foreign countries[(g)]	67,804	24,221	92,025
Of which: total exposure to GIPS countries[(d)]	592	219	811
Of which: total exposure to LDC countries[(e)]	1,653	1,070	2,723
Of which: total exposure to countries with liquidity issues[(f)]	311	87	398

Please see comments below.

	December 31 2018		
	Exposure(a)(b)		
	Balance sheet	Off balance-sheet(c)	Total
	In NIS millions		
United States	34,204	6,704	40,908
United Kingdom	10,895	6,983	17,878
France	2,794	1,654	4,448
Switzerland	1,227	1,064	2,291
Germany	4,451	1,086	5,537
Other	13,802	2,300	16,102
Total exposure to foreign countries(g)	67,373	19,791	87,164
Of which: total exposure to GIPS countries(d)	455	221	676
Of which: total exposure to LDC countries(e)	2,038	1,072	3,110
Of which: total exposure to countries with liquidity issues(f)	386	325	711

(a) Exposure to foreign countries is presented based on the final risk.
(b) Balance-sheet and off-balance-sheet credit risk, troubled commercial credit risk and non-performing loans are stated before the effect of the loan loss provision and the effect of collateral that is deductible for the purpose of specific and collective indebtedness and before the effect of netting for derivatives.
(c) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per-borrower credit indebtedness limitations, before the effect of netting for derivatives.
(d) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.
(e) The "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.
(f) Exposure to foreign countries with liquidity issues as defined by the Bank of Israel (a country receiving financial support from the IMF or whose liabilities are rated CCC or lower). The amount covers 10 countries (as at September 30 2018 - 9 countries, as at December 31 2018 - 13 countries).
(g) In 2018, including balances of held-for-sale assets in the amount of NIS 33 million as at September 30 2018 and NIS 1.3 million as at December 31 2018.

Part B - As at September 30 2019 and September 30 2018, there is no aggregate balance sheet exposure to foreign countries, the total exposure to each of which ranges from 0.75 percent to 1 percent of total consolidated assets or between 15 percent and 20 percent of equity, whichever the lower.

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 of up to one week and bonds of up to 5 years. The Bank closely monitors the position of banks worldwide and frequently analyzes their financial robustness. The Bank maintains a short list of high-quality banks with which it and its foreign offices make deposits.

Credit exposure to foreign financial institutions[a]

	As at September 30 2019		
	Balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	**17,365**	**723**	**18,088**
A- to A+	**4,556**	**468**	**5,024**
BBB- to BBB+	**187**	**108**	**295**
B- to BB+	**32**	**11**	**43**
Less than: B-	-	-	-
No credit rating	**204**	-	**204**
Total current credit exposure to foreign financial institutions	**22,344**	**1,310**	**23,654**
Troubled Credit Risk	-	-	-

	As at September 30 2018		
	Balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	17,623	790	18,413
A- to A+	3,861	538	4,399
BBB- to BBB+	311	215	526
B- to BB+	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
Troubled Credit Risk	-	-	-

	As at December 31 2018		
	Balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS millions		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	19,229	967	20,196
A- to A+	3,253	476	3,729
BBB- to BBB+	397	188	585
B- to BB+	26	8	34
Less than: B-	1	-	1
No credit rating	225	-	225
Total current credit exposure to foreign financial institutions[e]	23,131	1,639	24,770
Troubled Credit Risk	-	-	-

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) As at September 30 2019, deposits with banks, loans to the public, securities borrowed or bought under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including subordinated bonds of banks total NIS 476 million (on September 30 2018 - NIS 294 million and on December 31 2018 - NIS 345 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) In 2018, including balances of held-for-sale assets in the amount of NIS 33 million as at September 30 2018 and NIS 1.3 million as at December 31 2018.

Please see comments below.

Comments:
1. The credit exposures do not include investments 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 equity, 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, new loan performance improved on the back of demand for housing loans in Israel - both by homeowners and investors.

Following trends in recent years, and to ensure effective risk management, the Bank 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 pursuant to the Bank's internal statistical model.
The Bank adheres to a balanced underwriting policy that takes into account the borrower’s repayment capacity, linkage base and interest, loan-to-value ratio, etc., while complying with all of 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 meets market demand by private organizations, historical landowners, etc. From a risk standpoint, the loans are extended to various, geographically diversified populations, following close scrutiny of each borrower’s repayment capacity.

Data on performance of new loans and recycled loans for the purchase of residential apartments and mortgaging of residential apartments in Israel

	For the nine months ended September 30		Rate of change
	2019	2018	
	In NIS millions		In %
By the Bank’s funds	**10,253**	8,513	20.4
By the government of Israel	**115**	72	59.7
Total new loans	**10,368**	8,585	20.8
Recycled loans	**1,798**	1,352	33.0
Total performance	**12,166**	9,937	22.4

Disclosure on housing loans

Following are data regarding the development of the housing loans portfolio:

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS millions	In %
December 31 2017	77,005	(1.5)
December 31 2018	79,944	3.8
September 30 2019	**82,851**	**3.6**

2018 saw an increase in the volume of housing loans, due to an increase in the number of loans granted and the conclusion of the joint venture for extending loans with an institutional entity. This trend also continued in the first nine months of 2019, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects.

Development of net outstanding housing loans by linkage bases and as a percentage of the balance of the Bank's loans portfolio

	Non-linked segment				CPI-linked segment				Foreign currency segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		Total loans portfolio, in NIS millions
	Balance in NIS millions	Percentage of the loans portfolio	Balance in NIS millions	Percentage of the loans portfolio	Balance in NIS millions	Percentage of the loans portfolio	Balance in NIS millions	Percentage of the loans portfolio	Balance in NIS millions	Percentage of the loans portfolio	
December 31 2017	13,858	18.0	31,730	41.2	12,002	15.6	18,405	23.9	1,010	1.3	77,005
December 31 2018	14,848	18.6	33,038	41.3	12,596	15.8	18,503	23.1	959	1.2	79,944
September 30 2019	**15,714**	**19.0**	**34,055**	**41.1**	**13,323**	**16.0**	**18,998**	**23.0**	**761**	**0.9**	**82,851**

Development of new housing loans by interest track, in Israel

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

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance In %							
Fixed - Linked	**20.3**	22.0	19.7	19.4	17.7	15.8	15.0	15.3
Variable every 5 years or more - Linked	**19.4**	19.0	20.4	18.9	17.5	16.6	15.6	16.4
Variable up to 5 years - Linked	**-**	-	-	-	-	0.1	-	0.1
Fixed - Non-linked	**24.4**	23.2	23.2	25.8	26.1	28.8	31.3	29.6
Variable every 5 years or more - Non-linked	**3.3**	3.0	3.7	4.0	5.2	5.9	6.3	6.9
Variable up to 5 years - Non-linked	**32.3**	32.6	33.0	31.6	33.1	32.7	31.2	31.3
Variable - Foreign currency	**0.3**	0.2	-	0.3	0.4	0.1	0.6	0.4

The percentage of new variable-interest housing loans granted by the Bank during the reporting period was 55.6 percent, compared with 55.0 percent in 2018. 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 variable interest loans under the Banking Supervision Department's directive - the percentage of variable-rate housing loans extended during the reporting period was 32.8 percent, compared to 32.4 percent in the entire 2018.

Data on new housing loans in Israel

During the reporting period, the Bank granted new housing loans out of its own funds in the amount of NIS 10.4 billion. The average loan extended by the Bank during the reporting period was NIS 729 thousand, compared with NIS 732 thousand in 2018 and NIS 529 thousand in 2017.

It should be noted that on December 31 2017, the Bank's joint loan venture with an institutional partner came to an end (hereinafter: the "**Joint Venture**"). The data for 2017 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 conclusion of the Joint Venture, the customer's exposure is identical to the Bank's.

Outstanding housing loans portfolio 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 2017	77,448	722	0.93
December 31 2018	80,417	862	1.07
September 30 2019	**83,321**	**807**	**0.97**

As at September 30 2019, the loan loss provision, which includes the collective provision for housing loans, is NIS 470 million, constituting 0.57 percent of the outstanding housing loans.

Development of new outstanding loans granted in Israel at a loan-to-value (LTV) ratio of over 60 percent

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

	2019	2018						2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]							
Over 60 and up to 70, inclusive	**17.9**	18.0	16.9	17.2	16.7	18.0	18.0	18.0
Over 70 and up to 80, inclusive	**17.5**	19.3	16.5	16.1	16.6	16.3	13.0	16.0
Over 80	**0.10**	0.20	0.20	0.20	0.07	0.05	0.20	0.09

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

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 2019 stands at 45.4 percent, compared with 45.6 percent in 2018.

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 0.6 percent in 2018.

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

Development of new loans, for which the loan term is longer than 25 years, in Israel

The percentage of new housing loans in which the loan term under the loan agreements are longer than 25 years, stood at an average of 38.3 percent of the total new loans granted during the reporting period, compared with an average of 36 percent in 2018 and 35 percent in 2017.

Credit Risk in Respect of Loans to Private Individuals (Excluding Housing Loans)

Credit granted to private individuals whose repayment capacity is largely based on their household's earning capacity is characterized by a very significant diversification 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 address the increase in credit granted to individuals - given the wide span of control required to manage this function - and in order to ensure adequate corporate governance, several units have been extended and enhanced, both in the Banking Division - which constitutes the first line of defense, and in the Risk Management Division - which constitutes the second line of defense.

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

Due to the increased debt levels of Israeli households in recent years, the Bank extended and boosted the ongoing monitoring of its entire consumer credit portfolio, while adhering to strict underwriting, management and control processes at the individual borrower and aggregate level.

In recent years, the Bank has been preparing for the application of the Credit Information Service Law. On April 12 2019, the Central Credit Register (CCR) was launched. For more information, please see section entitled "Strategic Risk" in the Risk Management Report.

Developments in outstanding credit risk (excluding derivatives) for loans granted to private individuals (in Israel, excluding housing loans)

	Balance of credit risk
	In NIS millions
December 31 2017	46,325
December 31 2018	45,806
September 30 2019	**45,418**

Distribution of the balance sheet credit risk (excluding derivatives) in respect of loans to private individuals, by remaining loan term (in Israel, excluding housing loans)

	September 30 2019		December 31 2018	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Up to one year	**5,460**	**19.2**	5,564	19.3
Over one year and up to 3 years	**5,053**	**17.8**	5,101	17.7
Over 3 years and up to 5 years	**10,821**	**38.1**	10,046	34.9
Over 5 years and up to 7 years	**4,218**	**14.9**	5,046	17.6
Over 7 years	**390**	**1.4**	419	1.5
No repayment term[(a)]	**2,448**	**8.6**	2,589	9.0
Total	**28,390**	**100.0**	28,765	100.0

(a) The amount includes outstanding overdrafts in current accounts and outstanding loans in arrears.

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

Credit risk amount in NIS thousands		**September 30 2019**		December 31 2018	
From	To	In NIS millions	% of portfolio	In NIS millions	% of portfolio
-	25	**5,187**	**11.4**	5,143	11.2
25	50	**6,682**	**14.7**	6,879	15.0
50	75	**6,122**	**13.5**	6,324	13.8
75	100	**5,409**	**11.9**	5,598	12.2
100	150	**7,952**	**17.5**	8,093	17.7
150	200	**5,540**	**12.2**	5,201	11.4
200	300	**4,817**	**10.6**	4,930	10.8
Over 300		**3,709**	**8.2**	3,638	7.9
Total credit risk		**45,418**	**100.0**	45,806	100.0

Distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by main credit products (in Israel, excluding housing loans)

	September 30 2019		December 31 2018	
	In NIS millions	% of portfolio	In NIS millions	% of portfolio
Current account balances and utilized credit card balances	**6,543**	**14.4**	6,710	14.6
Car purchase loans (secured)	**1,453**	**3.2**	1,731	3.8
Other loans	**20,394**	**44.9**	20,324	44.4
Total balance-sheet credit risk	**28,390**	**62.5**	28,765	62.8
Unutilized current account credit facilities	**6,730**	**14.8**	6,659	14.5
Unutilized credit card facilities	**10,023**	**22.1**	10,103	22.1
Other off-balance-sheet credit risk	**275**	**0.6**	279	0.6
Total off-balance-sheet credit risk	**17,028**	**37.5**	17,041	37.2
Total credit risk	**45,418**	**100.0**	45,806	100.0

Distribution of the balance-sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by linkage segment and interest tracks (in Israel, excluding housing loans)

	September 30 2019				
	Non-linked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	**27,114**	**41**	**70**	**27,225**	**95.9**
Fixed interest loans	**1,119**	**31**	**15**	**1,165**	**4.1**
Total balance-sheet credit risk	**28,233**	**72**	**85**	**28,390**	**100.0**

	December 31 2018				
	Non-linked	Linked	Foreign currency	Total balance-sheet credit risk	% of portfolio
	In NIS millions				In %
Variable interest loans	27,336	42	70	27,448	95.4
Fixed interest loans	1,252	39	26	1,317	4.6
Total balance-sheet credit risk	28,588	81	96	28,765	100.0

Balances of financial assets portfolio of private individuals with the Bank, with an overall credit risk (in Israel, excluding housing loans)

	September 30 2019	December 31 2018
	In NIS millions	
Deposits by the Public	**88,836**	90,500
Securities portfolios	**59,228**	56,094
Total financial asset portfolio	**148,064**	146,594
Total indebtedness to customers with financial asset portfolios	**35,325**	35,569

Distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by fixed income amount[a] (in Israel, excluding housing loans)

	September 30 2019		December 31 2018	
Income	In NIS millions	In %	In NIS millions	In %
Accounts without fixed income	**1,588**	**5.6**	2,095	7.3
Of which: Loan accounts[b]	**1,062**	**3.7**	1,413	4.9
Less than NIS 10 thousand	**8,460**	**29.8**	9,035	31.4
More than NIS 10 thousand and less than NIS 20 thousand	**10,095**	**35.6**	9,831	34.2
NIS 20 thousand or more	**8,247**	**29.0**	7,804	27.1
Total	**28,390**	**100.0**	28,765	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 other banks or bank accounts, 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.

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 90 percent of the balance-sheet credit is from fixed-income earners.

Distribution of the balance sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals (in Israel, excluding housing loans)

	September 30 2019	December 31 2018
	In NIS millions	
Non-troubled loans	**27,799**	28,168
Troubled performing loans	**284**	258
Troubled non-performing loans	**307**	339
Total balance-sheet credit risk	**28,390**	28,765
Percentage of troubled credit risk out of balance sheet credit risk to private individuals	**2.1%**	2.1%
Write-offs, net	**103**	99
Balance of loan loss provision	**626**	615

For more information, including regarding troubled loans and loan loss expenses, please see Note 6, Note 13, and section entitled "Risk Exposure", "Credit Risk", under the "Bank's overall credit risk to the public by economic sector".

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business 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 covenants, credit authorizations, etc.

For more information, please see the 2018 Annual Report of the Board of Directors and Management.

The aggregate balances of loans to 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		
	2019			2018			2018		
	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	**181**	**153**	**334**	80	251	331	80	251	331
Industry and manufacturing	**490**	**220**	**710**	656	26	682	458	145	603
Provision of power, gas, steam and air conditioning	**-**	**-**	**-**	322	616	938	211	76	287
Trade	**735**	**28**	**763**	464	33	497	335	61	396
Transportation and storage	**729**	**2**	**731**	180	15	195	171	15	186
Hotels, hospitality and food services	**235**	**-**	**235**	274	-	274	274	-	274
Construction and real estate	**76**	**-**	**76**	19	160	179	27	160	187
Public and community services	**-**	**-**	**-**	212	31	243	212	31	243
Financial services	**-**	**-**	**-**	191	-	191	-	-	-
Total	**2,446**	**403**	**2,849**	2,398	1,132	3,530	1,768	739	2,507

Market Risks

Market risk is defined as the risk of a loss arising from a change in the value of assets and liabilities due to changes in the price level in markets, interest rates, exchange rates, inflation rate and stock prices. 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 Banking Supervision 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 defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control and oversight of these risks, while implementing corporate governance which includes 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 objectives 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 (nostro) 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 risk appetite is reflected in the established restrictions.

As part of the policy to manage market risk, various risk indices were set, and according to the materiality of the risk factor, restrictions were set at various hierarchical levels: At the level of the Board of Directors, Head of the Risk Management Division and Head of the Capital Markets Division. This purpose of the restrictions is to limit the damage that can be caused as a result of unexpected changes in various market risk factors, such as interest rates, inflation, exchange rates, tradable credit spreads and share prices.

The market risks are routinely managed at the Group level. The foreign subsidiaries determine their own market risk management policies in line with the Group's policies and its approved risk frameworks as well as in line with the local regulation and business environment in which they operate. 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 which form part of its trading activity but which are not necessarily for hedging purposes. The held-for-trading activity is conducted by designated units. The banking portfolio includes those trading transactions which are not included in the held-for-trading portfolio.

In order to oversee and monitor the implementation of the market risk management policy, the Board of Directors receives, at least once every quarter, a report on the main market risk exposures vs. the set limitation and the main risks according to the Group's business lines, products and risk centers, as well as reports on unusual incidents.

Exposure to market risks arising from the employee pension liabilities

The Bank applies US GAAP to employee benefits, as prescribed by the Bank of Israel. Managing the market risks in respect of the obligations for employees is partly performed in the framework of the banking portfolio and partly in an independent and separate manner against "plan assets", which are designed to yield long term returns to serve the liability's value. The long-duration actuarial obligation to employees is significantly impacted by changes in the discount rate. The discount rate, which is used for calculating the actuarial liabilities for employee rights, is based - according to the directives of the Bank of Israel - 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 benefits.

In 2016, the Bank received individual approval from the Bank of Israel, for capital adequacy measurement purposes, to discount the employee benefit liabilities 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. The approval significantly moderated the volatility of the regulatory capital resulting from changes in the discount rate. The approval is valid until December 31 2020.

Against part of the actuarial liability, there is an investment in "plan assets", which is designed to service that obligation, through investment in diversified assets such as equity securities and bonds. The investment is subject to regulatory restrictions and restrictions prescribed by the funds managing the plan assets.

For quantitative information regarding market risks, please see section entitled "Market Risks" in the Risk Management Report.

Interest Rate Risk

Interest rate risk is the risk of gains or capital arising from interest rate fluctuations and stems from several sources, as follows: repricing risk (timing differences in remaining loan terms and repricing dates of assets, off-balance-sheet liabilities and positions); yield curve risk (unexpected fluctuations in the yield curve; basis risk (less than perfect correlation between interest rate changes in various financial markets or in various instruments with similar repricing characteristics); and optionality risk (change in the timing or scope of cash flows from a financial instrument due to changes in market interest rates).

The Bank manages the sensitivity of the economic value of its capital to possible interest rate changes and examines the effect of changes in interest rate curves on the economic value, under various assumptions of interest rate changes, including interest rate stress scenarios based on historic scenarios and hypothetical simulations. The Bank also uses a model which estimates the change in the expected finance income as a result of changes in the interest rate and future interest rate spread as well as the sensitivity of the regulatory capital, which includes the effects on capital and capital reserve as a result of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels.

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.

Exposure to interest rate changes is measured both for an increase and decrease of interest 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.

Quantitative information about interest rate risk - Sensitivity analysis

Net adjusted fair value[(a)] of financial instruments of the Bank and its consolidated companies

	September 30 2019		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	**21,816**	**(705)**	**21,111**
Of which: banking portfolio	**18,776**	**(250)**	**18,526**

	September 30 2018		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	20,521	(1,071)	19,450
Of which: banking portfolio	16,669	(1,124)	15,545

	December 31 2018		
	NIS	Foreign currency	Total
	In NIS millions		
Adjusted net fair value[(a)]	21,719	(772)	20,947
Of which: banking portfolio	15,377	(900)	14,477

Please see comments below.

For more information regarding the assumptions used to calculate the adjusted fair value of the financial instruments, please see Note 15A.

The effect of scenarios of interest rate changes on the net adjusted fair value[a] of the Bank and its consolidated companies

	September 30 2019		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1 percent	**1,331**	**449**	**1,780**
Of which: banking portfolio	**1,434**	**428**	**1,862**
Simultaneous decrease of 1 percent	**(1,824)**	**(562)**	**(2,386)**
Of which: banking portfolio	**(1,926)**	**(518)**	**(2,444)**
Non-simultaneous changes			
Steepening[b]	**551**	**139**	**690**
Flattening[c]	**(402)**	**(109)**	**(511)**
Short-term interest rate increase	**300**	**69**	**369**
Short-term interest rate decrease	**(329)**	**(65)**	**(394)**

	September 30 2018		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1 percent	1,367	104	1,471
Of which: banking portfolio	1,372	110	1,482
Simultaneous decrease of 1 percent	(1,830)	(196)	(2,026)
Of which: banking portfolio	(1,817)	(229)	(2,046)
Non-simultaneous changes			
Steepening[b]	477	(62)	415
Flattening[c]	(294)	(62)	(356)
Short-term interest rate increase	386	(54)	332
Short-term interest rate decrease	(427)	42	(385)

	December 31 2018		
	NIS	Foreign currency	Total*
	In NIS millions		
Simultaneous changes			
Simultaneous increase of 1 percent	1,019	235	1,254
Of which: banking portfolio	1,082	212	1,294
Simultaneous decrease of 1 percent	(1,398)	(389)	(1,787)
Of which: banking portfolio	(1,461)	(368)	(1,829)
Non-simultaneous changes			
Steepening[b]	277	67	344
Flattening[c]	(163)	(15)	(178)
Short-term interest rate increase	344	129	473
Short-term interest rate decrease	(379)	(122)	(501)

Please see comments below.

Comment: The table presents the change in the net adjusted fair value of all the financial instruments, under the assumption that the noted change occurred for all interest rates in all linkage segments.

Effect of scenarios of interest rate changes on net interest income and on noninterest finance income[d]

	September 30 2019		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1 percent	**500**	**229**	**729**
Of which: banking portfolio	**500**	**330**	**830**
Simultaneous decrease of 1 percent	**(500)**	**(253)**	**(753)**
Of which: banking portfolio	**(500)**	**(330)**	**(830)**

	September 30 2018		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1 percent	561	239	800
Of which: banking portfolio	561	245	806
Simultaneous decrease of 1 percent	(561)	(228)	(789)
Of which: banking portfolio	(561)	(245)	(806)

	December 31 2018		
	In NIS millions		
	Interest income	Noninterest finance income	Total*
Simultaneous changes			
Simultaneous increase of 1 percent	591	226	817
Of which: banking portfolio	591	281	872
Simultaneous decrease of 1 percent	(591)	(223)	(814)
Of which: banking portfolio	(591)	(281)	(872)

(a) Fair value, net of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability and attribution of demand deposits to periods.
(b) Steepening - a decrease in the interest rate in the short term and increase in the interest rate in the long term.
(c) Flattening - increase in interest rate in the short-term and decrease in the long-term.
(d) Exposure to a 1 percent interest rate decrease is based on the interest rate on credit and deposits being reduced by the same rate. Since currently, the interest rate on most deposits is less than 1 percent, and there is 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.

* After netting effects.

Liquidity Risks

Liquidity risk is the risk arising from uncertainty regarding the possibility of raising sources and/or disposal of assets, unexpectedly and within a very short time, without incurring 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 Conduct of Banking Business 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. As at January 1 2017, the minimum liquidity coverage ratio for the Bank and the Group is 100 percent.

Leumi maintains a proper liquidity level by investing its own (nostro) portfolio for high-quality diversified assets in NIS and foreign currencies, so as 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, with emphasis on raising deposits from retail customers 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's directives and accepted international standards.

The banking corporation's liquidity coverage ratio (regulatory model) is based on an average of daily observations.

	For the three months ended		
	September 30		December 31
	2019	2018	2018
	In %		
A. Consolidated data			
Liquidity coverage ratio	**121**	121	121
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
B. Banking corporation's data			
Liquidity coverage ratio	**120**	120	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

For more information regarding liquidity risk, please see the Risk Management Report 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 cyber risks, technological risk, business continuity risk as well as embezzlement and fraud risks.

The risk management approach is consistent with the Leumi Group's strategy, constitutes a basis for defining its risk tolerance, the manner of managing risk and corporate governance and determining the focus and emphases in operational risk management processes, allowing for informed and well-focused risk management as well as prioritizing tasks and resources.

Bank of Israel's letter entitled Encouraging Innovation in Banks and Acquirers

On June 24 2019, the Banking Supervision Department published a letter entitled "Encouraging Innovation in Banks and Acquirers". The letter seeks to encourage implementation of innovative banking technologies, as well as to clarify and outline the regulatory principles in this area, outlining the expectations from the banking corporations both in terms of adoption and assessment of new technologies and in terms of risk management aspects affected by the changing environment.

The implementation of the said provisions will allow the Bank to adopt innovative banking products and services as well as expand the use of advanced technologies, in order to adapt the Bank to the changing business and technological environment, while further boosting customer experience, optimizing the management of operational risks, streamlining its activity, and reducing costs.

In the past few years, Leumi has been leading a business strategy encouraging technological and digital innovation. The Bank implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

For more information about operational risk and main risk areas, please see the "Operational Risks" section in the 2018 Annual Risk Management Report.

Other Risks

Regulatory and Compliance Risks

Regulatory Risk

Regulatory risk is the risk of legislative and regulatory changes affecting the income and expenses of the Group, its capital, areas of activity or the business environment in which it operates.

The Leumi Group operates in a complex and multi-dimensional environment. Continuous material changes in a variety of regulatory fields require adequate, ongoing preparations by the Bank.

Recently, emphasis has been placed on the following areas:

- Promoting competition in the financial sector
  In this context, the following regulatory actions may be mentioned: Easements for new banks, including a more lenient licensing process and establishment of a computer service bureau to serve new banks; easements for credit card companies split from banks for the purpose of establishing them as major players in the competition with banks; reform of transitioning accounts between banks aimed to allow easy and rapid transition from one bank to another, including transfer of full responsibility for the transitioning of accounts to the banks; the Credit Information Service Law and Central Credit Register, that allow information to be presented to various credit providers so that they can optimize their value propositions to customers; and opening the option to interface with payment systems to additional entities.

- Encouraging innovation
  In this context, the following regulatory actions may be mentioned: The Banking Supervision Department's letter "Encouraging Innovation in Banks and Acquirers" (including encouraging a "Regulatory Sandbox"); transitioning to issuing bank guarantees digitally; the "Open Banking" reform; allowing banks to engage in the field of payment applications for merchants; continued provision of easements for opening online accounts; and the possibility of providing online power of appointment to portfolio managers.

- Customer-bank relationship and conduct
  In this context, the following regulatory actions may be mentioned: Professional Human Phone Answering Law (AKA the "6 Minute Law"); lowering fees and commissions for small and micro-businesses requiring banks to proactively move small and micro-businesses to appropriate fees and commission tracks; amendment of the Banking (Customer Service) Law regarding postponement of the monthly repayment dates for a housing loan under special circumstances (giving birth, illness, maternity leave); Fair Credit Law (formerly the "Nonbank Loans Arrangement Law") and the Proper Conduct of Banking Business Directive "Simplifying Customer Agreements" relating to its implementation and aiming to make it easier for customers to understand complex banking agreements; and a Payment Services Law that replaces the "Debit Card Law" and provides consumer protections for various means of payment.

- Financial crime prevention - Prohibition of money laundering, bribery and corruption
  In addition, banks are still seen as responsible for preventing economic crime. Banks are required to monitor suspicious activity and submit reports to the authorities. The Bank is implementing the FATCA and the OECD's Common Reporting Standard (CRS) for collecting and exchanging information on financial accounts, while

continuing to implement the reported funds policy, implementing the Law to Reduce the Use of Cash and preventing the dissemination of counterfeit bills.

- Privacy protection and information security
  These issues are on the agenda in Israel and around the world and are gaining momentum with the transition to e-banking, outsourcing and the use of cloud computing by the financial system. These issues are reflected, among other things, in the GDPR rules, which deal with privacy protection as well as specific regulatory actions on cyber protection and outsourcing.

The abovementioned trends and changes affect, and are expected to continue to affect, the banking industry in the coming years. The Bank monitors and identifies relevant regulatory provisions, and examines its preparedness for the following: Changing market conditions; increased competition and transparency; entry of new players into traditional banking domains; the Bank's costs compared to those of other entities; use of databases and information of the Bank's customers by non-banking entities; and providing customers with tailored value propositions. At the same time, the regulation erodes income, increases compliance costs and requires constant improvement of the service and innovation levels.

Compliance Risk

Compliance risk is the risk of a legal or regulatory sanction being imposed, or a material financial loss or a reputational damage incurred, by the banking corporation as a result of failing to comply with the provisions of the law or regulations.

a. Compliance risk, prohibition on money laundering and financing of terrorism

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

Pursuant to global developing trends, the Bank handles a range of compliance issues, including the prohibition on money laundering and on financing 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 an evolving financial technology environment characterized by a lack of well-defined regulation on the one hand, and on the other hand – by professional complexity and 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 the regulator to impose various sanctions on a corporation, its officeholders and employees if they have violated the relevant provisions.

Pursuant to the law, the Israel Securities Authority published a list of criteria for recognition of an internal securities and investment management enforcement program (hereinafter: the "**Criteria Document**").

The Criteria Document instructs corporations, inter alia, to appoint an enforcement officer. The enforcement officer's function, according to the Criteria Document, is to be responsible for implementing the enforcement program.

c. Foreign Account Tax Compliance Act (FATCA) - Common Reporting Standard (CRS) and the reported funds policy

On July 14 2016, the Income Tax Ordinance Amendment Law (No. 227), 2016 was published on the implementation of the FATCA agreement between the State of Israel and the United States and agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information.

The Income Tax (Implementation of the FATCA Agreement) Regulations, 2016 were published on August 4 2016. Under the regulations, the Bank is required to identify customers and forward information on accounts held by American customers to the Israel Tax Authority, which will forward the information to the US's Internal Revenue Service.

The Income Tax (Implementation of a Uniform Standard for Reporting and Due Diligence of Information on Financial Accounts) Regulations, 2019, were published on February 6 2019. Pursuant to the regulations, the Bank is required, to identify customers who are residents of foreign countries, and to report customers identified as residents of countries with which Israel has information exchange agreements to the Israel Tax Authority, which will forward the information to the competent authorities in the customers' countries of residence.

The Bank reports to the Israel Tax Authority according to the provisions of the said law.

The Bank implements a reported funds policy while ensuring that no funds managed by the Bank that are not reported to the relevant tax authorities. In this context, various measures were taken to locate and identify the relevant target audiences. If needed, customers are required to provide various statements and approvals.

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 officer as the responsible party; 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.

Legal Risk

Legal risk is defined as the risk of loss as a result of inability to legally enforce an agreement or contingent liabilities, including in respect of claims against, and demands from, the Bank. The definition includes risks arising from legislation, regulations, court rulings and directives issued by authorities, risk emanating from activity that is not covered by adequate agreements, without legal advice or under faulty legal advice, as well as a result of interpretation of the rights of parties under agreements between the Bank and its customers.

There is a general exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services rendered by the Bank and the consolidated companies to their customers. The complexity of these services embodies, inter alia, a potential for claims, interpretative and other, 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 its 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, the Israel Securities Authority and other regulators to which the Bank is subjected. 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 the above 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. It is currently 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. Accordingly, no provision was included in respect of the said exposure.

For more information about legal risk and its management, please see section entitled "Other Risks" in the 2018 Annual Report of the Board of Directors and Management.

Reputational Risk

Reputational risk is the risk of compromising shareholders' and various stakeholders' trust in the Leumi Group, as a result of conduct, act, or omission by the Group, its employees or other involved parties.

Reputational risk refers to the perceptions of the shareholders, stakeholders, the public, influencers and the media, whether they are based on facts or otherwise. Reputational risk is dynamic and changes depending on various topics and populations.

For more information about legal risk and its management, please see section entitled "Other Risks" in the 2018 Annual Report of the Board of Directors and Management.

Strategic Risk

Strategic risk is a business risk the damage of which is material and touches upon the Bank's business model or upon one of its business lines. In fact, this type of risk may have an immediate effect on the profit that may be insignificant in the immediate term, but which may become significant in the medium and long term. Strategic risks include threats which may arise from erroneous business decisions, inappropriate implementation of decisions or lack of response to industry-specific, economic, regulatory and consumer or technological changes.

The main strategic risk stems from the fact that the financial service industry is undergoing significant digitalization changes. The opening of the banking industry to competition and the entry of new players - such as BigTech (Google, Amazon, Facebook and Apple), FinTech companies, insurers and non-banking credit companies - requires adjustment of the business model. In addition, the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (the "Strum Law") includes components which could strategically impact the competitive map in Israel. One of its direct consequences for Bank Leumi is the sale of Leumi Card. Another strategic topic is open banking.

On April 12 2019, the Central Credit Register (CCR) was launched. The CCR was built by the Bank of Israel, with the support of the Ministry of Finance and Ministry of Justice, in order to increase competitiveness in the field of retail credit, both inside the banking system and by non-banking players. Specifically, the CCR was designed to help customers receive credit with optimized terms and conditions. The system may impact competition in the retail credit market.

For more information about legal risk and its management, please see section entitled "Other Risks" in the 2018 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 claims, fines or reputational damage.
The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative banking for its customers. In addition, the proactive and sale processes are subject to procedures and controls which ensure proper conduct. These processes are assessed on a regular basis, with the aim of continuously upgrading them.

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 international trade.

Various domestic and international economic entities have recently pointed at a global economic slowdown. The geopolitical tensions and trade disputes have increased uncertainty about the future of the world trade system and international cooperation. As a small and open economy, Israel is exposed to changes in the global economy and may be affected by the developments in the world.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

Critical Accounting Policies and Estimates

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 2018.

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 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 various markets and past experience, while exercising discretion. Management believes the estimates and assessments to be reasonable at the time of signing the financial statements.

The main critical accounting issues in the December 31 2018 Annual Report are as follows: Loan loss provision and classification of troubled loans, 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 different employment periods at the Bank: Employees who began working at the Bank from January 1 1999 make 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 from the Bank or a pension annuity, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees. For these employees, the Bank deposits contributions in the employees' provident and severance pay fund, which are managed by a management company held by the fund's members (hereinafter: the "Fund").

The calculation of the pension liabilities 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 benefits.

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 discount rate and/or pay raise rates will alter the Bank's liabilities amount.

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

As at September 30 2019, the balance of accumulated other comprehensive income for employee benefits amounted to a negative balance of NIS 3,861 million, after the tax effect, a NIS 2,098 million increase after taxes in the fund’s deficit balance, compared with December 31 2018.

The outstanding liability for employee benefits as at September 30 2019, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority’s approach") is NIS 431 million more than the actual outstanding 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 Banking Supervision Department's directives require the following:

- Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.
- 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 2019, the Bank validates and updates material control processes and conducts effective evaluations of its entire internal system of control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and Chief Executive Officer and Head of the Finance Division and 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 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.

Internal control changes

In the quarter ended September 30 2019, 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 2019, Leumi's Board of Directors held 36 plenum meetings and its Board committees held 75 meetings.

At a Board meeting held on November 26 2019, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at September 30 2019 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.

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Operating Officer

November 26 2019

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M (hereinafter: the "Bank") for the quarter ended September 30 2019 (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:

   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

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 26 2019

Hanan Friedman
President and Chief Executive Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M (hereinafter: the "Bank") for the quarter ended September 30 2019 (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:

   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

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 26 2019

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 Le-Israel B.M (hereinafter: the “Bank") for the quarter ended September 30 2019 (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:

   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

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 26 2019

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 Le-Israel B.M.

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as of September 30, 2019 and the related condensed consolidated interim statement of profit and loss, comprehensive income , changes in equity and cash flows for the nine and three months periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim reporting and in accordance with the directives and with guidelines of the Supervisor of Bank. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagement 1,"*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", of the Institute of Certified Public Accountants in Israel and a review standard applied in the review of banking institutions according to the directives and guidelines of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim regarding reporting for and in accordance with the directive and guidelines of the Supervisor of Banks.

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

Joint independent auditors

November 26, 2019

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the period ended September 30 2019

	Note	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2019	2018	**2019**	2018	2018
		Unaudited		Unaudited		Audited
	Note	In NIS millions				
Interest income	2	**2,526**	2,811	**8,761**	8,420	11,346
Interest expenses	2	**434**	615	**2,083**	1,804	2,456
Interest income, net	2	**2,092**	2,196	**6,678**	6,616	8,890
Expenses for loan losses	6, 13	**181**	198	**451**	314	519
Interest income, net after loan loss expenses		**1,911**	1,998	**6,227**	6,302	8,371
Noninterest income						
Noninterest finance income	3A	**305**	454	**1,303**	594	682
Fees and commissions		**800**	1,023	**2,426**	3,068	4,121
Other income		**27**	6	**152**	62	68
Total noninterest income		**1,132**	1,483	**3,881**	3,724	4,871
Operating and other expenses						
Salaries and related expenses		**1,043**	1,119	**3,304**	3,412	4,544
Buildings and equipment - Maintenance and depreciation		**379**	380	**1,124**	1,167	1,569
Other expenses		**514**	546	**1,404**	1,575	2,224
Total operating and other expenses		**1,936**	2,045	**5,832**	6,154	8,337
Profit before taxes		**1,107**	1,436	**4,276**	3,872	4,905
Provision for profit tax		**324**	515	**1,444**	1,298	1,619
Profit after taxes		**783**	921	**2,832**	2,574	3,286
The Bank's share in associates' profits (losses), after taxes		**(8)**	35	**(22)**	47	36
Net income						
Before attribution to non-controlling interests		**775**	956	**2,810**	2,621	3,322
Attributable to non-controlling interests		**(10)**	(20)	**(30)**	(52)	(65)
Attributable to the Bank's shareholders		**765**	936	**2,780**	2,569	3,257
Basic and diluted earnings per share (in NIS)						
Basic net income attributable to the Bank's shareholders	3B	**0.52**	0.62	**1.87**	1.69	2.15
Diluted net income attributable to the Bank's shareholders	3B	**0.52**	0.62	**1.87**	1.69	2.15

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

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

Omer Ziv
First Executive Vice President
Head of the Finance Division

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

Date of approval of the financial statements: November 26 2019

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the period ended September 30 2019

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Net income before attribution to non-controlling interests	**775**	956	**2,810**	2,621	3,322
Net income attributable to non-controlling interests	**10**	20	**30**	52	65
Net income attributable to the Bank's shareholders	**765**	936	**2,780**	2,569	3,257
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value, net	**402**	(5)	**1,265**	(401)	(634)[d]
Adjustments from translation of financial statements, net[a], after the effect of hedges[b]	**(24)**	(3)	**(60)**	(4)	27
Adjustments of liabilities for employee benefits[c]	**(1,399)**	(311)	**(3,179)**	971	1,796
The Bank's share in other comprehensive income (loss) of associates	**(2)**	13	**1**	16	34[d]
Other comprehensive income (loss), before taxes	**(1,023)**	(306)	**(1,973)**	582	1,223
Related tax effect	**318**	109	**596**	(142)	(330)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(705)**	(197)	**(1,377)**	440	893
Other comprehensive loss attributable to non-controlling interests	**(11)**	(6)	**(14)**	(44)	(26)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**(694)**	(191)	**(1,363)**	484	919
Comprehensive income before attribution to non-controlling interests	**70**	759	**1,433**	3,061	4,215
Other comprehensive income (loss) attributable to the Bank's non-controlling interests	**(1)**	14	**16**	8	39
Comprehensive income attributable to the Bank's shareholders	**71**	745	**1,417**	3,053	4,176

(a) Adjustments from translation of the financial statements of a foreign operation the functional currency of which is different than the 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 pension plans and a deduction of amounts previously recorded in other comprehensive income.
(d) Reclassified.

Please see also Note 4, "Accumulated Other Comprehensive Income (Loss)"

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

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

Condensed Consolidated Balance Sheet as at September 30 2019

	Note	September 30		December 31
		2019	2018	2018
		Unaudited		Audited
	Note	In NIS millions		
Assets				
Cash and deposits with banks		**62,809**	74,789	81,419
Securities[a][b]	**5**	**85,781**	76,861	74,571
Securities borrowed or purchased under reverse repurchase agreements		**1,006**	1,465	1,257
Loans to the public	**6, 13**	**282,950**	270,902	274,525
Loan loss provision	**6, 13**	**(3,272)**	(3,221)	(3,352)
Loans to the public, net		**279,678**	267,681	271,173
Loans to governments		**672**	642	782
Investments in associates		**668**	792	623
Buildings and equipment		**2,973**	2,736	2,853
Goodwill		**16**	17	17
Assets in respect of derivatives	**11**	**12,321**	9,820	12,750
Other assets[a]		**8,584**	7,066	6,642
Held-for-sale assets[d]		**-**	8,806	8,570
Total assets		**454,508**	450,675	460,657
Liabilities and capital				
Deposits by the public	**7**	**358,921**	358,875	364,591
Deposits by banks		**4,317**	5,168	5,210
Deposits by governments		**439**	790	709
Securities loaned or sold under repurchase agreements		**709**	655	541
Bonds, capital notes and subordinated bonds		**20,002**	17,805	17,798
Liabilities for derivatives	**11**	**13,251**	9,315	12,089
Other liabilities[a][c]		**21,266**	15,376	14,780
Held-for-sale liabilities[d]		**-**	7,095	8,778
Total liabilities		**418,905**	415,079	424,496
Shareholders' equity	**9**	**35,144**	34,760	35,305
Non-controlling interests		**459**	836	856
Total equity		**35,603**	35,596	36,161
Total liabilities and capital		**454,508**	450,675	460,657

(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 449 million (as at September 30 2018 - NIS 452 million; as at December 31 2018 - NIS 461 million).
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity
For the period ended September 30 2019

	For the three months ended September 30 2019 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at June 30 2019	7,076	955	51
Net income for the period	**-**	**-**	**-**
Other comprehensive loss, net of tax effect	**-**	**-**	**-**
Dividend paid by consolidated companies	**-**	**-**	**-**
Dividend paid	**-**	**-**	**-**
Share buyback	**(14)**	**(339)**	**-**
Benefit to employees for stock-based payments	**-**	**-**	**-**
Balance as at September 30 2019	**7,062**	**616**	**51**

	For the three months ended September 30 2018 (unaudited)		
		Capital reserves	
	Share capital	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 effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	(13)	(295)	-
Sale of equity of a consolidated company to non-controlling interests	-	4	-
Balance as at September 30 2018	7,091	1,309	30

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

(b) Including NIS 5,300 million that are non-distributable as dividend, of which NIS 1,197 million in respect of share buyback (September 30 2018 - NIS 3,072 million, of which NIS 468 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total capital
8,082	(2,828)	30,541	35,795	458	36,253
-	**-**	**765**	**765**	**10**	**775**
-	**(694)**	**-**	**(694)**	**(11)**	**(705)**
-	**-**	**-**	**-**	**-**	**-**
-	**-**	**(369)**	**(369)**	**-**	**(369)**
(353)	**-**	**-**	**(353)**	**-**	**(353)**
-	**-**	**-**	**-**	**2**	**2**
7,729	**(3,522)**	**30,937**	**35,144**	**459**	**35,603**

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total capital
8,734	(2,376)	28,322	34,680	835	35,515
-	-	936	936	20	956
-	(191)	-	(191)	(6)	(197)
-	-	-	-	(20)	(20)
-	-	(361)	(361)	-	(361)
(308)	-	-	(308)	-	(308)
4	-	-	4	7	11
8,430	(2,567)	28,897	34,760	836	35,596

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2019

	For the nine months ended September 30 2019 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock compensation- and other transactions[a]
	In NIS millions		
Balance as at December 31 2018 (audited)	7,081	1,087	58
Cumulative effect for first-time application of US GAAP[c]	-	-	-
Net income for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	**1**	**6**	**(7)**
Share buyback	**(20)**	**(477)**	-
Sale of equity of a consolidated company	-	-	-
Employee benefit in respect of stock compensation	-	-	-
Balance as at September 30 2019	**7,062**	**616**	**51**

	For the nine months ended September 30 2018 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to 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 effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Share buyback	(20)	(448)	-
Sale of equity of a consolidated company to non-controlling interests	-	21	-
Balance as at September 30 2018	7,091	1,309	30

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,300 million that are non-distributable as dividend, of which NIS 1,197 million in respect of share buyback (September 30 2018 - NIS 3,072 million, of which NIS 468 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.
(c) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - "Financial Instruments", including updates thereof. Please see Note 1.B.1.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total capital
8,226	(2,132)	29,211	35,305	856	36,161
-	**(27)**	**27**	**-**	**-**	**-**
-	**-**	**2,780**	**2,780**	**30**	**2,810**
-	**(1,363)**	**-**	**(1,363)**	**(18)**	**(1,381)**
-	**-**	**-**	**-**	**(33)**	**(33)**
-	**-**	**(1,081)**	**(1,081)**	**-**	**(1,081)**
-	**-**	**-**	**-**	**-**	**-**
(497)	**-**	**-**	**(497)**	**-**	**(497)**
-	**-**	**-**	**-**	**(378)**	**(378)**
-	**-**	**-**	**-**	**2**	**2**
7,729	**(3,522)**	**30,937**	**35,144**	**459**	**35,603**

Total share capital 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
-	-	(18)	(18)	-	(18)
-	-	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)	28,897	34,760	836	35,596

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30 2019

	For the year ended December 31 2018 (audited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock compensation and other transactions[(a)]
	In NIS millions		
Balance as at December 31 2017	7,110	1,729	38
Effect of first-time application of IFRS 9 on foreign subsidiaries	-	-	-
Net income	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Issue of shares	1	7	(8)
Share buyback	(30)	(670)	-
Employee benefit in respect of stock compensation	-	-	28
Sale of equity of a consolidated company to non-controlling interests	-	21	-
Balance as at December 31 2018	7,081	1,087	58

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 2,849 million that are non-distributable, of which NIS 700 million in respect of share buyback. The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total capital
8,877	(3,051)	27,341	33,167	386	33,553
-	-	(18)	(18)	-	(18)
-	-	3,257	3,257	65	3,322
-	888	-	888	18	906
-	-	-	-	(42)	(42)
-	-	(1,369)	(1,369)	-	(1,369)
-	-	-	-	-	-
(700)	-	-	(700)	-	(700)
28	-	-	28	1	29
21	31	-	52	428	480
8,226	(2,132)	29,211	35,305	856	36,161

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Cash Flow Statement
For the period ended September 30 2019

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Cash flows from operating activities					
Net income for the period	**775**	956	**2,810**	2,621	3,322
Adjustments:					
Group's share in undistributed gains (losses) of associates[a]	**29**	(30)	**51**	54	77
Depreciation of buildings and equipment (including impairment)	**152**	139	**447**	426	572
Expenses for loan losses	**181**	198	**451**	314	519
Gains on sale of loan portfolios	**(15)**	-	**(15)**	-	-
Net gains on sale of available-for-sale bonds and equity securities not held-for-trading (2018 - available for-sale securities)	**(161)**	(71)	**(264)**	(110)	(248)
Realized and unrealized loss (gain) from fair value adjustments of held-for-trading securities	**(69)**	16	**(129)**	(55)	(60)
Loss (gain) on sale of investees' equity	**99**	(121)	**(287)**	(128)	(224)
Loss (gain) on disposal of buildings and equipment	**(1)**	3	**(66)**	(27)	(33)
Provision for impairment of equity securities not held for trading (2018 - available for-sale shares)	**-**	-	**19**	-	84
Provision for impairment of available-for-sale bonds	**-**	13	**-**	19	19
Unrealized gains from fair value adjustments of equity securities not held for trading	**77**	-	**16**	-	-
Expenses for stock compensation payment transactions	**-**	-	**-**	-	28
Deferred taxes - net	**(147)**	25	**(497)**	221	199
Severance pay and pension – increase in excess of provision over fund	**(278)**	(316)	**(149)**	1,040	134
Excess of interest receivable for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**(66)**	(88)	**(207)**	(33)	(177)
Payable (paid) interest in excess of interest accrued during the period in respect of bonds and subordinated bonds	**(103)**	147	**(46)**	436	144
Effect of exchange rate differences on cash and cash equivalent balances	**236**	60	**788**	(252)	(467)
Other, net	**(8)**	3	**(5)**	3	4
Net change in current assets:					
Assets in respect of derivatives	**(1,223)**	2,255	**425**	(245)	(3,172)
Held-for-trading securities	**1,736**	788	**2,893**	(64)	(1,197)
Other assets	**(85)**	102	**1,050**	435	592
Net change in current liabilities:					
Liabilities for derivatives	**1,551**	(1,981)	**889**	(351)	2,355
Other liabilities	**(166)**	1,077	**3,629**	(1,682)	(595)
Net cash provided by operating activities	**2,514**	3,175	**11,803**	2,622	1,876

(a) Net of dividend received.

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

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

Condensed Consolidated Cash Flow Statement (cont.)

For the period ended September 30 2019

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Cash flow from investing activities					
Net change in deposits with banks with original maturities of more than three months	**(1,240)**	2,114	**2,964**	92	(3,866)
Net change in loans to the public	**(4,038)**	(4,432)	**(8,909)**	(7,574)	(10,720)
Net change in loans to the government	**62**	115	**110**	73	(67)
Net change in securities borrowed or purchased under reverse repurchase agreements	**1,957**	(534)	**251**	(304)	(96)
Purchase of held-to-maturity bonds	**(260)**	(1,118)	**(1,179)**	(2,639)	(3,997)
Proceeds from redemption of held-to-maturity bonds	**82**	13	**138**	46	72
Purchase of available-for-sale bonds and equity securities not held-for-trading (2018 - available for-sale securities)	**(24,793)**	(16,174)	**(72,149)**	(71,003)	(86,905)
Proceeds from the sale of available-for-sale bonds and equity securities not held for trading (2018 - available for-sale securities)	**9,309**	9,020	**34,803**	35,773	54,122
Proceeds from available-for-sale bonds and equity securities not held-for-trading (2018 - available for-sale securities)	**9,449**	12,979	**25,968**	38,231	40,945
Purchase of associates' equity	**(9)**	-	**(278)**	(152)[(b)]	(123)
Proceeds from disposal of investment in associates	**-**	260	**251**	260[(b)]	260
Proceeds from disposal of an investment in a previously-consolidated subsidiary (Appendix B)	**41**	-	**712**	11	11
Proceeds from sale of loan portfolios	**164**	63	**639**	77	503
Purchase of buildings and equipment	**(198)**	(175)	**(742)**	(499)	(716)
Proceeds from disposal of buildings and equipment	**1**	-	**91**	44	80
Central severance pay fund	**41**	39	**122**	216	251
Other	**-**	2	**-**	(17)	(16)
Net cash from (for) investing activities	**(9,432)**	2,172	**(17,208)**	(7,365)	(10,262)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**(798)**	2,220	**(800)**	705	1,113
Net change in deposits by the public	**(13,056)**	(2,245)	**(9,147)**	(4,639)	275
Net change in deposits the government	**8**	239	**(245)**	329	229
Net change in securities loaned or sold under reverse repurchase agreements	**(245)**	96	**168**	97	(17)
Proceeds from issue of bonds and subordinated bonds	**1,241**	820	**4,393**	2,109	3,378
Redemption of bonds and subordinated bonds	**(1,117)**	(116)	**(2,143)**	(317)	(32)
Dividend paid to shareholders	**(369)**	(361)	**(1,081)**	(995)	(1,369)
Dividend paid to external shareholders in consolidated companies	**-**	(20)	**(33)**	(30)	(42)
Proceeds from disposal of investments in investees	**-**	11	**-**	512	512
Share buyback	**(353)**	(308)	**(497)**	(468)	(700)
Net cash from (for) financing activities	**(14,689)**	336	**(9,385)**	(2,697)	3,347
Increase (decrease) in cash and cash equivalents, including cash and cash equivalents classified as held-for-sale assets and liabilities[(a)]	**(21,607)**	5,683	**(14,790)**	(7,440)	(5,039)
Net of increase (decrease) in cash and cash equivalents classified as held-for-sale assets and liabilities[(a)]	**-**	32	**(3)**	35	3
Increase (decrease) in cash and cash equivalents	**(21,607)**	5,651	**(14,787)**	(7,475)	(5,042)
Balance of cash and cash equivalents at beginning of period	**80,533**	66,026	**74,265**	78,840	78,840
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(236)**	(60)	**(788)**	252	467
Balance of cash and cash equivalents at end of period	**58,690**	71,617	**58,690**	71,617	74,265

(a) For more information, please see Note 36F to the financial statements as at December 31 2018.
(b) Reclassified.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Cash Flow Statement (cont.)
For the period ended September 30 2019

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
	2019	2018	**2019**	2018	2018
	Unaudited		Unaudited		Audited
	In NIS millions				
Interest received	**2,775**	2,663	**8,438**	7,842	10,631
Interest paid	**(892)**	(625)	**(2,582)**	(1,974)	(2,696)
Dividends received	**23**	6	**45**	114	129
Income tax paid	**(663)**	(426)	**(1,722)**	(734)	(1,093)

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

For the year ended December 31 2018

On December 17 2018, the Bank's stake in Direct Finance of the Direct Finance (2006) Ltd. Group was sold in consideration of available-for sale equity securities totaling NIS 167 million.

During the year, shares were issued against conversion of benefits accrued for employees in the amount of NIS 18 million.

Appendix B - Proceeds from Disposal of Investments in Previously-Consolidated Subsidiaries(a):

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2019	2018	**2019**	2018	2018
	Unaudited		Unaudited		Audited
	In NIS millions				
Derecognized cash	**17**	-	**20**	-	-
Assets (excluding cash)	**1,076**	-	**15,398**	8	8
Liabilities	**936**	-	**13,370**	4	4
Identified assets and liabilities	**157**	-	**2,048**	4	4
Assets and liabilities attributable to non-controlling interests	**-**	-	**378**	-	-
Derecognized assets and liabilities	**157**	-	**1,670**	4	4
Capital gain (loss) on disposal of investment in previously-consolidated investees	**(99)**	-	**215**	7	7
Total proceeds on disposal of previously-consolidated subsidiaries	**58**	-	**1,885**	11	11
Net of non-cash proceeds from disposal of investments in previously-consolidated investees	**-**	-	**1,153**	-	-
Cash proceeds	**58**	-	**732**	11	11
Net of derecognized cash	**17**	-	**20**	-	-
Proceeds on disposal of investments in previously consolidated investees	**41**	-	**712**	11	11

(a) For more information, please see Note 36C to the financial statements as at December 31 2018 and Note 36F to the financial statements as at December 31 2018.

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 consolidated interim financial statements as at September 30 2019 are prepared in accordance with Israeli GAAP on financial reporting in interim periods and in accordance with the directives and guidelines of the Banking Supervision Department regarding the preparation of quarterly financial statements by a banking corporation. In most areas, the directives are based on US GAAP for Banks. In other, less material, areas, the directives are based on certain IFRSs, interpretations of the International Financial Reporting Interpretations Committee (IFRICs) 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 interim financial statements are consistent with those applied to the audited Annual Financial Statements as at December 31 2018, except as outlined in Section B below. The financial statements should be read in conjunction with the Annual Financial Statements as at December 31 2018 and their accompanying notes. The condensed consolidated interim financial statements were approved for publication by the Bank's Board of Directors on November 26 2019.

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 adjusted and for any future affected period.

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 2019, the Bank applies the following accounting standards and directives:

1. Reporting by banking corporations in Israel pursuant to US GAAP on derivatives and hedging, classification and measurement of financial instruments, cash flow statement and additional topics.

On August 30 2018, a circular regarding derivatives and hedging, classification and measurement of financial instruments, cash flow statement and additional topics was published.

Derivatives and hedging

In August 2017, the Financial Accounting Standards Board (FASB) published ASU 2017-12, which revises Topic 815, "Derivatives and Hedging". The objective of the new ASU is to simplify the application of hedge accounting and improve financial reporting on hedge ratios so as to better reflect the financial results of a banking corporation's risk management.

Note 1 - Significant Accounting Policies (cont.)

The main highlights of the changes are as follows:

a. Easement in applying the accounting guidelines, especially with regard to examining hedge effectiveness and documenting hedges.

b. The ASU extends the ability to hedge certain risk components, thereby matching the recognition and presentation of hedging instruments and hedged items in the financial statements.

c. According to the ASU, entities are no longer required to treat "ineffective parts" of hedge ratios separately.

The amendments to the Reporting to the Public Directives adopt the requirements of US GAAP for Banks set in the ASU. In addition, the disclosure format was adapted to the financial statements of US banks.

The circular's guidelines were implemented prospectively as of January 1 2019.

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

Classification and measurement of financial instruments

Most of the changes in the Reporting to the Public Directives regarding classification and measurement of financial instruments are as follows: Changes in fair value to unrealized investments in available-for-sale equity securities with an available fair value shall be recognized directly in the income statement rather than in other comprehensive income, on a regular basis. Equity investments with no available fair value, which are currently presented at cost (less impairment) shall be presented at cost (less impairment) adjusted for observable changes in the share price of the same issuer.

The new provisions were applied as of January 1 2019 by way of retrospective adjustment, while charging the cumulative effect to the opening balance of the retained earnings on the first-time application date. The provisions regarding investments in equity instruments with no available fair value were applied prospectively.

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

2. ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-02 — "Income Statement - Reporting Comprehensive Income", which addresses the effects of the U.S. Tax Reform. According to the ASU, a banking corporation may reclassify from accumulated other comprehensive income to retained earnings, stranded tax effects resulting from the change in tax rates in respect of the Tax Cuts and Jobs Act.

The change is to be applied as of January 1 2019.

The application of the ASU 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 which are not yet in force

Publication's 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, entities are 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 may not 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.
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 entitled "Adoption of Updates to US GAAP for Banks - Provisions for Expected Loan Losses and other Directives".		
	Revised accounting treatment of loan loss provisions - CECL The letter adopts the US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording of 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: a. 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.	This change is to be implemented starting January 1 2022 by recording the cumulative effect of the application of these principles under retained earnings.	The Bank is examining the circular's effect on its financial statements and is preparing for its application by: on the one hand, mapping the new provisions and on the other hand - mapping the accepted practices for managing credit risk and for estimating the loan loss provision, in order to identify any gaps and make the required adjustments.

	b. When estimating the loan loss provision, significant use will be made of forward-looking information which shall reflect reasonable forecasts regarding future economic events. c. Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio will be expanded. d. A change will be made to the manner in which impairment of bonds in the available-for-sale portfolio is recorded. e. The new rules for calculating the loan loss provision will apply to loans, held-to-maturity bonds and certain off-balance-sheet credit exposures.		
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 ASU 2016-02, "Leases", 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 the lease is classified as an operating lease. **b.** Where operating leases are concerned, an asset shall be recorded in the balance sheet which reflects the corporation's right to use the leased asset against a liability 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 terms and conditions specified in Topic 842. **d.** Risk-weighted assets in respect of right of use assets for operating leases recognized in the balance sheet will be fully weighted for minimum capital ratio purposes. The transitional provision according to which exchange rate differences in respect of available-for-sale bonds should not be	The change is to be applied as of January 1 2020.	The adoption of the standard is not expected to have a material effect on the financial statements.

	included as part of the fair value adjustments of such bonds has been extended until January 1 2021.		
Standard update ASU 2018-13 Changes to the Disclosure Requirements for Fair Value Measurement	On August 28 2018, the FASB issued ASU 2018-13, which updates Topic 820. The objective of the revision is to improve the effectiveness of disclosures in the notes to the financial statements. The main amendments, among others, are as follows: **a.** The requirement to present the amounts and reasons for transfers between Levels 1 and 2 in the fair value hierarchy was revoked. **b.** The requirement to present a description of the fair value measurement process in Level 3 was revoked. **c.** As part of the requirement to provide a narrative description of the sensitivity to changes in unobservable inputs for recurring fair value measurements classified into Level 3 of the fair value hierarchy, the term "sensitivity" was changed to "uncertainty", in order to highlight that the required information pertains to uncertainties. **d.** A requirement was added whereby changes in unrealized other comprehensive income during the period, in respect of Level 3 fair value measurements, should be presented in assets held as at the end of the period.	The change is to be applied from January 1 2020. Early adoption is permitted.	The adoption of the standard is not expected to have a material effect on the financial statements.
ASU 2018-14 ASU Subtopic 715-20 - "Compensation - Retirement Benefits - Defined Benefit Plans - General"	**Disclosure requirements for 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 comprehensive income that are expected to be amortized as an expense from accumulated other comprehensive income to the income statement in the subsequent 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 change is to be applied retrospectively from January 1 2021.	The adoption of the standard is not expected to have a material effect on the financial statements.

	the defined benefit obligation during the period and other material changes.		
ASU 2018-15 Accounting treatment of integration costs of cloud computing arrangements	**Customer's Accounting for Implementation Costs of a Cloud Computing Arrangement that is a Service Contract** Costs incurred for the purpose of integrating cloud computing service arrangements shall be deferred or charged to profit or loss in the same manner they would have been treated in accordance with the provisions regarding internal use software, despite being service contracts. In addition, the ASU determined that the deferred integration costs shall be amortized to profit and loss according to the contractual term of the arrangement, which includes extension periods the realization of which is reasonably certain or the realization of which is under the vendor's control. The deferred integration costs shall be subject to provisions regarding impairment in the same way as internal use software.	The change is to be applied from January 1 2020. It may be applied prospectively or retrospectively.	The Bank is assessing the effect of the ASU on its financial statements.

Note 2 - Interest Income and Expenses

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	**2019**	2018
	Unaudited			
	In NIS millions			
A. Interest income[a]				
From loans to the public	**2,146**	2,485	**7,507**	7,552
From loans to government	**8**	8	**25**	24
From deposits with the Bank of Israel and from cash	**33**	19	**108**	54
From deposits with banks	**53**	23	**145**	84
From securities borrowed or purchased under reverse repurchase agreements	**1**	-	**2**	1
From bonds[b]	**285**	276	**974**	705
Total interest income	**2,526**	2,811	**8,761**	8,420
B. Interest expenses[a]				
For deposits by the public	**(403)**	(460)	**(1,611)**	(1,344)
For deposits by the government	**(1)**	(1)	**(2)**	(3)
For deposits by banks	**(9)**	(6)	**(19)**	(18)
For securities loaned or sold under agreements to repurchase	**(1)**	-	**(2)**	(1)
For bonds, capital notes and subordinated bonds	**(20)**	(148)	**(449)**	(438)
Total interest expense	**(434)**	(615)	**(2,083)**	(1,804)
Total interest income, net	**2,092**	2,196	**6,678**	6,616
C. Details of the net effect of hedging derivatives and interest income and expenses[c]				
Interest income	**1**	1	**2**	1
D. Details on interest income from bonds, on accrual basis				
Held to maturity	**43**	24[d]	**126**	49[d]
Available for sale	**242**	242[d]	**819**	623[d]
Held for trading	**-**	10	**29**	33
Total included in interest income	**285**	276	**974**	705

(a) Including the effect of hedge ratios (2018 - including effective component in hedge ratios).
(b) Including interest in respect of mortgage-backed bonds (MBSs) in the amount of NIS 43 million and NIS 144 million for the three-month period and nine-month period ended September 30 2019 (NIS 38 million for the three-month period and NIS 147 million nine-month period ended September 30 2018).
(c) More information about the effect of hedging derivatives on subsections a. and b.
(d) Reclassified.

Note 3A - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	**2019**	2018
	Unaudited			
	In NIS millions			
A. Noninterest finance income (expenses) for non-trading activities				
A.1. From derivatives activity[a]				
Net income (expenses) in respect of derivatives[b]	**(218)**	53[l]	**(1,188)**	1,655[l]
Total from derivatives activity	**(218)**	53	**(1,188)**	1,655
A.2. From investment in bonds				
Gains on sale of available-for-sale bonds[h]	**124**	7	**169**	52
Losses on sale of available-for-sale bonds[g][h]	**(6)**	(28)	**(17)**	(59)
Total from investment in bonds	**118**	(21)	**152**	(7)
A.3. Exchange rate differences, net	**503**	187	**1,765**	(1,379)
A.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held for trading (2018 - available-for-sale shares)	**46**	83	**129**	120
Provision for impairment of equity securities not held for trading (2018 - available for-sale shares)	**-**	-	**(19)**	(23)
Losses on sale of equity securities not held for trading (2018 - available-for-sale equity shares)	**(3)**	(4)	**(17)**	1
Dividend from equity securities not held for trading (2018 - available-for-sale shares)	**2**	1	**14**	13
Unrealized loss, net from not held-for-trading equity securities (2018 – held-for-sale shares)[k]	**(77)**	-	**(16)**	-
Gain on sale of investees' equity[c]	**-**	121	**386**	128
Losses on sale of investees[d]	**(97)**	-	**(99)**	(1)
Total from investment in equity securities	**(129)**	201	**378**	238
A.5. Gains on sold loans, net	**15**	-	**15**	-
Total noninterest finance income for equity securities not held for trading	**289**	420	**1,122**	507
B. Noninterest finance income (expenses) for trading activities[j]				
Net income (expenses) for held-for-trading derivatives	**(53)**	50[l]	**50**	32[l]
Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds, net[e]	**64**	(15)	**127**	(30)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[f]	**5**	(1)	**2**	85
Dividend from held-for-trading equity securities	**-**	-	**2**	-
Total from trading activities[i]	**16**	34	**181**	87
Breakdown of noninterest finance income for trading activities, by risk exposure				
Interest rate exposure	**1**	(69)	**7**	(102)
Foreign exchange exposure	**(5)**	83	**142**	173
Exposure to equity securities	**17**	20	**27**	15
Exposure to commodities and other contracts	**3**	-	**5**	1
Total	**16**	34	**181**	87
Total noninterest finance income	**305**	454	**1,303**	594

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(a) Excluding the effect of hedge ratios (2018 - excluding 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) Gain of NIS 314 million on sale of Leumi Card equity in the three months ended March 31 2019. For more information, please see Note 36F to the financial statements as at December 31 2018. Gains of NIS 71 million on the sale of Super-Pharm equity in the three months ended on June 30 2019, there were no gains on the sale of shares in the three months ended September 30, 2018 (there were no gains on sale of shares in the three months ended March 31 2018, gains on the sale of shares in Trust Company of NIS 7 million in the three months ended June 30 2018, gain on sale of shares in Avgol Industries Ltd. of NIS 121 million in the three months ended September 30 2018).
(d) Loss on sale of Romania equity in the nine months ended on September 30 2019 totaling NIS 99 million.
(e) Of which: NIS 30 million and NIS 48 million in gains for the three-month and nine-month periods ended September 30 2019 in respect of held-for-trading bonds held as at the balance sheet date (losses of NIS 20 million and NIS 7 million, for the three-month and nine-month periods ended September 30 2018).
(f) There were no losses in respect of held-for-trading equity securities held as at the balance sheet date for the three-month and nine-month periods ended September 30 2019 and September 30 2018.
(g) There were no material provisions for impairment in the three-month and nine-month periods ended September 30 2019 (provisions for impairment associated with available-for-sale bonds in the amount of NIS 13 million and NIS 19 million in the three-month and nine-month periods ended September 30 2018).
(h) Reclassified from "Accumulated other comprehensive income".
(i) For interest income from investments in held-for-trading bonds, please see Note 2.
(j) Including exchange rate differences from trading activities.
(k) Including gains and losses from fair value measurement of equity securities for which there is available fair value as well as upward or downward adjustments of equity securities for which there is no available fair value.
(l) Reclassified in respect of first-time application of the Bank of Israel’s circular on derivatives and hedging. Please see Note 1.B.1.

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's diluted earnings per share is calculated by dividing the gain attributed to the Bank’s ordinary shareholders 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	
	2019	2018	**2019**	2018
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS millions)	**765**	936	**2,780**	2,569
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period	**1,488,160**[(a)]	1,516,772[(b)]	**1,493,609**[(a)]	1,523,516
Weighted effect of exercised PSUs and RSUs and a share issue	**-**	-	**384**	387
Weighted effect in respect of share buyback	**(7,050)**	(7,259)	**(4,761)**	(5,358)
Weighted average of the number of shares	**1,481,110**	1,509,513	**1,489,232**	1,518,545
Basic earnings per share (in NIS)	**0.52**	0.62	**1.87**	1.69

(a) Balance as at the beginning of period less share buyback until December 31 2018.
(b) Reclassified.

B. Diluted Earnings Per Share

The calculated 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 dilutive ordinary shares, as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	**2019**	2018
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS millions)	**765**	936	**2,780**	2,569
Weighted average of the number of shares (in thousands of shares)				
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**1,481,110**	1,509,513[(a)]	**1,489,232**	1,518,545
Weighted effect of yet unexercised PSUs and RSUs	**193**	699	**315**	817
Weighted average of the number of shares, fully diluted	**1,481,303**	1,510,212	**1,489,547**	1,519,362
Diluted earnings per share (in NIS)	**0.52**	0.62	**1.87**	1.69

(a) Reclassified.

C. Share Capital

As at September 30 2019, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 and 2019 is 1,474,203,005 ordinary shares of NIS 1 p.v. each.

D. Buyback after the financial statements date

From October 1 2019 to November 21 2019, the Bank performed a buyback of 8,011,975 shares of 1 par value each of the Bank's issued share capital. For more information regarding the Banking Supervision Department's approval for the buyback, please see Note 9A.

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 periods ended September 30 2019 and 2018 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Net translation adjust-ments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for in accordance with the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income (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 2018	(157)[f]	(119)[f]	(36)[f]	(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	(159)	(127)	(26)	(2,303)	(2,615)	(48)	(2,567)
Balance as at June 30 2019	226	(147)	(6)	(2,934)	(2,861)	(33)	(2,828)
Net change during the period	**265**	**(41)**	**(2)**	**(927)**	**(705)**	**(11)**	**(694)**
Balance as at September 30 2019	**491**	**(188)**	**(8)**	**(3,861)**	**(3,566)**	**(44)**	**(3,522)**

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30 2019 and 2018 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale bonds (2018 - securities) at fair value	Net translation adjust-ments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for in accordance with the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2017 (audited)	104[f]	(170)[f]	(39)[f]	(2,950)	(3,055)	(4)	(3,051)
Net change during the period	(263)	56	13	647	453	-	453
Sale of equity of a consolidated company to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance as at September 30 2018	(159)	(127)	(26)	(2,303)	(2,615)	(48)	(2,567)
Balance as at December 31 2018 (audited)	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)
Net change during the period	**835**	**(115)**	**1**	**(2,121)**	**(1,400)**	**(18)**	**(1,382)**
Cumulative effect in respect of first-time application of US GAAP[e]	**(27)**	**-**	**-**	**-**	**(27)**	**-**	**(27)**
Sale of subsidiaries' equity	**-**	**-**	**-**	**23**	**23**	**4**	**19**
Balance as at September 30 2019	**491**	**(188)**	**(8)**	**(3,861)**	**(3,566)**	**(44)**	**(3,522)**

Please see comments below.

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 2018 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjustments in respect of presentation of available-for-sale securities at fair value	Net translation adjust-ments,[a] after the effect of hedges[b]	The Bank's ownership interests in other comprehensive income (loss) of investees accounted for in accordance with the equity method	Adjust-ments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS millions						
Balance as at December 31 2017	104[f]	(170)[f]	(39)[f]	(2,950)	(3,055)	(4)	(3,051)
Net change during the year[d]	(421)	110	30	1,187	906	18	888
Sale of equity of a consolidated company to non-controlling interests	-	(13)	-	-	(13)	(44)	31
Balance as at December 31 2018	(317)	(73)	(9)	(1,763)	(2,162)	(30)	(2,132)

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

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

(c) Adjustments in respect of employee benefits include the costs of the implemented voluntary retirement programs.

(d) Including balances classified as held-for-sale assets. For more information, please see Note 36F_to the financial statements as at December 31 2018.

(e) Cumulative effect for first-time application of US GAAP for Banks - 2016-01 ASU - "Financial Instruments", including updates thereof. Please see Note 1.B.1.

(f) Reclassified.

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)					
	2019			2018		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS millions					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of available-for-sale bonds (2018 - securities) at fair value:						
Unrealized gains (losses), net, from fair value adjustments	**520**	**(177)**	**343**	53	(25)	28
(Gains) losses in respect of available-for-sale bonds (2018 - securities) reclassified to the income statement[(a)]	**(118)**	**40**	**(78)**	(58)	28	(30)
Net change during the period	**402**	**(137)**	**265**	(5)	3	(2)
Translation adjustments[(b)]:						
Adjustments from translation of financial statements	**(75)**	**-**	**(75)**	(17)	-	(17)
Hedges[(c)]	**51**	**(17)**	**34**	14	(5)	9
Net change during the period	**(24)**	**(17)**	**(41)**	(3)	(5)	(8)
The Bank's ownership interests in other comprehensive income (loss) of investees accounted for in accordance with the equity method	**(2)**	**-**	**(2)**	13	(3)	10
Net change during the period	**(2)**	**-**	**(2)**	13	(3)	10
Employee benefits:						
Net actuarial gain (loss)	**(1,509)**	**510**	**(999)**	(385)	140	(245)
Net gains (losses) reclassified to the income statement[(d)]	**110**	**(38)**	**72**	74	(26)	48
Net change during the period	**(1,399)**	**472**	**(927)**	(311)	114	(197)
Total change during the period, net	**(1,023)**	**318**	**(705)**	(306)	109	(197)
Changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total net change during the period	**(10)**	**(1)**	**(11)**	(6)	-	(6)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	**(1,013)**	**319**	**(694)**	(300)	109	(191)

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

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)					
	2019			2018		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS millions					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of available-for-sale bonds (2018 - securities) at fair value:						
Unrealized gains (losses), net, from fair value adjustments	**1,417**	**(482)**	**935**	(287)	98	(189)
(Gains) losses in respect of available-for-sale bonds (2018 - securities) reclassified to the income statement[(a)]	**(152)**	**52**	**(100)**	(114)	40	(74)
Net change during the period	**1,265**	**(430)**	**835**	(401)	138	(263)
Translation adjustments[(b)]:						
Adjustments from translation of financial statements	**(222)**	**-**	**(222)**	128	-	128
Hedges[(c)]	**162**	**(55)**	**107**	(112)	40	(72)
Sale of equity in subsidiaries to non-controlling interests - Hedging effect	**-**	**-**	**-**	(20)	7	(13)
Net change during the period	**(60)**	**(55)**	**(115)**	(4)	47	43
The Bank's share in other comprehensive income of associates accounted for using the equity method	**1**	**-**	**1**	16	(3)	13
Net change during the period	**1**	**-**	**1**	16	(3)	13
Employee benefits:						
Net actuarial gain (loss)	**(3,466)**	**1,177**	**(2,289)**	697	(230)	467
Net gains reclassified to the income statement[(d)]	**256**	**(88)**	**168**	274	(94)	180
Sale of equity of a consolidated company	**31**	**(8)**	**23**	-	-	-
Net change during the period	**(3,179)**	**1,081**	**(2,098)**	971	(324)	647
Total change during the period, net	**(1,973)**	**596**	**(1,377)**	582	(142)	440
Changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	**(5)**	**(9)**	**(14)**	(44)	-	(44)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	**(1,968)**	**605**	**(1,363)**	626	(142)	484

(a) The "before tax" amount is reported in the income statement under the "noninterest finance income" line item. Please see Note 3A.

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

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

(d) The "before tax" amount is reported in the income statement under the "other expenses" line item. For more information, please see Note 8.

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 2018 (audited)		
	Before tax	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:			
Unrealized gains (losses), net, from fair value adjustments	(489)	163	(326)
(Gains) losses in respect of available-for-sale securities reclassified to the income statement[(a)]	(145)	50	(95)
Net change during the year	(634)	213	(421)
Translation adjustments[(b)]:			
Adjustments from translation of financial statements	229	-	229
Hedges[(c)]	(182)	63	(119)
Sale of equity in subsidiaries to non-controlling interests	(20)	7	(13)
Net change during the year	27	70	97
The Bank's share in other comprehensive loss of associates accounted for using the equity method	34	(4)	30
Net change during the year	34	(4)	30
Employee benefits:			
Net actuarial gain	1,434	(485)	949
Net gains reclassified to the income statement[(d)]	362	(124)	238
Net change during the year	1,796	(609)	1,187
Total change during the year, net	1,223	(330)	893
Changes in other comprehensive (loss) components attributable to non-controlling interests			
Total change during the year, net	(24)	(2)	(26)
Changes in other comprehensive income (loss) attributable to the Bank's shareholders			
Total change during the year, net	1,247	(328)	919

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

Note 5 – Securities

	As at September 30 2019 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS millions				
1. Held-to-maturity bonds:					
Of the Israeli government	**3,063**	**3,063**	**405**	**-**	**3,468**
Mortgage-backed (MBSs)	**1,558**	**1,558**	**16**	**(2)**	**1,572**
Of other foreign entities	**1,313**	**1,313**	**59**	**(4)**	**1,368**
Total held-to-maturity bonds	**5,934**	**5,934**	**480**	**(6)**	**6,408**

	As at September 30 2019 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS millions				
2. Available-for-sale bonds:					
Of the Israeli government	**36,385**	**35,738**	**647**	**-**	**36,385**
Of foreign governments	**15,383**	**15,316**	**73**	**(6)**	**15,383**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**-**
Of foreign financial institutions	**9,832**	**9,727**	**110**	**(5)**	**9,832**
Asset-backed (ABS) or mortgage-backed (MBS)	**7,713**	**7,671**	**48**	**(6)**	**7,713**
Of other Israeli entities	**128**	**130**	**4**	**(6)**	**128**
Of other foreign entities	**3,133**	**2,987**	**147**	**(1)**	**3,133**
Total available-for-sale bonds[(f)]	**72,574**	**71,569**	**1,029[(c)]**	**(24)[(c)]**	**72,574**

Please see comments below.

Note 5 – Securities (cont.)

	As at September 30 2019 (unaudited)				
	Balance sheet value	Cost[g]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions				
3. Investment in not held for-trading equity securities and funds:					
Equity securities and funds	**3,274**	**3,290**	**45**	**(61)**	**3,274**
Of which: Equity securities and funds for which there is no available fair value[b]	**1,162**	**1,162**			**1,162**
Total equity securities and funds not-for-trading	**3,274**	**3,290**	**45[d]**	**(61)[d]**	**3,274**
Total not held-for-trading securities	**81,782**	**80,793**	**1,554**	**(91)**	**82,256**

	As at September 30 2019 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions				
4. Held-for-trading securities: Bonds -					
Of the Israeli government	**3,243**	**3,214**	**30**	**(1)**	**3,243**
Of foreign governments	**81**	**80**	**1**	**-**	**81**
Of Israeli financial institutions	**71**	**69**	**2**	**-**	**71**
Of foreign financial institutions	**190**	**185**	**5**	**-**	**190**
Asset-backed (ABS) or mortgage-backed (MBS)	**183**	**181**	**2**	**-**	**183**
Of other Israeli entities	**64**	**63**	**1**	**-**	**64**
Of other foreign entities	**148**	**146**	**3**	**(1)**	**148**
Total bonds	**3,980**	**3,938**	**44**	**(2)**	**3,980**
Equity securities and funds	**19**	**19**	**-**	**-**	**19**
Total held-for-trading securities	**3,999**	**3,957**	**44[d]**	**(2)[d]**	**3,999**
Total securities[e]	**85,781**	**84,750**	**1,598**	**(93)**	**86,255**

Please see comments below.

Note 5 – Securities (cont.)

	As at September 30 2018 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	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	Gains	Losses	Fair value[(a)]
	In NIS millions				
2. Available-for-sale bonds (2018 – Securities):					
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 available-for-sale bonds (2018 – Securities)[(f)]	64,391	64,888	74[(c)]	(571)[(c)]	64,391

Please see comments below.

Note 5 – Securities (cont.)

	As at September 30 2018 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Cost[g]	Gains	Losses	Fair value[a]
	In NIS millions				
3. Investment in available-for-sale equity securities and funds:					
Equity securities and funds	3,343	3,188	185	(30)	3,343
Of which: Equity securities and funds for which there is no available fair value[b]	1,037	1,037			1,037
Total available-for-sale equity securities and funds	3,343	3,188	185[c]	(30)[c]	3,343

	As at September 30 2018 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities – cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions				
4. 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
Equity securities 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

Please see comments below.

Note 5 – Securities (cont.)

	As at December 31 2018 (audited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS millions				
1. Held-to-maturity bonds:					
Bonds -					
Of the Israeli government	2,334	2,334	14	(3)	2,345
Mortgage-backed (MBSs)	1,596	1,596	4	(17)	1,583
Of other foreign entities	946	946	-	(15)	931
Total held-to-maturity bonds	4,876	4,876	18	(35)	4,859

	As at December 31 2018 (audited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS millions				
2. Available-for-sale bonds (2018 – Securities):					
Of the Israeli government	30,573	30,783	40	(250)	30,573
Of foreign governments	5,904	5,898	13	(7)	5,904
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	9,707	9,803	13	(109)	9,707
Asset-backed (ABS) or mortgage-backed (MBS)	9,433	9,608	15	(190)	9,433
Of other Israeli entities	242	241	3	(2)	242
Of other foreign entities	3,517	3,580	12	(75)	3,517
Total available-for-sale bonds (2018 – Securities)[(f)]	59,376	59,913	96[(c)]	(633)[(c)]	59,376

Please see comments below.

Note 5 – Securities (cont.)

	As at December 31 2018 (audited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Cost[g]	Gains	Losses	Fair value[a]
	In NIS millions				
3. Investment in available-for-sale equity securities and funds:					
Equity securities and funds	3,556	3,513	100	(57)	3,556
Of which: Equity securities and funds for which there is no available fair value[b]	1,079	1,079			1,079
Total available-for-sale equity securities and funds	3,556	3,513	100[c]	(57) [c]	3,556

	As at December 31 2018 (audited)				
	Balance sheet value	Amortized cost (in equity securities – cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions				
4. Held-for-trading securities:					
Bonds -					
Of the Israeli government	5,677	5,680	4	(7)	5,677
Of foreign governments	52	53	-	(1)	52
Of Israeli financial institutions	119	120	-	(1)	119
Of foreign financial institutions	132	137	-	(5)	132
Asset-backed (ABS) or mortgage-backed (MBS)	271	272	1	(2)	271
Of other Israeli entities	290	298	-	(8)	290
Of other foreign entities	220	225	-	(5)	220
Total bonds	6,761	6,785	5	(29)	6,761
Equity securities and funds	2	2	-	-	2
Total held-for-trading securities	6,763	6,787	5[d]	(29)[d]	6,763
Total securities[e]	74,571	75,089	219	(754)	74,554

Comments:

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

(b) Equity securities for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer (2018 – presented at cost less impairment).

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

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

(e) Including non-performing interest-bearing bonds totaling NIS 7 million (as at September 30 2018 – NIS 9 million; as at December 31 2018 – NIS 8 million).

(f) Total of NIS 9.3 billion out of total foreign currency securities are rated SSA (Supranationals, Sovereign and Agencies) (September 30 2018 – NIS 11.7 billion, December 31 2018 – NIS 9.7 billion).

(g) Reclassified, including in respect of retrospective application of the presentation rules of ASC 321, "Investments – Equity Securities". The cost includes the effect of the ASCs on the presentation rules.

General comments:

Loaned securities in the amount of NIS 238 million (as at September 30 2018 – NIS 162 million; as at December 31 2018 – NIS 109 million) are presented in the "loans to the public" line item.

Securities pledged to lenders totaled NIS 3,833 million (as at September 30 2018 – NIS 2,817 million; as at December 31 2018 – NIS 2,989 million).

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

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 2019 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-20%[c]	20%-35%[d]	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of government	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	**249**	**1**	-	-	**1**	**257**	**1**	-	-	**1**
Of other foreign entities	**415**	**4**	-	-	**4**	-	-	-	-	-
Total held-to-maturity bonds	**664**	**5**	-	-	**5**	**257**	**1**	-	-	**1**

	September 30 2018 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-20%[c]	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of government	1,139	5	-	-	5	-	-	-	-	-
Mortgage-backed (MBS)	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

(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 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.

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 2018 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Amor-tized cost	0-20%[c]	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	694	3	-	-	3	-	-	-	-	-
Mortgage-backed (MBS)	465	4	-	-	4	285	13	-	-	13
Of other foreign entities	179	2	-	-	2	293	13	-	-	13
Total held-to-maturity bonds	1,338	9	-	-	9	578	26	-	-	26

More information on fair value and unrealized losses, by duration and impairment percentage, of available-for-sale bonds (2018 – securities) in an unrealized loss position

	September 30 2019 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli government	-	-	-	-	-	-	-	-	-	-
Of foreign governments	**4,263**	**6**	-	-	**6**	-	-	-	-	-
Of foreign financial institutions	**1,597**	**4**	-	-	**4**	**628**	**1**	-	-	**1**
Asset-backed (ABS) or mortgage-backed (MBS)	**569**	**1**	-	-	**1**	**1,234**	**5**	-	-	**5**
Of other Israeli entities	**55**	**6**	-	-	**6**	-	-	-	-	-
Of other foreign entities	**7**	-[g]	-	-	-	**181**	**1**	-	-	**1**
Total available-for-sale bonds	**6,491**	**17**	-	-	**17**	**2,043**	**7**	-	-	**7**

(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 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.
(f) Amounts charged to the 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 Bonds (2018 – Securities) in an Unrealized Loss Position (cont.)

	September 30 2018 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of 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
Equity securities and funds	433	26	-	-	26	17	4	-	-	4
Total available-for-sale securities	24,318	353	-	-	353	6,686	248	-	-	248

	December 31 2018 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total	Fair value	0-20%[c]	20%[d]-35%	More than 35%[e]	Total
	In NIS millions									
Bonds										
Of government	23,891	231	-	-	231	818	19	-	-	19
Of foreign governments	2,679	5	-	-	5	153	2	-	-	2
Of foreign financial institutions	3,641	80	-	-	80	1,275	29	-	-	29
Asset-backed (ABS) or mortgage-backed (MBS)	2,378	30	-	-	30	5,293	160	-	-	160
Of other Israeli entities	103	2	-	-	2	-	-	-	-	-
Of other foreign entities	1,516	46	-	-	46	896	29	-	-	29
Equity securities and funds	680	43	2	-	45	35	12	-	-	12
Total available-for-sale securities	34,888	437	2	-	439	8,470	251	-	-	251

(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 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 35 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 35 percent of their amortized cost.
(f) Amounts charged to the 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 Bonds (2018 – Securities) in an Unrealized Loss Position

	September 30 2019 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments(a)	Fair value	Unrealized losses from fair value adjust-ments(a)	Fair value	Unrealized losses from fair value adjust-ments(a)
	In NIS millions					
Mortgage-backed bonds (MBS)	**232**	**-**(b)	**396**	**(4)**	**628**	**(4)**
Other mortgage-backed bonds (including REMICS, CMO and stripped MBS)	**337**	**(1)**	**59**	**-**(b)	**396**	**(1)**
Asset-backed bonds	**-**	**-**	**779**	**(1)**	**779**	**(1)**
Total	**569**	**(1)**	**1,234**	**(5)**	**1,803**	**(6)**

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

	December 31 2018 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments(a)	Fair value	Unrealized losses from fair value adjust-ments(a)	Fair value	Unrealized losses from fair value adjust-ments(a)
	In NIS millions					
Mortgage-backed securities (MBS)	209	(4)	1,899	(54)	2,108	(58)
Other mortgage-backed securities (including REMICS, CMO and stripped MBS)	1,017	(10)	2,454	(87)	3,471	(97)
Asset-backed securities (ABS)	1,152	(16)	940	(19)	2,092	(35)
Total	2,378	(30)	5,293	(160)	7,671	(190)

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

Note 5 – Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Securities (2018 – securities)

	September 30 2019 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS millions			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	**1,310**	**13**	**(2)**	**1,321**
Of which: GNMA-backed bonds	**832**	**6**	**(2)**	**836**
Bonds issued by FNMA or FHLMC	**478**	**7**	**-**	**485**
Other mortgage-backed securities (including CMO and stripped MBS)	**248**	**3**	**-**	**251**
Of which: Bonds issued or guaranteed by FNMA, FHLMC, or GNMA	**93**	**1**	**-**	**94**
Total mortgage-backed bonds (MBS)	**1,558**	**16**	**(2)**	**1,572**
Total mortgage-backed held-to-maturity bonds	**1,558**	**16**	**(2)**	**1,572**

	September 30 2018 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through held-to-maturity bonds	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 CMO and stripped MBS)	317	-	(25)	292
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	140	-	(17)	123
Total mortgage-backed securities (MBS)	1,212	-	(29)	1,183
Total mortgage-backed held-to-maturity	1,212	-	(29)	1,183

Note 5 – Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Securities (cont.)

	December 31 2018 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through held-to-maturity bonds	1,280	4	(4)	1,280
Of which: GNMA-backed securities	1,100	4	(3)	1,101
Securities issued by FNMA or FHLMC	180	-	(1)	179
Other mortgage-backed securities (including CMO and stripped MBS)	316	-	(13)	303
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	134	-	(8)	126
Total mortgage-backed securities (MBS)	1,596	4	(17)	1,583
Total mortgage-backed held-to-maturity securities	1,596	4	(17)	1,583

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds (2018 – securities)

	September 30 2019 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed bonds (MBS)				
Pass-through bonds	**2,503**	**20**	**(4)**	**2,519**
Of which: GNMA-backed bonds	**342**	**4**	**(1)**	**345**
Bonds issued by FNMA or FHLMC	**2,161**	**16**	**(3)**	**2,174**
Other mortgage-backed bonds (including CMO and stripped MBS)	**3,446**	**22**	**(1)**	**3,467**
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	**3,197**	**19**	**(1)**	**3,215**
Total mortgage-backed bonds	**5,949**	**42**	**(5)**	**5,986**
Asset-backed bonds	**1,722**	**6**	**(1)**	**1,727**
Of which: Loans to non-individuals – CLO-type bonds	**1,173**	**4**	**-**	**1,177**
Loans to non-individuals – SBA-guaranteed securities	**484**	**-**	**(1)**	**483**
Total available-for-sale mortgage-backed and asset-backed bonds	**7,671**	**48**	**(6)**	**7,713**

(a) Amounts charged to the 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 Bonds (2018 – securities) (cont.)

	September 30 2018 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through securities	2,867	-	(89)	2,778
Of which: GNMA-backed securities	470	-	(14)	456
Securities issued by FNMA or FHLMC	2,397	-	(75)	2,322
Other mortgage-backed securities (including CMO and stripped MBS)	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 (MBS)	7,309	4	(227)	7,086
Asset-backed securities (ABS)	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

	December 31 2018 (audited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through securities	2,956	5	(58)	2,903
Of which: GNMA-backed securities	460	-	(1)	459
Securities issued by FNMA or FHLMC	2,496	5	(57)	2,444
Other mortgage-backed securities (including CMO and stripped MBS)	4,398	10	(97)	4,311
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	4,156	9	(97)	4,068
Total mortgage-backed securities (MBS)	7,354	15	(155)	7,214
Asset-backed securities (ABS)	2,254	-	(35)	2,219
Of which: Loans to non-individuals – CLO-type bonds	1,547	-	(21)	1,526
Loans to non-individuals – SBA-guaranteed securities	648	-	(14)	634
Total mortgage-backed and asset-backed available-for-sale securities	9,608	15	(190)	9,433

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

Note 5 – Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities

	September 30 2019 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through securities	**3**	**-**	**-**	**3**
Of which: Securities issued by FNMA or FHLMC	**3**	**-**	**-**	**3**
Other mortgage-backed securities (including CMO and stripped MBS)	**41**	**-**	**-**	**41**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**44**	**-**	**-**	**44**
Total asset-backed securities (ABS)	**137**	**2**	**-**	**139**
Total mortgage-backed and asset-backed held-for-trading securities	**181**	**2**	**-**	**183**

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

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

Note 5 – Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities (cont.)

	December 31 2018 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value
	In NIS millions			
Mortgage-backed securities (MBS)				
Pass-through securities	4	-	-	4
Of which: Securities issued by FNMA or FHLMC	4	-	-	4
Other mortgage-backed securities (including CMO and stripped MBS)	49	-	(1)	48
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	53	-	(1)	52
Total asset-backed securities (ABS)	219	1	(1)	219
Total mortgage-backed and asset-backed held-for-trading securities	272	1	(2)	271

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

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

Reclassification of outstanding loans to private individuals (excluding housing loans) and loans to small businesses

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

Following the above, as part of the notes to the financial statements as at September 30 2018, outstanding loans to private individuals (excluding housing loans) and loans to small businesses were reclassified from non-troubled debt to troubled debts. A total of NIS 259 million was reclassified in respect of loans to private individuals, gross (excluding housing loans) and for gross loans to small businesses – NIS 239 million.

In addition, as at September 30 2018, a total of NIS 222 million were reclassified to "gross non-performing loans" in respect of loans to private individuals (NIS 182 million was reclassified from "non-troubled debt" and NIS 40 million was reclassified from "performing troubled debts"). Additionally, as at September 30 2018, NIS 252 million for loans to small businesses was reclassified to "gross non-performing loans" (approximately NIS 174 million was reclassified from "non-troubled debts" and NIS 78 million – from "performing troubled debt").

The effect of this revision on the financial performance for the reporting period 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 2019 (unaudited)					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[(a)]:						
Examined on specific basis	**128,798**	**-**	**748**	**129,546**	**9,858**	**139,404**
Examined on a collective basis[1]	**41,827**	**83,534**	**28,043**	**153,404**	**381**	**153,785**
[1]Of which: By extent of arrears	**808[(c)]**	**83,335**	**-**	**84,143**	**-**	**84,143**
Total debts[(a)2]	**170,625**	**83,534**	**28,791**	**282,950**	**10,239**	**293,189**
[2]Of which:						
Debt restructuring	**780**	**-**	**293**	**1,073**	**-**	**1,073**
Other non-performing loans	**1,297**	**-**	**15**	**1,312**	**-**	**1,312**
Total non-performing loans	**2,077**	**-**	**308**	**2,385**	**-**	**2,385**
Debts in arrears of 90 days or more	**176**	**807**	**50**	**1,033**	**-**	**1,033**
Other troubled debts	**2,009**	**-**	**235**	**2,244**	**-**	**2,244**
Total troubled debts	**4,262**	**807**	**593**	**5,662**	**-**	**5,662**
Balance of loan loss provision in respect of debts[(a)]:						
Examined on specific basis	**1,688**	**-**	**167**	**1,855**	**1**	**1,856**
Examined on collective basis[3]	**487**	**471**	**459**	**1,417**	**-**	**1,417**
[3]Of which: By extent of arrears	**-**	**470[(b)]**	**-**	**470**	**-**	**470**
Total loan loss provision[4]	**2,175**	**471**	**626**	**3,272**	**1**	**3,273**
[4]Of which: For non-performing loans	**320**	**-**	**159**	**479**	**-**	**479**

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

(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 301 million.

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

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 (cont.)

	September 30 2018 (unaudited)					
	Loans to the public					
	Commer-cial[(e)]	Housing	Private individuals - Other[(e)]	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[(a)]:						
Examined on specific basis	118,710	30	1,075	119,815	9,205	129,020
Examined on a collective basis[1]	44,332	79,929	35,288	159,549	738	160,287
[1]Of which: By extent of arrears	1,087[(c)]	79,481	-	80,568	-	80,568
Net of balances classified as held-for-sale assets[(d)]	(1,012)	-	(7,450)	(8,462)	(67)	(8,529)
Total debts[(a)2]	162,030	79,959	28,913	270,902	9,876	280,778
[2]Of which:						
Debt restructuring	1,290	10[(e)]	331	1,631	-	1,631
Other non-performing loans	1,245	20[(e)]	45	1,310	-	1,310
Total non-performing loans	2,535	30	376	2,941	-	2,941
Debts in arrears of 90 days or more	88	806	53	947	-	947
Other troubled debts	2,149	-	559	2,708	-	2,708
Net of balances classified as held-for-sale assets[(d)]	(8)	-	(353)	(361)	-	(361)
Total troubled debts	4,764	836	635	6,235	-	6,235
Balance of loan loss provision in respect of debts[(a)]:						
Examined on specific basis	1,693	5	128	1,826	1	1,827
Examined on a collective basis[3]	464	468	615	1,547	-	1,547
[3]Of which: By extent of arrears	-	467[(b)]	-	467	-	467
Net of balances classified as held-for-sale assets[(d)]	(11)	-	(141)	(152)	-	(152)
Total loan loss provision[4]	2,146	473	602	3,221	1	3,222
[4]Of which: For non-performing loans	441	5[(e)]	110	556	-	556

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Including an outstanding collective 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 36F to the financial statements as at December 31 2018.
(e) Reclassified, including reclassification as detailed below.

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 (cont.)

	December 31 2018 (audited)					
	Loans to the public					
	Com-mercial	Housing	Private individuals - Other	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[a]:						
Examined on specific basis	120,192	31	901	121,124	15,091	136,215
Examined on a collective basis[1]	44,746	80,859	36,006	161,611	673	162,284
[1]Of which: By extent of arrears	913[c]	80,432	-	81,345	-	81,345
Net of balances classified as held-for-sale assets[d]	(655)	-	(7,555)	(8,210)	(35)	(8,245)
Total debts[a]2	164,283	80,890	29,352	274,525	15,729	290,254
[2]Of which:						
Debt restructuring	1,318	8[e]	337[e]	1,663	-	1,663
Other non-performing loans	1,063	23[e]	47[e]	1,133	-	1,133
Total non-performing loans	2,381	31	384	2,796	-	2,796
Debts in arrears of 90 days or more	120	862	72	1,054	-	1,054
Other troubled debts	2,585	-	519	3,104	-	3,104
Net of balances classified as held-for-sale assets[d]	(7)	-	(361)	(368)	-	(368)
Total troubled debts	5,079	893	614	6,586	-	6,586
Balance of loan loss provision in respect of debts[a]:						
Examined on specific basis	1,792[e]	5	165[e]	1,962	3	1,965
Examined on a collective basis[3]	475[e]	474	609[e]	1,558	-	1,558
[3]Of which: By extent of arrears	-	473[b]	-	473	-	473
Net of balances classified as held-for-sale assets[d]	(11)	-	(157)	(168)	-	(168)
Total loan loss provision[4]	2,256	479	617	3,352	3	3,355
[4]Of which: For non-performing loans	459	4	150	613	-	613

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 295 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified.

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

B. Change in balance of provision for loan losses

	For the three months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period[(a)]	**2,682**	**483**	**644**	**3,809**	**3**	**3,812**
Disposal of an investment in a previously-consolidated subsidiary	**(20)**	**(5)**	**(1)**	**(26)**	**-**	**(26)**
Balance as at July 1 2019	**2,662**	**478**	**643**	**3,783**	**3**	**3,786**
Expenses (income) for loan losses	**147**	**(2)**	**38**	**183**	**(2)**	**181**
Accounting write-offs	**(285)**	**(5)**	**(104)**	**(394)**	**-**	**(394)**
Collection of debts recorded as accounting write-offs in previous years	**86**	**-**	**69**	**155**	**-**	**155**
Accounting write-offs, net	**(199)**	**(5)**	**(35)**	**(239)**	**-**	**(239)**
Adjustments from translation of financial statements	**(6)**	**-**	**-**	**(6)**	**-**	**(6)**
Balance of loan loss provision as at the end of the reporting period[1]	**2,604**	**471**	**646**	**3,721**	**1**	**3,722**
[1]Of which: For off-balance-sheet credit instruments	**429**	**-**	**20**	**449**	**-**	**449**

	For the three months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial[(c)]	Housing	Private individuals - 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	2,539	453[(c)]	609	3,601	1	3,602
Expenses in respect of loan losses	114	22 [(c)]	62	198	-	198
Accounting write-offs	(175)	(2)	(122)	(299)	-	(299)
Collection of debts recorded as accounting write-offs in previous years	110	-	74	184	-	184
Accounting write-offs, net	(65)	(2)	(48)	(115)	-	(115)
Adjustments from translation of financial statements	(1)	-	-	(1)	-	(1)
Net of 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]	2,585	473	615	3,673	1	3,674
[1]Of which: For off-balance-sheet credit instruments	439	-	13	452	-	452

(a) Effect of first-time application of IFRS 9 on foreign subsidiaries.
(b) Comparative results of: 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 comparative results of balances and changes classified as held for sale, please see Note 36F to the financial statements as at December 31 2018.
(c) Reclassified, including reclassification as detailed below.

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 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	**2,697**	**479**	**637**	**3,813**	**3**	**3,816**
Expenses for loan losses (income)	**327**	**14**	**112**	**453**	**(2)**	**451**
Accounting write-offs	**(776)**	**(17)**	**(324)**	**(1,117)**	**-**	**(1,117)**
Collection of debts recorded as accounting write-offs in previous years	**391**	**-**	**222**	**613**	**-**	**613**
Accounting write-offs, net	**(385)**	**(17)**	**(102)**	**(504)**	**-**	**(504)**
Adjustments from translation of financial statements	**(15)**	**-**	**-**	**(15)**	**-**	**(15)**
Disposal of an investment in a previously-consolidated subsidiary	**(20)**	**(5)**	**(1)**	**(26)**	**-**	**(26)**
Balance of loan loss provision as at the end of the reporting period[1]	**2,604**	**471**	**646**	**3,721**	**1**	**3,722**
[1]Of which: For off-balance-sheet credit instruments	**429**	**-**	**20**	**449**	**-**	**449**

	For the nine months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and governments	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)]	21 [(c)]	-	-	21	-	21
Balance as at January 1 2018	2,531	450	737	3,718	3	3,721
Expenses (income) in respect of loan losses	130	26	160	316	(2)	314
Accounting write-offs	(525)	(4)	(366)	(895)	-	(895)
Collection of debts recorded as accounting write-offs in previous years	452	-	241	693	-	693
Accounting write-offs, net	(73)	(4)	(125)	(202)	-	(202)
Adjustments from translation of financial statements	8	1	-	9	-	9
Net of 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]	2,585	473	615	3,673	1	3,674
[1]Of which: For off-balance-sheet credit instruments	439	-	13	452	-	452

(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 comparative results of balances and changes classified as held for sale, please see Note 36F to the financial statements as at December 31 2018.
(c) Reclassified, including reclassification as detailed below.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
In Israel			
Demand deposits			
Non-interest bearing deposits	**77,391**	82,443	88,151
Interest-bearing deposits	**128,845**	118,896	121,269
Total demand deposits	**206,236**	201,339	209,420
Fixed deposits	**130,096**	131,481	129,334
Net of balances classified as held-for-sale liabilities[(a)]	**-**	(84)	(71)
Total deposits in Israel[1]	**336,332**	332,736	338,683
Outside Israel			
Demand deposits			
Non-interest bearing deposits	**8,161**	8,233 [(c)]	9,017[(c)]
Interest-bearing deposits	**6,292**	7,437 [(c)]	6,136[(c)]
Total demand deposits	**14,453**	15,670	15,153
Fixed deposits[2]	**8,136**	10,469	10,755
[2]Non-interest bearing deposits	**-**	21	19
Total deposits outside Israel	**22,589**	26,139	25,908
Total deposits by the public	**358,921**	358,875	364,591
[1]Of which:			
Deposits by private individuals	**133,185**	131,549 [(b)(c)]	134,931[(b)]
Deposits by institutional entities	**61,300**	65,176 [(c)]	61,003
Deposits by corporations and others	**141,847**	136,011[(c)]	142,749

B. Deposits by the public by amount

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
Maximum deposit is NIS millions	In NIS millions		
Up to 1	**103,433**	99,978[(b)]	101,053[(b)]
From 1 to 10	**91,852**	91,548	95,364
From 10 to 100	**61,818**	61,787	64,272
From 100 to 500	**36,868**	36,155	37,944
Over 500	**64,950**	69,407	65,958
Total	**358,921**	358,875	364,591

(a) For more information, please see Note 36F to the financial statements as at December 31 2018.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 84 million as at September 30 2018 and NIS 71 million as at December 31 2018.
(c) Reclassified.

Note 8 - Employee Benefits

A. Signing of a Collective Agreement

On July 29 2019, the Bank signed a special collective agreement for 2019-2022 with the workers' union and a special collective agreement regarding employees in the technology professions.

Following are additional details about the main points of the collective agreement:

1. Salary updates - Annual salary updates at an average rate of 3.5 percent in each of the years 2019-2022.
2. A one-time salary bonus of 2 percent for participating in the efficiency plan, which will be paid in two installments: 1 percent in 2019 and 1 percent in 2020. All salary updates detailed in Sections 1 and 2 above will be differential, according to each employee's performance.
3. Adjusting Leumi to the new era in banking - A new collective agreement, with special terms, was signed, according to which up to 450 employees specializing in technology, digital and data will be employed, with the understanding that these fields are essential for taking the Bank forward towards the new era in banking, and due to the changes in the banking domain, where more and more transactions are technology-based. The new agreement will not include permanent employee status or additional components, and will provide the Bank with the flexibility needed to hire and manage its human resources in these areas.
4. The basic minimum monthly salary will be revised to NIS 6,200 in two phases, in 2019 and 2021.
5. An additional component will be included in the salaries of tenured employees eligible for contributory pension.
6. Various agreements regarding revision of additional payments, global overtime arrangements as well as increasing the number of employees hired under individual professional agreements.
7. Transitioning of headquarters units to the Bank's Lod compound.
8. As part of the agreement, the Bank paid a one-time signing bonus of NIS 6,000 to each employee.

Due to the collective agreement, the Bank will incur a one-time increase in its actuarial liabilities totaling NIS 526 million before tax (about NIS 329 million after tax) and a pre-tax increase of approximately NIS 100 million in salary expenses in 2019 due to the one-time bonus, totaling approximately NIS 60 million, recorded in the second quarter of the year.

As part of the understandings underlying the collective agreement, the Bank announced its intention to increase its efficiency by 700 positions by the end of 2020. To implement the plan, the Bank's Board of Directors approved a voluntary retirement plan for approximately 250 employees. The plan will be completed no later than the end of 2019. On September 5 2019, due to the significant response to the plan, the Bank's Board of Directors approved an expansion of the voluntary retirement plan, which will allow approximately 400 employees to retire early from the Bank by the end of 2019.

The main benefits offered under the plan, as a function of defined criteria, are as follows: An early retirement arrangement until the employee reaches legal retirement age for employees eligible for unfunded pension who meet the plan's criteria or increased severance pay subject to the plan's criteria.

The total cost of the plan is estimated by the Bank at approximately NIS 250 million before tax. The cost constitutes an actuarial loss, which will be stated in other comprehensive income. In subsequent reporting periods, the plan's costs will be amortized to profit or loss on a straight-line basis over the average remaining service period of the employees expected to receive benefits under the plan. The Bank estimates the effect of the efficiency plan on capital adequacy to be immaterial.

Note 8 - Employee Benefits (cont.)

B. Employment and retirement terms and conditions of senior officers with the Bank

The Bank's Board of Directors approved the service and employment terms of the President and CEO, of the Chairman of the Board of Directors and the updated compensation policy of officers in the Bank. These topics are subject to the approval of the General Meeting scheduled on November 10 to December 23 2019.

1. The President and CEO

Mr. Hanan Friedman serves as an officer with the Bank as of September 1 2014, and as the Bank’s President and CEO from November 1 2019 (the "Commencement Date"). The service and employment terms of the President and CEO shall take effect as of the Commencement Date. The service and employment terms and conditions of the President and CEO are in line with the Bank’s Officer Compensation Policy and have been set in accordance with the provisions of Directive 301A and the restrictions of the Compensation Limitation Law.

2. The Bank’s Chairman of the Board

Dr. Haj Yehia serves as a director of the Bank as of September 30 2014, and began serving as Chairman of the Board (the "Chairman" or "Chairman of the Board") on July 22 2019 (in this Section, the "Commencement Date").

The service and employment terms and conditions of Chairman of the Board shall become effective on the Commencement Date, as aforesaid, and are in line with the Bank’s Officer Compensation Policy.

The service terms and conditions were set pursuant to Directive 301A, which stipulates that the Chairman of the Board will only be entitled to a fixed compensation, social benefits and related expenses.

3. The Bank’s Policy of Officer Compensation

On October 29 2019 the Bank's Board of Directors approved an updated compensation policy for the Bank’s officers. The compensation police shall be effective from the beginning of 2020 to the end of 2022. The Compensation Policy is based on the provisions of Amendment No. 20 to the Companies Law regarding Bank’s officeholders’ service and employment terms, on Proper Conduct of Banking Business Directive 301A regarding compensation policy of a banking corporation and on the provisions of the Compensation Limitation Law

Subject to the approval of the General Meeting, the Compensation Policy sets out an updated framework for the compensation of Bank’s officeholders and refers, among other things, to fixed compensation components, which is the principal compensation paid to officeholders, as well as to variable compensation components which include any compensation which is not fixed in nature, including: annual performance bonus comprised of a bonus component based on the Bank’s return on capital compared to the return of the TA-Banks Index and a bonus component based on the Bank’s capital adequacy ratio; a qualitative personal mission bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officeholder’s areas of responsibility; and a retention bonus. It should be noted that according to the Compensation Policy, directors, including the Chairman of the Board, are not entitled to variable annual bonuses.

The Compensation Policy includes various mechanisms and arrangements designed to allow the Audit Committee and the Board of Directors to revise the Compensation Policy or terms of service and employment of officeholders to whom the Compensation Policy applies, without being required to obtain the approval of the Bank’s General Meeting for every such revision. Such revisions will be made if - in the opinion of the Compensation Committee and the Board of Directors - justified under the circumstances on revision date.

Note 8 - Employee Benefits (cont.)

C. Composition of benefits

1. Employee benefits

	As at September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Retirement benefits - Pension and severance pay			
Liability amount	**19,639**	16,968	15,867
Fair value of plan assets	**7,004**	6,590	6,235
Excess liability over plan assets (included in "other liabilities")	**12,635**	10,378	9,632
Accrued jubilee vacation leave			
Liability amount	**48**	45	41
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in "other liabilities")	**48**	45	41
Other benefits			
Liability amount	**592**	535	533
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in "other liabilities")	**592**	535	533
Total[1]			
Amount by which the liability for employee benefits exceeds the plan assets included in "other liabilities"	**13,275**	10,958	10,206
[1]Of which: In respect of benefits to employees abroad	**68**	59	64

2. 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
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Obligation in respect of expected benefit as at the beginning of the period	**18,137**	16,499	**15,867**	17,995	17,995
Cost of service	**39**	35	**103**	114	145
Cost of interest	**166**	166	**496**	483	653
Contributions by planholders	**10**	10	**29**	30	39
Actuarial loss (gain)	**1,470**	451	**3,711**	(693)	(1,801)
Changes in foreign exchange rates	**(13)**	(4)	**(30)**	11	20
Paid benefits[(a)]	**(170)**	(189)	**(506)**	(972)	(1,184)
Other	**-**	-	**(31)**	-	-
Obligation in respect of expected benefit as at the end of the reporting period	**19,639**	16,968	**19,639**	16,968	15,867
Obligation in respect of cumulative benefit as at the end of the reporting period	**17,785**	16,133	**17,785**	16,133	15,063

(a) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

C. Composition of benefits

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
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Fair value of plan assets as at the beginning of the period	**6,625**	6,430	**6,235**	6,708	6,708
Actual return on plan assets	**89**	168	**499**	236	(60)
Plan contributions by the Bank[(a)]	**331**	36	**378**	85	110
Contributions by planholders	**10**	10	**29**	30	39
Changes in foreign exchange rates	**(12)**	(6)	**(29)**	9	3
Paid benefits[(b)]	**(39)**	(48)	**(108)**	(489)	(572)
Other	**-**	-	**-**	11	7
Fair value of plan assets as at the end of the reporting period	**7,004**	6,590	**7,004**	6,590	6,235
Funding status - Net liability recognized at the end of the reporting period	**12,635**	10,378	**12,635**	10,378	9,632

3. Amounts recognized in the consolidated balance sheet

	As at September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Amounts recognized in the "other liabilities" line item	**12,635**	10,378	9,632
Net liability recognized at the end of the reporting period	**12,635**	10,378	9,632

4. Amounts recognized in "Accumulated other comprehensive income before tax effect"

	As at September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Net actuarial loss	**5,790**	3,456	2,668
Closing balance of accumulated other comprehensive income	**5,790**	3,456	2,668

(a) Please see Note 8.C.4.B.

(b) Including immaterial amounts in respect of downsizing, discharges, special and contractual benefits and severance pay.

Note 8 - Employee Benefits (cont.)

C. 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
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Cost of service	**39**	35	**103**	114	145
Cost of interest	**166**	166	**496**	483	653
Expected return on plan assets	**(95)**	(85)	**(267)**	(258)	(356)
Amortization of unrealized amounts - Net actuarial loss	**109**	73	**253**	270	356
Other incl. restructuring	**-**	-	**31**	-	-
Total benefit cost, net	**219**	189	**616**	609	798
Total expense for defined contribution pension plan	**42**	49[(a)]	**127**	149[(a)]	200
Total expenses included in profit and loss	**261**	238	**743**	758	998

(a) Restated.

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
	2019	2018	**2019**	2018	2018
	Unaudited				Audited
	In NIS millions				
Net actuarial loss (gain) for the period	**1,476**	368	**3,410** [(a)]	(671)	(1,385)
Amortization of unrealized amounts - Net actuarial loss	**(109)**	(73)	**(253)**	(270)	(356)
Changes in foreign exchange rates	**(1)**	-	**(4)**	-	8
Other	**-**	-	**(31)**	(11)	(7)
Total recognized in other comprehensive income	**1,366**	295	**3,122**	(952)	(1,740)
Total benefit cost, net	**219**	189	**616**	609	798
Total recognized in net benefit cost for the period and in other comprehensive income	**1,585**	484	**3,738**	(343)	(942)

(a) Including adjustments for previous years

3. Estimate of the amounts included in accumulated other comprehensive income that are expected to be amortized as an expense to the income statement in 2019, before the tax effect

	For the three months ended December 31 2019
	Unaudited
	In NIS millions
Net actuarial loss	**147**
Total amount expected to be amortized from accumulated other comprehensive	**147**

Note 8 - Employee Benefits (cont.)

C. Composition of benefits (cont.)

3. Assumptions[(a)]

A. The assumptions, based on the weighted average, used for calculating the benefit obligation and for measuring the benefit's net cost

1. The main assumptions used for calculating the benefit obligation

	September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In %		
Capitalization rate	**1.55**	2.27	2.74
Rate of increase in the CPI	**1.45**	1.66	1.59
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 net benefit cost for the period

	September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In %		
Capitalization rate	**2.37**	2.21	2.22
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 one percentage point change on the expected benefit obligation before the tax effect

	Increase by one percentage point			Decrease by one percentage point		
	September 30		December	September 30		December
	2019	2018	2018	**2019**	2018	2018
	Unaudited		Audited	Unaudited		Audited
	In NIS millions					
Capitalization rate	**(2,592)**	(2,215)	(1,993)	**3,211**	2,748	2,457
Rate of increase in the CPI	**(638)**	-	-	**712**	-	-
Departure rate	**242**	151	200	**(211)**	(149)	(179)
Rate of remuneration	**712**	619	571	**(638)**	(542)	(499)

(a) The assumptions are only in respect of the Bank's data.

Note 8 - Employee Benefits (cont.)

C. 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 associated with employees' behavior. 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), causing the number of employees opting for the pension fund track to decrease (a decision which will also decrease the Bank's pension liability amounts).

In this context, it should be noted that on November 6 2019, the Capital Market Insurance and Savings Commissioner published a circular regarding the updating of demographic assumptions in life insurance and updating of the improvement in life expectancy model. The circular had no material effect on the total liabilities for employees.

4. Plan assets

A. Composition of the fair value of plan assets

	As at September 30		As at December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
Cash and deposits with banks	**471**	183	160
Equity securities	**2,478**	2,651	2,326
Government bonds	**1,207**	831	1,040
Corporate bonds	**1,805**	2,059	1,714
Other	**1,043**	866	995
Total	**7,004**	6,590	6,235

B. Fair value of plan assets by type of asset and allocation target for 2019

	Allocation target	Percentage of plan assets		
		September 30		December 31
	2019	**2019**	2018	2018
	Unaudited			Audited
	In %			
Cash and deposits with banks	**2**	**7**	3	3
Equity securities	**38**	**35**	40	37
Government bonds	**16**	**17**	13	17
Corporate bonds	**32**	**26**	31	27
Other	**12**	**15**	13	16
Total	**100**	**100**	100	100

Note 8 - Employee Benefits (cont.)

Retirement and pension benefits are determined according to classification of employment periods at the Bank: Employees who began working at the Bank from January 1 1999 make 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, under certain circumstances - to either receive severance pay and compensation from the Bank and a pension annuity or other social security arrangement, or a combination of the above, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees. For these employees, the Bank deposits contributions in the employees' provident and severance pay funds, which are managed by a management company held by the fund's members. Following a former engagement, the Bank entered into an agreement with an additional institutional entity to transfer the severance pay and pension funds which accumulated or will be accumulated in the severance and pension funds of employees who have opted for or will opt for a social security arrangement to a paying fund. The Bank also entered into an agreement to purchase an insurance policy for the retirees, payable by the Bank. The Bank intends to enter similar agreements with additional institutional entities.
It should be emphasized that, as of this date, there is no uncertainty that the Bank will enter into agreements with additional institutional entities and no certainty as to the amounts to be transferred to such a paying fund or the timing of the transfer.

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
	2019	**2019**	2018	**2019**	2018	2018
	Unaudited					Audited
	In NIS millions					
Contributions	**34**	**341**	46	**407**	115	149

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2019.

B. Benefits the Bank expects to pay in the future[a]

Year	In NIS millions
2019	192
2020	750
2021	706
2022	776
2023	809
2024-2028	4,847
From 2029	13,370
Total	21,450

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Under the Bank’s compensation plan, the precondition for the vesting of the third and last of the PSUs (which were allotted to the Chairman of the Board, to the President and CEO and to other officers of the Bank (hereinafter: the "**Bank’s Officers**") 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 second of the PSUs allotted to the Bank’s Officers 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 third and last of the 2016 PSUs and the second third of the 2017 PSUs have vested. As a result, on March 6 2019, the Bank's officers were allotted shares, according to the number of 2016 PSUs and 2017 PSUs vested as of that date.

For more information, please see Note 25A to the 2018 Annual Financial Statements.

Under the compensation policy, the shares allotted following the vesting of the said 2016 PSUs and 2017 PSUs were deposited with the trustee of the compensation plan, ESOP Management and Trust Services Ltd. (hereinafter: the "**Plan Trustee**").

The shares allotted in respect of the 2017 PSUs, as detailed above, were restricted until two years from the date of allotment of the 2017 PSUs, i.e. - until 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 Banking 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 relevant 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 financial statements to be published.

For more information, please see Note 25A to the 2018 Annual Financial Statements

The Bank's share buyback plan

On May 26 2019, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 700 million, from May 28 2019 to May 27 2020. The share buyback plan will take place as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or through transactions outside the TASE, through an external, independent member of the TASE, which will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 19 2019, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent.

The buyback plan took place in two separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: "**Stage A**" and "**Stage B**"). The implementation of Stage A began on May 28 2019 and ended on August 2 2019, during which time the Bank purchased (through the independent Stock Exchange member it had contracted) 11,961,092 shares in the amount of NIS 301 million under the said plan.

Following that said in the financial report of the second quarter of 2019, on August 15 2019, the implementation of Stage B of the plan began, ending on November 21 2019, in which the Bank purchased (through the said external member of the Stock Exchange) 15,962,567 shares totaling NIS 399 million. In total, under the said plan, 27,923,659 shares for a total amount of NIS 700 million were purchased.

As of the Report's publication date, the Bank owns 58,336,237 dormant shares.

Shelf prospectus and bond issue

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

According to a shelf prospectus as at January 30 2019, the Bank issued, on January 31 2019, a total of NIS 1.69 billion in Bonds Series 180. The bonds are repayable in two equal installments on February 28 2023 and February 28 2025 and carry an annual interest rate of 2.02 percent, payable annually on February 28 of each year from 2020 to 2025 (inclusive). The Series 180 Bonds are not recognized for regulatory capital purposes.

Note 9A - Equity (cont.)

According to a shelf prospectus as at January 30 2019, the Bank issued, on January 31 2019, a total of NIS 664.2 million in Subordinated Bonds Series 403.

According to a shelf prospectus as at March 12 2019, the Bank issued, on March 13 2019, an extension of Series 403, under which the Bank issued a total of NIS 777 million par value in subordinated bonds in consideration of NIS 798.4 million.

The Subordinated Bonds Series 403 are repayable by a lump sum on February 28 2030, with an early repayment option for the issuer exercisable not before January 31 2025 and no later than February 28 2025. The Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 2.42 percent until February 28 2025. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised 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 revision date.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 403 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 minimum rate (NIS 11.53 per share, subject to adjustments), the highest of the two.

According to a shelf offering report as at July 4 2019, which was amended on July 9 2019, the Bank made two exchange tender offers, as follows: 1) Offer to all holders of Series 201 Subordinated Capital Notes, whereby the Bank will purchase from them all Series 201 Subordinated Capital Notes held by them, by way of an unlimited exchange tender offer, in exchange for the issue of units of NIS 50,000 p.v. each of Series 404 Subordinated Bonds of the Bank, carrying an annual interest rate of 1.95 percent, at an exchange rate of 50,000:49,262, as detailed in the Shelf Offering Report. 2) Offer to all holders of Series N Subordinated Bonds, whereby the Bank will purchase from them all Series N Subordinated Bonds held by them, by way of an unlimited exchange tender offer, in exchange for the issue of units of NIS 50,000 p.v. each of Series 404 Subordinated Bonds of the Bank, carrying an annual interest of 1.95 percent, at an exchange rate of 50,000:44,445, as detailed in the Shelf Offering Report.

According to the investors' response to said exchange tender offers, on July 15 2019, NIS 139.9 million p.v. in Series 201 bonds was exchanged for NIS million 142 p.v. in Series 404 bonds and NIS 976.9 million p.v. in Series N bonds was exchanged for NIS 1,099 million p.v. Series 404, bringing the total issued Series 404 to NIS 1,241 million. As a result of the exchange, an accounting loss of NIS 54 million was recorded.

The Subordinated Bonds Series 404 are repayable by a lump sum on September 30 2029, with an early repayment option for the issuer exercisable not before September 19 2024 and no later than September 30 2024. The Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.95 percent until September 30 2024. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised 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 revision date.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 404 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 minimum rate (NIS 12.54 per share, subject to adjustments), the highest of the two.

These Subordinated Bonds Series 403 and 404 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information regarding the issue of the Subordinated Bonds Series 401 and 402 during 2018, please see Note 25A to the 2018 Annual Financial Statements.

Note 9A - Equity (cont.)

Early redemption of subordinated capital notes

On February 10 2019, the Bank's Board of Directors decided to redeem in April-May 2019, by full early redemption, NIS 1 billion p.v. in (non-tradable) subordinated capital notes linked to the Consumer Price Index and issued in 2009. Accordingly, during April and May 2019, NIS 1.2 billion in subordinated capital notes were redeemed.

Dividend Distribution Policy

On November 20 2017, the Bank's Board of Directors approved a 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, subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution.

On March 6 2019, 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 50 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 being passed by 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.

On November 26 2019, the Board of Directors approved, in respect of the third quarter of 2019, a dividend of 40 percent of the net income of the quarter. The dividend approved amounted to NIS 306 million, which is 20.87 agorot per share of NIS 1 par value. The Board of Directors set December 11 2019 as the record date for dividend payment purposes and December 22 2019 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS millions
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	361
November 12 2018	December 10 2018	25.08	375
March 6 2019	April 3 2019	18.40	275
May 26 2019	June 23 2019	29.27	437
August 13 2019	September 8 2019	24.95	369

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on Capital Measurement and Adequacy, in order to adapt 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 deductions and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for non-performing loans
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 2019, the maximum instrument amount qualifying as regulatory capital is 30 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 has 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 discount rate 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 discount rate 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 new method 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 17,804 million and the Common Equity Tier 1 capital - to NIS 36,882 million, compared with a book value of NIS 20,062 million for the pension liability and Common Equity Tier 1 capital of NIS 32,927 million.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
A. Data			
Capital base for capital ratio calculation purposes			
CET1 capital, after regulatory deductions and adjustments[(b)]	**36,882**	35,451	35,190
Tier 2 capital, after deductions	**12,009**	10,827	11,033
Total capital	**48,891**	46,278	46,223
Balance of risk-weighted assets			
Credit risk[(b)]	**285,798**	288,449	288,837
Market risks	**5,313**	4,059	6,295
Operational risk	**23,205**	22,485	22,713
Total balance of risk-weighted assets	**314,316**	314,993	317,845
Capital to risk-weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk-weighted assets	**11.73%**	11.25%	11.07%
Ratio of total capital to risk-weighted assets	**15.55%**	14.69%	14.54%
Minimum CET1 capital ratio set by the Banking Supervision Department[(a)]	**10.26%**	10.25%	10.25%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.76%**	13.75%	13.75%
B. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted assets	**13.90%**	13.53%	14.06%
Ratio of total capital to risk-weighted assets	**14.78%**	14.43%	14.97%
Minimum CET1 capital ratio set by the local authorities[(c)]	**7.00%**	6.38%	6.38%
Minimum total capital ratio set by the local authorities[(c)]	**10.50%**	9.88%	9.88%

(a) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required from January 1 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 1 2015, a capital requirement is added to these ratios, representing 1 percent of the outstanding housing loans as of the reporting date. Thus, the minimum CET1 capital ratio and the minimum total capital ratio required by the Banking Supervision Department as of September 30 2019, according to the data as at the reporting date, are 10.26 percent and 13.76 percent, respectively.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter as at January 12 2016, entitled Operational Efficiency of the Banking System in Israel (hereinafter: the "**Adjustments for the Efficiency Plan**"). The adjustments are deducted gradually until June 30 2021 and June 30 2022, respectively. In June 2019, the Board of Directors approved an additional efficiency plan. According to the Banking Supervision Department's letter, the exemptions granted in respect of the regulatory capital will be deducted gradually till September 30 2024. For more information regarding the effect of the transitional provisions and adjustments for the efficiency plan, please see Section D below. NIS 194 million - in respect of Adjustments for the Efficiency Plan - was added to the total balance of risk-weighted assets (NIS 127 million as at September 30 2018, NIS 157 million as at December 31 2018).

(c) The minimum Common Equity Tier 1 capital ratio and the minimum total capital ratio are 4.5 percent and 8 percent, respectively. These ratios are compounded by a capital conservation buffer of 2.5 percent as at September 30 2019.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

C. Capital components for the calculation of capital ratios

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
1. CET1 capital			
Shareholders' equity	**35,144**	34,760	35,305
Differences between shareholders' equity and Common Equity Tier 1 capital - Non-controlling interests	**262**	387	399
Adjustments in respect of the transition between the accounting curve and the 8-quarter average yield curve[(a)]	**1,188**	128	(577)
Total CET1 capital before regulatory adjustments and deductions	**36,594**	35,275	35,127
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(129)**	(179)	(178)
Deferred taxes receivable	**(149)**	(135)	(251)
Regulatory adjustments and other deductions - CET1 capital	**(11)**	(45)	(17)
Total regulatory adjustments and deductions - CET1 capital	**(289)**	(359)	(446)
Total adjustments in respect of the efficiency plan	**577**	535	509
Total CET1 capital, after regulatory adjustments and deductions	**36,882**	35,451	35,190
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**8,896**	7,690	7,790
Tier 2 capital: Provisions for loan losses, before deductions	**3,113**	3,137	3,243
Total Tier 2 capital before deductions	**12,009**	10,827	11,033
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**12,009**	10,827	11,033
Total capital	**48,891**	46,278	46,223

(a) Pursuant to specific approval by the Banking Supervision Department.

Note: 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 CET1 capital ratio

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In %		
Capital to risk-weighted assets ratio (CRAR)			
Ratio of CET1 capital to risk components before the implementation of the transitional provisions and before the effect of Adjustments for the Efficiency Plan(a)	**11.56%**	11.09%	10.92%
Adjustments in respect of the Efficiency Plan(b)	**0.17%**	0.16%	0.15%
Ratio of CET1 capital to risk-weighted assets	**11.73%**	11.25%	11.07%

(a) Including the effect of adopting the US GAAP for employee benefits.

(b) These data include adjustments for the efficiency plans prescribed in the Supervisor of Banks' letter as at January 12 2016, Operational Efficiency of the Banking System in Israel. According to the said letter, the reliefs granted in respect of regulatory capital and 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. In June 2019, the Board of Directors approved an additional efficiency plan. According to the Banking Supervision Department's letter, the exemptions granted in respect of the regulatory capital will be deducted gradually till September 30 2024.

E. Leverage ratio pursuant to the Banking Supervision Department's directives

On April 28 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Liquidity Coverage 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 Directive 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 its balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, 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 No. 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 the exposures for off-balance-sheet items - by converting the items' notional amount 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 total consolidated assets constitute at least 20 percent of the Israeli banking sector's total 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 threshold prescribed by the Directive. 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
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
A. Consolidated data[(a)]			
Tier 1 capital	**36,882**	35,451	35,190
Total exposures	**497,819**	502,536	499,289
Leverage ratio			
Leverage Ratio	**7.41%**	7.05%	7.05%
Minimum leverage ratio set by the Banking Supervision Department	**6.00%**	6.00%	6.00%
B. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage Ratio	**12.03%**	11.86%	11.72%
Minimum leverage 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 Banking Supervision Department's letter as at January 12 2016, "Operational Efficiency of the Banking System in Israel". According to the said letter, the reliefs granted in respect of regulatory capital and 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. In June 2019, the Board of Directors approved an additional efficiency plan. According to the Banking Supervision Department's letter, the exemptions granted in respect of the regulatory capital will be deducted gradually until September 30 2024. The effect of the relief granted in respect of the efficiency plan for the leverage ratio was 0.12 percent as at September 30 2019 (0.1 percent and 0.11 percent as at December 31 2018 and September 30 2018, respectively). For more information regarding the effect of the transitional provisions and Adjustments for the Efficiency Plan, 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's directives

On September 28 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221, "Liquidity Coverage Ratio", which applies 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.

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.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

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 banks are required to 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 standalone financial statements (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 during the period.

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In %		
A. Consolidated data			
Liquidity coverage ratio	**121**	121	121
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**120**	120	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Comment: Bank Leumi USA is not subject to the liquidity coverage ratio.

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent liabilities and other special commitments

	September 30		December 31
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
(1) Long-term leases - rental fees for buildings, equipment and vehicles and maintenance fees in respect of agreements to pay in coming years			
In first year	**201**	246	259
In second year	**151**	190	199
In third year	**122**	165	141
In fourth year	**106**	129	130
In fifth year	**98**	112	116
In more than 5 years	**665**	1,070	1,078
Total long-term leases	**1,343**	1,912 [(a)]	1,923[(b)]
(2) Commitments to purchase securities	**587**	768	674
(3) Commitments to invest in, and purchase of, buildings and equipment	**95**	51[(a)]	38[(b)]

(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.

(b) Including outstanding lease balances of NIS 441 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
	2019	2018	2018
	Unaudited		Audited
	In NIS millions		
(4) Loan sale activity			
Carrying amount of sold loans	**624**	77	503
Cash proceeds	**639**	77	503
Net income on sale of loans	**15**	-	-

B. Legal claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions certification motions.

Note 26 to the Bank’s Annual Financial Statements as at December 31 2018 included information regarding all pending 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 Financial Statements in which no change has occurred.

In the opinion of the management of the Bank and the managements of the consolidated companies - which are based on legal opinions regarding the expected results of such claims, including class action certification motions - the financial statements reflect adequate provisions, where 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 amount of 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, is NIS 160 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 Financial Statements, except as detailed below:

1.1. On August 28 2013, a motion for class certification was filed against the Bank and other banks. The Banking Supervision Department, Bank of Israel Governor and Antitrust Commissioner were included as formal respondents. The subject of the motion is the allegedly unlawful charging of fees and commissions for conversion and transfer of foreign currency, without providing fair disclosure thereof. The applicants claim that the damage caused to customers (according to an "abbreviated" motion filed by the applicants) is about NIS 2.6 billion (the applicants claim additional damages which have not been quantified).
On January 20 2015, a court hearing the proceedings of another motion for class certification 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 hearing the abovementioned motion.
On March 1 2018, the District Court issued a ruling, which dismissed the motion for class certification and required the applicants to pay the respondents' expenses. On April 1 2019, the Supreme Court dismissed the appeal, which was filed by the claimants on March 18 2018.

1.2. On December 2 2013, a motion for class certification was filed against the Bank regarding early repayment fees for non-housing loans. According to the applicant, the early repayment fee, both in respect of loans subject to calculation principles set in the Proper Conduct of Banking Business Directives and in respect of loans subject to rules set by the Bank, are calculated by the Bank in an unlawful manner. According to the applicant, at this stage it is impossible to estimate the overall claim amount. On November 3 2019, a decision was handed down by the Tel Aviv District Court, which partially approved the application for class action certification regarding the manner of calculating the early repayment fee for unsupervised loans.

1.3. On March 17 2014, the special administrator of a company under liquidation filed an application to issue orders against the Bank to the effect that the court will declare that the Bank shall pay the Company (liquidation assets) a total of NIS 1,200 million, of which NIS 635 million will be used to cover all of the company's debts to its creditors for reimbursement of the full value of the company's assets and a total of NIS 565 million for full reimbursement of the company's assets. According to the special administrator, the Bank is personally liable for the company's debts. It should be noted that, as part of the motion, the special administrator reserved the right to file further legal proceedings against the Bank and/or other officeholders of the company and/or individuals on behalf of the Bank and the attorneys who advised the Bank. On August 4 2019, the Court approved a composition of creditors for the company under liquidation and on November 12 2019, the Court rejected the motions filed against the Bank, after all the terms of conditions of the composition with creditors was approved. The legal proceedings were thus concluded.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

1.4. On June 21 2015, a motion for class certification against the Bank was filed. The applicant claims that the Bank allegedly charges currency conversion fees in respect of foreign currency transfers from a foreign currency account with the Bank to a foreign currency account in the name of that same customer with another bank, despite the fact that the funds were not converted into another currency. The applicant also claims that the Bank allegedly charges correspondent bank fees which are denominated in euro, at an exchange rate higher than the representative exchange rate; furthermore, the applicant claims that when a customer closes a bank account, the Bank allegedly charges fees and commissions exceeding the maximum amount collectible by law upon closing a bank account. The applicant estimates the total amount of the class action at NIS 1 million. On January 7 2019, the court approved a settlement agreement in this procedure, and the lawsuit was concluded.

1.5. On February 11 2016, a motion to approve a class action lawsuit was filed against the Bank and four other banks, claiming that the banks give benefits to students, but restrict the students' age. The total amount of the claim was assessed by the plaintiff at NIS 219 million. On November 4 2019, the applicant filed an appeal to the Supreme Court with the District Court judgment of September 26 2019 which rejected the motion for class action certification.

1.6. On March 7 2016, a legal claim was filed with a US court by a large number of plaintiffs, against dozens of defendants, including the Bank, Bank Leumi USA, and Bank Hapoalim. The plaintiffs claimed that by making, among other things, funds transfers, the defendants support settlements in the West Bank in a manner that harms Palestinian residents, violating their property and rights. The original amount claimed from all the defendants was USD 34.5 billion. This amount was later reduced to USD 1 billion. On August 29 2017, the US court approved a motion to dismiss the legal claim in limine. On September 8 2017, the plaintiffs appealed the dismissal of the legal claim and on February 19 2019, the court accepted the appeal filed by the plaintiffs and reversed the decision, approving in limine dismissal.

1.7. On May 15 2017, a motion for class certification was filed 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 are inapplicable 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 motion for class certification suit filed on May 15 2017. The court ruled that the motion for class certification, filed against the Bank on February 12 2017, will remain pending. The amount of damage claimed in this motion is NIS 100 million. On May 21 2019, the Supreme Court dismissed the appeal filed by the applicants regarding the Tel Aviv District Court's ruling from April 17 2018.

1.8. On June 5 2019, a motion for class certification was filed against the Bank and other banks. According to the plaintiff, the exchange rate differences constitute a "commission", requiring the banks to provide fair disclosure thereof. As a result, charging the commission was illegal and the commission is too high. The claimed damage for the entire class the claimant purports to represent is NIS 8 billion (the plaintiff claims additional damages, which have not been quantified), of which NIS 2.2 billion is attributed to the Bank.

2. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries. On February 25 2019, the sale of Leumi Card was completed.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

C. Credit cards

Pursuant to the Law on Minimizing Market Centralization and Promoting Economic Competition (Legislative Amendments), 2017, as of February 2019, the Bank is required to operate the issuance of new credit cards for the Bank's customers through at least two issuance operators, with any issuance operator's share reaching no more than 52 percent of the new cards issued by the Bank.

In 2018, to implement the above, the Bank signed issuance and issuance operation agreements of debit cards with the following credit card companies: Isracard Ltd. and Europay (Eurocard) Israel Ltd. (of the Isracard group); Israel Credit Cards Ltd. and Diners Club Israel Ltd. (of the CAL group); and Leumi Card Ltd. (which changed its name after the signing of the agreement to Max It Finances Ltd.). During the reporting period, the Bank issued debit cards through the said credit card companies - CAL, Leumi Card and Isracard.

For more information regarding credit cards and the said agreements, please see Note 26H to the financial statements as at December 31 2018.

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) regarding for Bank Leumi UK (BLUK), on controls and systems for the implementation of anti-money laundering regulations. The procedure is in line with the FCA’s purview. On July 11 2019, the FCA confirmed that the procedure had ended and that it would not take any action against BLUK.

2. Financial sanction under Section 38A to the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995
On August 11 2019, the Israel Securities Authority placed a NIS 220 thousand financial sanction on the Bank. The financial sanction amount is after reduction of 45 percent as decided by the Authority, inter alia due to actions taken by the Bank to prevent the violation from recurring. The financial sanction was imposed following a case where an investment consultant spoke to a customer who contacted the branch in order to grant a power of appointment to a portfolio manager, in a manner that is considered by the Israel Securities Authority as an attempt to prevent the customer from contacting a portfolio manager, in violation of the new provisions of the Israel Securities Authority regarding referral of customers for the purpose of obtaining portfolio management services.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates

A. Volume of consolidated activity

	September 30 2019 (unaudited)		
	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	1,925	53,420	55,345
Written options	-	28,515	28,515
Call options	-	26,698	26,698
Swaps[(a)]	34,207	296,566	330,773
Total[(b)]	36,132	405,199	441,331
Of which: Hedging derivatives[(c)]	3,947	-	3,947
b) Foreign currency contracts			
Futures and forwards[(d)]	30,384	166,433	196,817
Written options	1,718	38,179	39,897
Call options	2,226	44,396	46,622
Swaps[(a)]	714	19,911	20,625
Total	35,042	268,919	303,961
Of which: Hedging derivatives[(c)]	-	-	-
c) Stock contracts			
Futures and forwards	590	140,190	140,780
Written options	1,879	102,825	104,704
Call options[(e)]	1,704	102,932	104,636
Swaps	265	52,048	52,313
Total	4,438	397,995	402,433
d) Commodities and other contracts			
Futures and forwards	-	994	994
Written options	-	2,933	2,933
Call options	-	2,932	2,932
Swaps	-	634	634
Total	-	7,493	7,493
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	75,612	1,079,606	1,155,218

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 174,709 million.
(b) Of which: NIS-CPI swaps totaling NIS 17,341 million.
(c) The Bank makes the hedging through interest rate swaps (IRSs).
(d) Of which: Foreign exchange spots totaling NIS 7,196 million.
(e) Of which a total of NIS 102,619 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	September 30 2018[f] (unaudited)		
	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	4,108	81,460	85,568
Written options	-	20,835	20,835
Call options	-	18,177	18,177
Swaps[a]	37,011	242,040	279,051
Total[b]	41,119	362,512	403,631
Of which: Hedging derivatives[c]	2,280	-	2,280
b) Foreign currency contracts			
Futures and forwards[d]	40,858	163,483	204,341
Written options	1,037	40,592	41,629
Call options	1,037	41,058	42,095
Swaps[a]	780	23,168	23,948
Total	43,712	268,301	312,013
Of which: Hedging derivatives[c]	-	-	-
c) Stock contracts			
Futures and forwards	505	108,782	109,287
Written options	2,509	83,485	85,994
Call options[e]	2,302	83,538	85,840
Swaps	119	46,578	46,697
Total	5,435	322,383	327,818
d) Commodities and other contracts			
Futures and forwards	-	469	469
Written options	-	877	877
Call options	-	876	876
Swaps	-	94	94
Total	-	2,316	2,316
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	90,266	955,512	1,045,778

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 141,057 million.
(b) Of which: NIS-CPI swaps totaling NIS 18,690 million.
(c) The Bank makes the hedging through interest rate swaps (IRSs).
(d) Of which: Foreign exchange spots totaling NIS 13,391 million.
(e) Of which a total of NIS 83,337 million are traded on the Tel Aviv Stock Exchange.
(f) Reclassified for first-time application of US GAAP for Banks' ASU 2017-12 - Derivatives and Hedging, including updates thereof. Please see Note 1.B.1.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2018[f] (audited)		
	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	4,651	69,935	74,586
Written options	-	39,682	39,682
Call options	-	37,097	37,097
Swaps[a]	25,319	233,740	259,059
Total[b]	29,970	380,454	410,424
Of which: Hedging derivatives[c]	2,246	-	2,246
b) Foreign currency contracts			
Futures and forwards[d]	35,792	179,038	214,830
Written options	1,181	41,180	42,361
Call options	1,181	41,545	42,726
Swaps[a]	812	23,363	24,175
Total	38,966	285,126	324,092
Of which: Hedging derivatives[c]	-	-	-
c) Stock contracts			
Futures and forwards	849	115,095	115,944
Written options	1,762	20,726	22,488
Call options[e]	1,902	20,929	22,831
Swaps	181	47,787	47,968
Total	4,694	204,537	209,231
d) Commodities and other contracts			
Futures and forwards	-	1,006	1,006
Written options	-	667	667
Call options	-	667	667
Swaps	-	211	211
Total	-	2,551	2,551
e) Credit contracts			
Guaranteed by the Bank	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	73,630	872,668	946,298

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 130,341 million.
(b) Of which: NIS-CPI swaps totaling NIS 18,744 million.
(c) The Bank makes the hedging through interest rate swaps (IRSs).
(d) Of which: Foreign exchange spots totaling NIS 13,967 million.
(e) Of which a total of NIS 20,869 million is traded on the Tel Aviv Stock Exchange.
(f) Reclassified for first-time application of US GAAP for Banks' ASU 2017-12 - Derivatives and Hedging, including updates thereof. Please see Note 1.B.1.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	September 30 2019 (unaudited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Not for-trading derivatives	Held-for-trading derivatives	Total	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	**130**	**5,715**	**5,845**	**345**	**5,749**	**6,094**
Of which: Hedging derivatives	**3**	**-**	**3**	**257**	**-**	**257**
b) Foreign currency contracts	**165**	**3,116**	**3,281**	**84**	**3,910**	**3,994**
Of which: Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**
c) Stock contracts	**60**	**2,860**	**2,920**	**73**	**2,850**	**2,923**
d) Commodities and other contracts	**-**	**276**	**276**	**-**	**276**	**276**
e) Credit contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total assets/liabilities in respect of derivatives, gross[(a)]	**355**	**11,967**	**12,322**	**502**	**12,785**	**13,287**
Amounts netted on the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount	**355**	**11,967**	**12,322**	**502**	**12,785**	**13,287**
Of which: Not subject to a master netting- or similar arrangement, net	**-**	**192**	**192**	**-**	**366**	**366**

(a) Of which: NIS 1 million in gross fair value of assets in respect of embedded derivatives, NIS 36 million in gross fair value of liabilities in respect of embedded derivatives.

	September 30 2018[(b)] (unaudited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Not for-trading derivatives	Held-for-trading derivatives	Total	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	335	3,996	4,331	262	4,028	4,290
Of which: Hedging derivatives	97	-	97	1	-	1
b) Foreign currency contracts	224	3,292	3,516	168	2,943	3,111
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	62	1,852	1,914	48	1,845	1,893
d) Commodities and other contracts	-	66	66	-	66	66
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	621	9,206	9,827	478	8,882	9,360
Amounts netted on the balance sheet	-	-	-	-	-	-
Carrying amount	621	9,206	9,827	478	8,882	9,360
Of which: Not subject to a master netting- or similar arrangement, net	7	507	514	-	325	325

(a) Of which: NIS 7 million in gross fair value of assets in respect of embedded derivatives, NIS 45 million in gross fair value of liabilities in respect of embedded derivatives.

(b) Reclassified for first-time application of US GAAP for Banks' ASU 2017-12 - Derivatives and Hedging, including updates thereof. Please see Note 1.B.1.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of consolidated activity (cont.)

	December 31 2018[b] (audited)					
	Assets in respect of derivatives, gross			Liabilities in respect of derivatives, gross		
	Not for-trading derivatives	Held-for-trading derivatives	Total	Not for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	133	3,592	3,725	284	3,345	3,629
Of which: Hedging derivatives	48	-	48	17	-	17
b) Foreign currency contracts	98	4,345	4,443	119	3,767	3,886
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	16	4,491	4,507	34	4,475	4,509
d) Commodities and other contracts	-	81	81	-	81	81
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[a]	247	12,509	12,756	437	11,668	12,105
Amounts netted on the balance sheet	-	-	-	-	-	-
Carrying amount	247	12,509	12,756	437	11,668	12,105
Of which: Not subject to a master netting- or similar arrangement, net	2	352	354	-	920	920

(a) Of which: NIS 6 million in gross fair value of assets in respect of embedded derivatives, NIS 16 million in gross fair value of liabilities in respect of embedded derivatives.

(b) Reclassified for first-time application of US GAAP for Banks' ASU 2017-12 – Derivatives and Hedging, including updates thereof. Please see Note 1.B.1.

Note 11 – Derivatives Activity – Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges

1. Effect of hedge accounting of fair value on the profit (loss)

	For the three months ended September 30 2019	**For the nine months ended September 30 2019**
	(Unaudited)	
	In NIS millions	
Total interest income (expenses) recognized in the income statement[(a)]	1	2
Effect of fair value hedges:		
a. Profit (loss) from fair value hedges		
Interest rate contracts		
Hedged items	**77**	**279**
Hedging derivatives	**(76)**	**(277)**

	For the three months ended September 30 2018	For the nine months ended September 30 2018
	(Unaudited)	
	In NIS millions	
Total interest income (expenses) recognized in the income statement[(a)]	1	1
Effect of fair value hedges:		
a. Profit (loss) from fair value hedges		
Interest rate contracts		
Hedged items	(20)	(73)
Hedging derivatives	21	74

	For the year ended December 31 2018
	(audited)
	Interest income (expenses)
	In NIS millions
Total interest income (expenses) recognized in the income statement[(a)]	7
Effect of fair value hedges	
a. Profit (loss) from fair value hedges	
Interest rate contracts	
Hedged items	(10)
Hedging derivatives	17

(a) Until January 1 2019, profit (loss) amounts reclassified from Accumulated other comprehensive income (loss) were included in interest income (expenses) or in noninterest finance income (expenses), subject to the hedge effectiveness. As of January 1 2019, these amounts are included in the interest income (expenses) line item.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

2. The effect of hedging a net investment in a foreign operation on "Accumulated other comprehensive income (loss)" and on the income statement

	For the three months ended September 30 2019		**For the nine months ended September 30 2019**	
	(Unaudited)			
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]
	In NIS millions			
Deposits serving as investment hedges, net				
Foreign currency deposits	**51**	**-**	**162**	**-**

	For the three months ended September 30 2018		For the nine months ended September 30 2018	
	(Unaudited)			
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]
	In NIS millions			
Deposits serving as investment hedges, net				
Foreign currency deposits	14	-	(112)	-

	For the year ended December 31 2018	
	(audited)	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]
	In NIS millions	
Deposits serving as investment hedges, net		
Foreign currency deposits	(182)	-

(a) Until January 1 2019, profit (loss) amounts reclassified from Accumulated other comprehensive income (loss) were included in the interest income (expenses) line item or in the noninterest finance income (expenses) line item according to the hedge effectiveness. As of January 1 2019, all of these amounts are included in the interest income (expenses) line item.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

3. The effect of derivatives not designated as hedging instruments on the income statement

	For the three months ended September 30 2019	**For the nine months ended September 30 2019**
	(Unaudited)	
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	In NIS millions	
Derivatives not designated as hedging instruments		
Interest rate contracts	**(49)**	**(223)**
Foreign exchange contracts	**(238)**	**(1,045)**
Option contracts	**13**	**125**
Commodity and other contracts	**3**	**5**
Total	**(271)**	**(1,138)**

	For the three months ended September 30 2018	For the nine months ended September 30 2018
	(Unaudited)	
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	In NIS millions	In NIS millions
Derivatives not designated as hedging instruments		
Interest rate contracts	21	(35)
Foreign exchange contracts	20	1,742
Option contracts	62	(21)
Commodity and other contracts	-	1
Total	103	1,687

	For the year ended December 31 2018
	(audited)
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	In NIS millions
Derivatives not designated as hedging instruments	
Interest rate contracts	(100)
Foreign exchange contracts	2,730
Option contracts	(147)
Commodity and other contracts	1
Total	2,484

(a) Included in the noninterest finance income (expenses) line item.

Note 11 – Derivatives Activity – Scope, Credit Risks and Maturity Dates (cont.)

C. Credit risk for derivatives by contract counterparty

	September 30 2019 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivatives[(a)(b)]	**162**	**6,656**	**2,093**	**139**	**3,272**	**12,322**
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**5,266**	**1,507**	**-**	**1,861**	**8,634**
Credit risk mitigation in respect of cash collateral received	**-**	**1,219**	**546**	**102**	**592**	**2,459**
Net amount of assets in respect of derivatives	**162**	**171**	**40**	**37**	**819**	**1,229**
Off-balance-sheet credit risk for derivatives[(d)(e)]	**539**	**9,452**	**3,757**	**84**	**9,919**	**23,751**
Mitigation of off-balance-sheet credit risk	**-**	**5,333**	**1,623**	**-**	**3,448**	**10,404**
Net off-balance-sheet credit risk for derivatives	**539**	**4,119**	**2,134**	**84**	**6,471**	**13,347**
Total credit risk for derivatives	**701**	**4,290**	**2,174**	**121**	**7,290**	**14,576**
Balance sheet balance of liabilities in respect of derivatives[(a)(c)]	**168**	**6,014**	**1,729**	**-**	**5,376**	**13,287**
Gross amounts not netted on the balance sheet:						
Financial instruments	**-**	**5,266**	**1,507**	**-**	**1,861**	**8,634**
Pledged cash collateral	**-**	**604**	**210**	**-**	**1,410**	**2,224**
Net amount of liabilities in respect of derivatives	**168**	**144**	**12**	**-**	**2,105**	**2,429**

	September 30 2018 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and 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 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

Please see comments below.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit risk for derivatives by contract counterparty (cont.)

	December 31 2018 (audited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS millions					
Balance sheet balance of assets in respect of derivatives[a][b]	204	4,631	1,162	19	6,740	12,756
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,716	1,076	19	1,214	6,025
Credit risk mitigation in respect of cash collateral received	-	706	68	-	4,125	4,899
Net amount of assets in respect of derivatives	204	209	18	-	1,401	1,832
Off-balance-sheet credit risk for derivatives[d][e]	446	6,415	2,817	73	6,998	16,749
Mitigation of off-balance-sheet credit risk	-	2,841	1,663	44	1,010	5,558
Net off-balance-sheet credit risk for derivatives	446	3,574	1,154	29	5,988	11,191
Total credit risk for derivatives	650	3,783	1,172	29	7,389	13,023
Balance sheet balance of liabilities in respect of derivatives[a][c]	254	7,113	2,279	101	2,358	12,105
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,716	1,076	18	1,214	6,024
Pledged cash collateral	-	2,549	1,197	83	93	3,922
Net amount of liabilities in respect of derivatives	254	848	6	-	1,051	2,159

(a) The Bank did not offset netting agreements.
(b) Of which carrying amounts of assets in respect of standalone derivatives totaling NIS 12,321 million (September 30 2018 - 9,820 million, December 31 2018 - NIS 12,750 million).
(c) Of which carrying amounts of liabilities in respect of standalone derivatives totaling NIS 13,251 million (September 30 2018 - 9,315 million, December 31 2018 - NIS 12,089 million).
(d) Off-balance-sheet credit risk for derivatives (including derivatives with negative fair value) before credit risk mitigation, as calculated for the purpose of limitations on borrower indebtedness.
(e) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before credit risk mitigation, and the carrying amount of assets for the borrower's derivatives.

Comment:
No credit losses were recognized in respect of derivatives in the nine-month period ended September 30 2019, in the corresponding period last year and in December 2018.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of settlement dates - par value: balances

	September 30 2019 (unaudited)				
	Up to three months	More than three months and up to a year	More than one year and up to five years	Over five years	Total
	In NIS millions				
Interest rate contracts:					
NIS-CPI	**2,385**	**5,443**	**6,467**	**3,046**	**17,341**
Other	**44,576**	**82,545**	**216,722**	**80,147**	**423,990**
Foreign exchange contracts	**163,762**	**121,643**	**13,482**	**5,074**	**303,961**
Option contracts	**329,909**	**70,585**	**1,939**	**-**	**402,433**
Commodity and other contracts	**6,823**	**632**	**38**	**-**	**7,493**
Total	**547,455**	**280,848**	**238,648**	**88,267**	**1,155,218**
Total as at September 30 2018 (unaudited)	544,065	228,919	193,055	79,739	1,045,778
Total as at December 31 2018 (audited)	462,933	214,764	188,305	80,296	946,298

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2018.

Customer classification

According to the Operating Segments Circular, customers should be classified by operating segment according to their turnovers or characteristics (private individuals and private individuals - other). When a banking corporation 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 operating 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 assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 million - shall be classified to the corporation's 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 (cont.)

Information on regulatory operating segments - consolidated

	For the three months ended September 30 2019 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	642	273	17	1
Interest expense from external	31	-	-	35
Interest income, net:				
From external	611	273	17	(34)
Inter-segmental	37	(54)	-	66
Total interest income, net	648	219	17	32
Total noninterest income (expenses)	237	14	48	36
Total income (expenses)	885	233	65	68
Expenses (income) in respect of loan losses	49	2	3	-
Operating and other expenses:				
For external	766	57	59	23
Inter-segmental	1	1	-	-
Total operating and other expenses	767	58	59	23
Profit (loss) before taxes	69	173	3	45
Provision for profit tax (benefit)	21	52	1	14
Profit (loss) after taxes	48	121	2	31
The Bank's share in associates' losses	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	48	121	2	31
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	48	121	2	31
Average balance of assets[(a)]	100,842	73,835	4,564	386
Of which: Investments in investees[(a)]	-	-	-	-
Average outstanding loans to the public[(a)]	99,352	71,701	4,605	380
Outstanding loans to the public as at the end of the reporting period	100,324	72,212	4,446	368
Outstanding non-performing loans	307	-	-	-
Outstanding loans in arrears for over 90 days	857	807	-	-
Average balance of liabilities[(a)]	110,591	24	8	24,685
Of which: Average balance of deposits by the public[(a)]	109,331	-	-	24,564
Balance of deposits from the public as at the end of the reporting period	108,614	-	-	24,571
Average balance of risk-weighted assets[(a)(b)]	69,986	45,513	4,118	789
Balance of risk-weighted assets as at the end of the reporting period[(b)]	70,355	45,916	4,194	764
Average balance of assets under management[(a)(c)]	69,082	-	-	48,457
Breakdown of interest income, net:				
Margin from credit granting activities	544	219	17	-
Margin from deposit taking activities	104	-	-	32
Other	-	-	-	-
Total interest income, net	648	219	17	32

(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 purposes.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including outstanding housing loans to business customers of NIS 11,848 million as at the end of the period.

Small- and micro-businesses[d]	Mid-market businesses[d]	Corporations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
561	200	450	11	344	-	2,209	317	2,526
36	68	72	88	33	-	363	71	434
525	132	378	(77)	311	-	1,846	246	2,092
15	78	(12)	117	(276)	2	27	(27)	-
540	210	366	40	35	2	1,873	219	2,092
189	74	127	40	419	(69)	1,053	79	1,132
729	284	493	80	454	(67)	2,926	298	3,224
74	(2)	59	(4)	(15)	-	161	20	181
367	122	92	61	60	257	1,748	188	1,936
-	-	-	-	3	-	4	(4)	-
367	122	92	61	63	257	1,752	184	1,936
288	164	342	23	406	(324)	1,013	94	1,107
83	47	104	5	122	(93)	303	21	324
205	117	238	18	284	(231)	710	73	783
-	-	-	-	(8)	-	(8)	-	(8)
205	117	238	18	276	(231)	702	73	775
-	-	-	-	-	-	-	10	10
205	117	238	18	276	(231)	702	63	765
60,077	28,375	67,383	736	164,089	10,030	431,918	31,714	463,632
-	-	-	-	672	-	672	-	672
60,446	28,735	68,429	739	-	-	258,081	24,156	282,237
60,847	28,824	68,196	1,608	-	-	260,167	22,783	282,950
710	251	714	-	-	-	1,982	403	2,385
59	-	15	-	-	-	931	102	1,033
56,474	37,923	51,875	66,488	44,391	9,886	402,313	25,122	427,435
55,931	37,775	49,439	66,425	-	-	343,465	24,235	367,700
54,994	37,955	48,898	61,300	-	-	336,332	22,589	358,921
53,621	30,313	83,745	757	24,832	18,473	282,516	31,925	314,441
54,139	30,860	85,156	647	23,715	18,424	284,060	30,256	314,316
49,420	25,100	69,519	750,887	57,126	-	1,069,591	17,295	1,086,886
482	155	330	1	350	2	1,864	282	2,146
58	55	36	38	(652)	-	(329)	(74)	(403)
-	-	-	1	337	-	338	11	349
540	210	366	40	35	2	1,873	219	2,092

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the three months ended September 30 2018[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	933	495	93	2
Interest expense from external	82	-	-	53
Interest income, net:				
From external	851	495	93	(51)
Inter-segmental	(165)	(294)	(1)	78
Total interest income, net	686	201	92	27
Total noninterest income	417	13	227	42
Total income	1,103	214	319	69
Expenses (income) in respect of loan losses	78	15	15	-
Operating and other expenses:				
For external	894	56	193	30
Inter-segmental	(1)	-	-	-
Total operating and other expenses	893	56	193	30
Profit (loss) before taxes	132	143	111	39
Provision for profit tax (benefit)	58	51	51	13
Profit (loss) after taxes	74	92	60	26
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	74	92	60	26
Net income (loss) attributable to non-controlling interests	15	-	17	-
Net income (loss) attributable to the Bank's shareholders	59	92	43	26
Average balance of assets[a]	103,182	67,920	12,269	394
Of which: Investments in investees[a]	-	-	-	-
Average outstanding loans to the public[a][f]	103,891	68,247	12,286	389
Outstanding loans to the public as at the end of the reporting period	104,784	69,284	11,924	395
Outstanding non-performing loans	372	-	36	-
Outstanding loans in arrears for over 90 days	859	806	-	-
Average balance of liabilities[a]	108,825	17	126	25,152
Of which: Average balance of deposits from the public[a][g]	108,739	-	79	25,151
Balance of deposits from the public as at the end of the reporting period	106,777	-	84	24,856
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 reporting period[b]	76,415	44,253	11,279	777
Average balance of assets under management[a][c]	71,694	-	-	46,070
Breakdown of interest income, net:				
Margin from credit granting activities	601	201	92	2
Margin from deposit taking activities	85	-	-	25
Other	-	-	-	-
Total interest income, net	686	201	92	27

(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 purposes.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including outstanding housing loans to business customers of NIS 11,172 million as at the end of the period.
(e) Reclassified, including as described in Note 6 and in respect of the improvement effort carried out in 2018.
(f) Including average balance of assets classified as held for sale in the amount of NIS 8,166 million.
(g) Including average balance of liabilities classified as held for sale in the amount of NIS 79 million.

Small- and micro-businesses[d]	Mid-market businesses[d]	Corpo-rations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations: Total activity outside Israel	Total
587	202	448	7	281	-	2,460	351	2,811
(3)	41	118	129	129	-	549	66	615
590	161	330	(122)	152	-	1,911	285	2,196
(50)	35	19	170	(74)	1	14	(14)	-
540	196	349	48	78	1	1,925	271	2,196
203	77	150	51	465	14	1,419	64	1,483
743	273	499	99	543	15	3,344	335	3,679
49	(4)	47	(4)	(4)	-	162	36	198
372	125	115	64	61	165	1,826	219	2,045
-	-	-	-	1	-	-	-	-
372	125	115	64	62	165	1,826	219	2,045
322	152	337	39	485	(150)	1,356	80	1,436
98	43	102	6	199	(18)	501	14	515
224	109	235	33	286	(132)	855	66	921
-	-	-	-	35	-	35	-	35
224	109	235	33	321	(132)	890	66	956
1	-	1	-	(1)	(3)	13	7	20
223	109	234	33	322	(129)	877	59	936
60,499	26,039	58,321	1,609	159,216	9,316	418,576	33,156	451,732
-	-	-	-	880	-	880	-	880
61,260	26,391	59,052	1,617	-	-	252,600	25,014	277,614
60,623	26,631	60,439	1,253	-	-	254,125	25,239	279,364
743	149	971	-	-	-	2,235	706	2,941
81	-	-	-	-	-	940	7	947
57,865	37,293	51,531	63,585	34,491	11,944	390,686	26,100	416,786
54,991	36,026	47,934	62,018	-	-	334,859	24,999	359,858
52,191	35,928	47,892	65,176	-	-	332,820	26,139	358,959
53,696	29,196	78,784	869	22,060	18,414	280,283	33,202	313,485
53,802	29,010	81,468	757	21,084	18,310	281,623	33,370	314,993
48,802	24,340	72,440	703,102	44,387	-	1,010,835	17,865	1,028,700
493	153	316	4	610	1	2,180	305	2,485
47	43	31	44	(671)	-	(396)	(64)	(460)
-	-	2	-	139	-	141	30	171
540	196	349	48	78	1	1,925	271	2,196

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the nine months ended September 30 2019 (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	**2,634**	**1,528**	**53**	**3**
Interest expense from external	**262**	**-**	**-**	**149**
Interest income, net:				
From external	**2,372**	**1,528**	**53**	**(146)**
Inter-segmental	**(422)**	**(884)**	**-**	**242**
Total interest income, net	**1,950**	**644**	**53**	**96**
Total noninterest income	**726**	**39**	**152**	**112**
Total income	**2,676**	**683**	**205**	**208**
Expenses (income) in respect of loan losses	**127**	**5**	**-**	**-**
Operating and other expenses:				
For external	**2,302**	**182**	**173**	**77**
Inter-segmental	**1**	**1**	**-**	**-**
Total operating and other expenses	**2,303**	**183**	**173**	**77**
Profit (loss) before taxes	**246**	**495**	**32**	**131**
Provision for profit tax (benefit)	**80**	**164**	**11**	**45**
Profit (loss) after taxes	**166**	**331**	**21**	**86**
The Bank's share in associates' profits (losses)	**-**	**-**	**-**	**-**
Net income (loss) before amount attributable to non-controlling interests	**166**	**331**	**21**	**86**
Net income (loss) attributable to non-controlling interests	**-**	**-**	**-**	**-**
Net income (loss) attributable to the Bank's shareholders	**166**	**331**	**21**	**86**
Average balance of assets[(a)]	**99,532**	**71,370**	**4,587**	**392**
Of which: Investments in investees[(a)]	**-**	**-**	**-**	**-**
Average outstanding loans to the public[(a)]	**99,230**	**70,551**	**4,628**	**387**
Outstanding loans to the public as at the end of the reporting period	**100,324**	**72,212**	**4,446**	**368**
Outstanding non-performing loans	**307**	**-**	**-**	**-**
Outstanding loans in arrears for over 90 days	**857**	**807**	**-**	**-**
Average balance of liabilities[(a)]	**111,469**	**23**	**8**	**25,472**
Of which: Average balance of deposits by the public[(a)]	**110,350**	**-**	**-**	**25,401**
Balance of deposits from the public as at the end of the reporting period	**108,614**	**-**	**-**	**24,571**
Average balance of risk-weighted assets[(a)(b)]	**69,807**	**45,075**	**4,226**	**776**
Balance of risk-weighted assets as at the end of the reporting period[(b)]	**70,355**	**45,916**	**4,194**	**764**
Average balance of assets under management[(a)(c)]	**68,838**	**-**	**-**	**47,003**
Breakdown of interest income, net:				
Margin from credit granting activities	**1,630**	**644**	**53**	**-**
Margin from deposit taking activities	**320**	**-**	**-**	**96**
Other	**-**	**-**	**-**	**-**
Total interest income, net	**1,950**	**644**	**53**	**96**

(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 purposes.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including outstanding housing loans to business customers of NIS 11,848 million as at the end of the period.

							Foreign operations	
Small- and micro-businesses[d]	Mid-market businesses[d]	Corpo-rations[d]	Institutional entities	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,789	620	1,521	30	1,124	-	7,721	1,040	8,761
138	197	278	406	423	-	1,853	230	2,083
1,651	423	1,243	(376)	701	-	5,868	810	6,678
(15)	217	(136)	524	(381)	3	32	(32)	-
1,636	640	1,107	148	320	3	5,900	778	6,678
562	225	409	129	1,149	351	3,663	218	3,881
2,198	865	1,516	277	1,469	354	9,563	996	10,559
259	12	55	(8)	(36)	-	409	42	451
1,153	373	302	185	228	599	5,219	613	5,832
-	-	-	-	(15)	20	6	(6)	-
1,153	373	302	185	213	619	5,225	607	5,832
786	480	1,159	100	1,292	(265)	3,929	347	4,276
260	161	387	32	476	(69)	1,372	72	1,444
526	319	772	68	816	(196)	2,557	275	2,832
-	-	-	-	(22)	-	(22)	-	(22)
526	319	772	68	794	(196)	2,535	275	2,810
-	-	-	-	-	-	-	30	30
526	319	772	68	794	(196)	2,535	245	2,780
60,060	28,182	65,288	303	166,511	9,656	429,924	33,156	463,080
-	-	-	-	615	-	615	-	615
60,552	28,554	66,000	310	-	-	255,033	24,912	279,945
60,847	28,824	68,196	1,608	-	-	260,167	22,783	282,950
710	251	714	-	-	-	1,982	403	2,385
59	-	15	-	-	-	931	102	1,033
57,078	38,315	52,729	64,451	41,219	10,230	400,963	25,926	426,889
56,578	38,179	49,822	63,685	-	-	344,015	24,955	368,970
54,994	37,955	48,898	61,300	-	-	336,332	22,589	358,921
53,481	30,044	80,893	1,110	24,726	18,655	279,492	33,147	312,639
54,139	30,860	85,156	647	23,715	18,424	284,060	30,256	314,316
48,304	24,731	68,874	717,467	52,518	-	1,027,735	17,591	1,045,326
1,442	475	996	7	2,043	3	6,596	911	7,507
194	165	111	140	(2,411)	-	(1,385)	(226)	(1,611)
-	-	-	1	688	-	689	93	782
1,636	640	1,107	148	320	3	5,900	778	6,678

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the nine months ended September 30 2018[e] (unaudited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	2,892	1,590	264	5
Interest expense from external	288	-	-	139
Interest income, net:				
From external	2,604	1,590	264	(134)
Inter-segmental	(585)	(1,006)	(2)	217
Total interest income, net	2,019	584	262	83
Total noninterest income	1,213	40	635	119
Total income	3,232	624	897	202
Expenses (income) in respect of loan losses	180	19	61	-
Operating and other expenses:				
For external	2,577	184	525	87
Inter-segmental	1	1	-	-
Total operating and other expenses	2,578	185	525	87
Profit (loss) before taxes	474	420	311	115
Provision for profit tax (benefit)	158	150	101	41
Profit (loss) after taxes	316	270	210	74
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	316	270	210	74
Net income (loss) attributable to non-controlling interests	43	-	43	-
Net income (loss) attributable to the Bank's shareholders	273	270	167	74
Average balance of assets[a]	101,959	66,545	12,214	382
Of which: Investments in investees[a]	-	-	-	-
Average outstanding loans to the public[a][f]	102,814	67,008	12,236	377
Outstanding loans to the public as at the end of the reporting period	104,784	69,284	11,924	395
Outstanding non-performing loans	372	-	36	-
Outstanding loans in arrears for over 90 days	859	806	-	-
Average balance of liabilities[a]	106,965	20	145	24,803
Of which: Average balance of deposits from the public[a][g]	106,862	-	76	24,803
Balance of deposits from the public as at the end of the reporting period	106,777	-	84	24,856
Average balance of risk-weighted assets[a][b]	75,419	43,611	11,226	817
Balance of risk-weighted assets as at the end of the reporting period[b]	76,415	44,253	11,279	777
Average balance of assets under management[a][c]	72,015	-	-	45,512
Breakdown of interest income, net:				
Margin from credit granting activities	1,766	584	262	3
Margin from deposit taking activities	253	-	-	80
Other	-	-	-	-
Total interest income, net	2,019	584	262	83

(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 purposes.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including outstanding housing loans to business customers of NIS 11,172 million as at the end of the period.
(e) Reclassified, including as described in Note 6 and in respect of the improvement effort carried out in 2018.
(f) Including an average balance of assets classified as held for sale in the amount of NIS 8,155 million.
(g) Including an average balance of liabilities classified as held for sale in the amount of NIS 76 million.

Small- and micro-businesses[d]	Mid-market businesses[d]	Corporations[d]	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations Total activity outside Israel	Total
1,794	607	1,355	22	742	-	7,417	1,003	8,420
82	110	250	393	370	-	1,632	172	1,804
1,712	497	1,105	(371)	372	-	5,785	831	6,616
(112)	78	(130)	497	64	1	30	(30)	-
1,600	575	975	126	436	1	5,815	801	6,616
617	241	454	154	641	67	3,506	218	3,724
2,217	816	1,429	280	1,077	68	9,321	1,019	10,340
215	(153)	34	(4)	8	-	280	34	314
1,174	386	355	198	214	513	5,504	650	6,154
-	-	-	1	(11)	7	(2)	2	-
1,174	386	355	199	203	520	5,502	652	6,154
828	583	1,040	85	866	(452)	3,539	333	3,872
280	201	350	18	294	(118)	1,224	74	1,298
548	382	690	67	572	(334)	2,315	259	2,574
-	-	-	-	47	-	47	-	47
548	382	690	67	619	(334)	2,362	259	2,621
2	-	2	(1)	(2)	(3)	41	11	52
546	382	688	68	621	(331)	2,321	248	2,569
60,115	25,559	57,367	1,392	160,739	9,470	416,983	32,862	449,845
-	-	-	-	763	-	763	-	763
60,754	25,881	58,000	1,400	-	-	249,226	24,356	273,582
60,623	26,631	60,439	1,253	-	-	254,125	25,239	279,364
743	149	971	-	-	-	2,235	706	2,941
81	-	-	-	-	-	940	7	947
57,163	36,835	50,923	66,755	34,253	11,828	389,525	26,223	415,748
54,238	35,553	47,693	64,993	-	-	334,142	25,257	359,399
52,191	35,928	47,892	65,176	-	-	332,820	26,139	358,959
53,924	28,723	77,489	808	21,544	17,483	276,207	32,327	308,534
53,802	29,010	81,468	757	21,084	18,310	281,623	33,370	314,993
49,303	24,422	71,208	690,046	42,094	-	994,600	18,284	1,012,884
1,464	463	887	13	2,079	1	6,676	876	7,552
136	112	86	112	(1,951)	-	(1,172)	(172)	(1,344)
-	-	2	1	308	-	311	97	408
1,600	575	975	126	436	1	5,815	801	6,616

Note 12A - Regulatory Operating Segments (cont.)

Information on regulatory operating segments - consolidated (cont.)

	For the year ended December 31 2018[g] (audited)			
	Activity in Israel			
	Households			
	Total	Of which: Housing loans	Of which: Credit cards	Private banking
	In NIS millions			
Interest income from external	3,826	2,067	362	6
Interest expense from external	392	-	-	181
Interest income, net:				
From external	3,434	2,067	362	(175)
Inter-segmental	(690)	(1,282)	(2)	292
Total interest income, net	2,744	785	360	117
Total noninterest income	1,633	53	856	155
Total income	4,377	838	1,216	272
Expenses (income) in respect of loan losses	273	32	106	-
Operating and other expenses:				
For external	3,540	255	755	113
Inter-segmental	3	1	2	-
Total operating and other expenses	3,543	256	757	113
Profit (loss) before taxes	561	550	353	159
Provision for profit tax (benefit)	191	199	117	59
Profit (loss) after taxes	370	351	236	100
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	370	351	236	100
Net income (loss) attributable to non-controlling interests	46	-	46	-
Net income (loss) attributable to the Bank's shareholders	324	351	190	100
Average balance of assets[a]	102,946	66,869	12,214	389
Of which: Investments in investees[a]	-	-	-	-
Average outstanding loans to the public[a][e]	103,454	67,485	12,223	384
Outstanding loans to the public as at the end of the reporting period	106,132	70,080	12,051	396
Outstanding non-performing loans	382	-	44	-
Outstanding loans in arrears for over 90 days	934	862	-	-
Average balance of liabilities[a]	106,743	20	220	25,023
Of which: Average balance of deposits from the public[a][f]	106,579	-	77	25,022
Balance of deposits from the public as at the end of the reporting period	108,874	-	71	26,128
Average balance of risk-weighted assets[a][b]	75,938	44,126	11,239	799
Balance of risk-weighted assets as at the end of the reporting period[b]	76,689	44,899	11,225	768
Average balance of assets under management[a][c]	71,657	-	-	45,626
Breakdown of interest income, net:				
Margin from credit granting activities	2,384	785	360	3
Margin from deposit taking activities	360	-	-	114
Other	-	-	-	-
Total interest income, net	2,744	785	360	117

(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 purposes.
(c) Assets under management - including customers' provident assets, provident funds, study funds, mutual funds and securities.
(d) Including outstanding housing loans to business customers of NIS 11,156 million as at the end of the period.
(e) Including an average balance of assets classified as held for sale in the amount of NIS 8,461 million.
(f) Including an average balance of liabilities classified as held for sale in the amount of NIS 77 million.
(g) Reclassified.

							Foreign operations	
Small- and micro-businesses[(d)]	Mid-market businesses[(d)]	Corpo-rations[(d)]	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
2,390	808	1,829	27	1,080	-	9,966	1,380	11,346
134	164	313	523	486	-	2,193	263	2,456
2,256	644	1,516	(496)	594	-	7,773	1,117	8,890
(96)	142	(186)	662	(87)	-	37	(37)	-
2,160	786	1,330	166	507	-	7,810	1,080	8,890
832	331	621	206	714	79	4,571	300	4,871
2,992	1,117	1,951	372	1,221	79	12,381	1,380	13,761
279	(156)	7	4	20	-	427	92	519
1,560	544	472	268	286	664	7,447	890	8,337
-	-	-	1	(15)	8	(3)	3	-
1,560	544	472	269	271	672	7,444	893	8,337
1,153	729	1,472	99	930	(593)	4,510	395	4,905
422	271	537	34	291	(278)	1,527	92	1,619
731	458	935	65	639	(315)	2,983	303	3,286
-	-	-	-	36	-	36	-	36
731	458	935	65	675	(315)	3,019	303	3,322
3	2	3	(1)	(3)	(4)	46	19	65
728	456	932	66	678	(311)	2,973	284	3,257
60,410	25,886	58,159	506	160,809	9,359	418,464	33,234	451,698
-	-	-	-	758	-	758	-	758
61,407	26,202	58,870	482	-	-	250,799	24,530	275,329
60,578	27,515	61,674	687	-	-	256,982	25,753	282,735
771	116	917	-	-	-	2,186	610	2,796
90	-	3	-	-	-	1,027	27	1,054
57,784	36,392	52,488	64,874	35,813	11,780	390,897	26,505	417,402
54,757	35,063	49,136	63,113	-	-	333,670	25,477	359,147
54,329	38,867	49,553	61,003	-	-	338,754	25,908	364,662
53,839	28,563	81,229	798	18,635	17,978	277,779	32,587	310,366
54,640	29,218	78,982	1,122	26,004	16,265	283,688	34,157	317,845
49,201	24,414	70,805	693,109	43,394	-	998,206	18,220	1,016,426
1,959	622	1,209	13	2,697	-	8,887	1,198	10,085
201	164	121	152	(2,700)	-	(1,588)	(259)	(1,847)
-	-	-	1	510	-	511	141	652
2,160	786	1,330	166	507	-	7,810	1,080	8,890

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 2018.

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

	For the three months ended September 30 2019 (unaudited)											
	In NIS millions											
	Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Retail, premium and private banking	Small businesses	Mort-gages	Banking - total	Comm-ercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income (expenses) - From external	**300**	**322**	**332**	**954**	**237**	**192**	**188**	**267**	**(1)**	**27**	**228**	**2,092**
Interest income (expenses) - Inter-segmental	**238**	**5**	**(70)**	**173**	**86**	**(36)**	**(29)**	**(191)**	**3**	**2**	**(8)**	**-**
Interest income, net	**538**	**327**	**262**	**1,127**	**323**	**156**	**159**	**76**	**2**	**29**	**220**	**2,092**
Noninterest income (expenses)	**325**	**109**	**1**	**435**	**102**	**49**	**80**	**385**	**(65)**	**67**	**79**	**1,132**
Total income (expenses)	**863**	**436**	**263**	**1,562**	**425**	**205**	**239**	**461**	**(63)**	**96**	**299**	**3,224**
Expenses (income) in respect of loan losses	**60**	**80**	**(8)**	**132**	**(26)**	**64**	**(3)**	**4**	**(9)**	**(1)**	**20**	**181**
Total operating and other expenses	**739**	**272**	**66**	**1,077**	**170**	**62**	**31**	**89**	**273**	**50**	**184**	**1,936**
Profit (loss) before tax	**64**	**84**	**205**	**353**	**281**	**79**	**211**	**368**	**(327)**	**47**	**95**	**1,107**
Tax provision (benefit)	**22**	**29**	**71**	**122**	**96**	**27**	**72**	**126**	**(144)**	**6**	**19**	**324**
Net income (loss) attributable to the Bank's shareholders	**42**	**55**	**134**	**231**	**185**	**52**	**139**	**243**	**(183)**	**32**	**66**	**765**

Note 12B - Operating Segments, Management's Approach (cont.)

Summary of financial performance according to management's approach (cont.)

	For the three months ended September 30 2018[(a)] (unaudited)											
	In NIS millions											
	Bank									Sub-sidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small busi-nesses	Mort-gages	Banking - total	Comm-ercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income from external	215	325	583	1,123	258	213	183	30	1	103	285	2,196
Interest income (expenses) - Inter-segmental	291	9	(352)	(52)	30	(63)	(49)	154	(1)	(7)	(12)	-
Interest income, net	506	334	231	1,071	288	150	134	184	-	96	273	2,196
Noninterest income	326	118	2	446	96	47	77	320	54	379	64	1,483
Total income	832	452	233	1,517	384	197	211	504	54	475	337	3,679
Expenses (income) in respect of loan losses	44	79	12	135	8	5	(7)	1	(2)	22	36	198
Total operating and other expenses	669	282	61	1,012	157	70	40	79	238	230	219	2,045
Profit (loss) before tax	119	91	160	370	219	122	178	424	(182)	223	82	1,436
Tax provision (benefit)	40	31	54	125	75	42	61	177	(51)	71	15	515
Net income (loss) attributable to the Bank's shareholders	79	60	106	245	144	80	117	250	(131)	172	59	936

(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 2019 (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	Comm-ercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income from external	**664**	**956**	**1,815**	**3,435**	**719**	**688**	**621**	**346**	**1**	**58**	**810**	**6,678**
Interest income (expenses) - Inter-segmental	**962**	**36**	**(1,058)**	**(60)**	**238**	**(209)**	**(155)**	**208**	**-**	**10**	**(32)**	**-**
Interest income, net	**1,626**	**992**	**757**	**3,375**	**957**	**479**	**466**	**554**	**1**	**68**	**778**	**6,678**
Noninterest income	**970**	**343**	**4**	**1,317**	**311**	**153**	**239**	**982**	**403**	**258**	**218**	**3,881**
Total income	**2,596**	**1,335**	**761**	**4,692**	**1,268**	**632**	**705**	**1,536**	**404**	**326**	**996**	**10,559**
Expenses (income) in respect of loan losses	**168**	**226**	**(2)**	**392**	**56**	**(8)**	**8**	**(32)**	**(10)**	**3**	**42**	**451**
Total operating and other expenses	**2,113**	**811**	**208**	**3,132**	**551**	**202**	**95**	**269**	**820**	**156**	**607**	**5,832**
Profit (loss) before tax	**315**	**298**	**555**	**1,168**	**661**	**438**	**602**	**1,299**	**(406)**	**167**	**347**	**4,276**
Tax provision (benefit)	**108**	**102**	**190**	**400**	**226**	**150**	**206**	**444**	**(93)**	**40**	**71**	**1,444**
Net income (loss) attributable to the Bank's shareholders	**207**	**196**	**365**	**768**	**435**	**288**	**396**	**857**	**(313)**	**103**	**246**	**2,780**
Balances as at September 30 2019												
Loans to the public, net	**29,298**	**25,320**	**84,425**	**139,043**	**40,407**	**38,248**	**26,096**	**6,824**	**5,947**	**753**	**22,360**	**279,678**
Deposits by the public	**156,991**	**37,981**	**-**	**194,972**	**50,685**	**17,440**	**6,491**	**66,731s**	**13**	**-**	**22,589**	**358,921**
Assets under management	**180,463**	**17,721**	**-**	**198,184**	**24,433**	**20,844**	**2,148**	**521,592**	**21,446**	**296,427**	**17,038**	**1,102,112**

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(c) (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	Comm-ercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
Interest income, net:												
Interest income (expenses) - From external	737	997	1,878	3,612	785	631	540	(85)	4	298	831	6,616
Interest income (expenses) - Inter-segmental	772	4	(1,199)	(423)	62	(196)	(155)	761	(4)	(15)	(30)	-
Interest income, net	1,509	1,001	679	3,189	847	435	385	676	-	283	801	6,616
Noninterest income	979	360	6	1,345	298	152	231	477	115	888	218	3,724
Total income	2,488	1,361	685	4,534	1,145	587	616	1,153	115	1,171	1,019	10,340
Expenses (income) in respect of loan losses	151	192	21	364	(3)	(61)	(85)	4	(9)	70	34	314
Total operating and other expenses	2,032	812	194	3,038	513	215	102	267	718	649	652	6,154
Profit (loss) before tax	305	357	470	1,132	635	433	599	882	(594)	452	333	3,872
Tax provision (benefit)	104	122	159	385	217	148	205	303	(159)	125	74	1,298
Net income (loss) attributable to the Bank's shareholders	201	235	311	747	418	285	394	584	(435)	330	246	2,569
Balance as at September 30 2018(c)												
Loans to the public, net	29,608	26,620	80,574	136,802	37,211	34,461	23,580	4,558	5,661	495(a)	24,913	267,681
Deposits by 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.
(c) 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 2018 (audited)											
	In NIS millions											
	Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Retail, premium and private banking	Small businesses	Mortgages	Banking - total	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
Interest income, net:												
Interest income (expenses) - From external	1,012	1,335	2,441	4,788	1,039	827	748	(23)[c]	6	390	1,115	8,890
Interest income (expenses) - Inter-segmental	1,043	9	(1,529)	(477)	122	(243)	(207)	848[c]	(3)	(4)	(36)	-
Interest income, net	2,055	1,344	912	4,311	1,161	584	541	825	3	386	1,079	8,890
Noninterest income	1,322	487	10[c]	1,819	408	217	315	492	140[c]	1,180	300	4,871
Total income	3,377	1,831	922	6,130	1,569	801	856	1,317	143	1,566	1,379	13,761
Expenses (income) in respect of loan losses	213	270	30	513	28	(70)	(170)	23	(10)	113	92	519
Total operating and other expenses	2,733	1,099	274	4,106	713	276	132	363	958	896	893	8,337
Profit (loss) before tax	431	462	618	1,511	828	595	894	931	(805)	557	394	4,905
Tax provision (benefit)	161	172	227	560	308	221	332	330[c]	(381)[c]	158	91	1,619
Net income (loss) attributable to the Bank's shareholders	270	290	391	951	520	374	562	607	(424)	383	284	3,257
Balances as at December 31 2018												
Loans to the public, net	29,594	26,478	81,524	137,596	38,490	33,533	24,462	5,251	5,860	560[a]	25,421	271,173
Deposits by the public	158,593	38,046	-	196,639	49,671	19,592	6,597	65,910	274	-[b]	25,908	364,591
Assets under management	167,486	18,354	-	185,840	22,137	19,122	1,008	421,022	21,085	285,016	17,625	972,855

(a) Excluding balances classified as held for sale assets in the amount of NIS 8,042 million.
(b) Excluding balances classified as held for sale liabilities in the amount of NIS 71 million.
(c) Reclassified.

Note 13 - Additional Information on Credit Risk, Loans 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 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period[b]	**2,682**	**483**	**644**	**3,809**	**3**	**3,812**
Disposal of an investment in a previously-consolidated subsidiary	**(20)**	**(5)**	**(1)**	**(26)**	**-**	**(26)**
Balance as at July 1 2019	**2,662**	**478**	**643**	**3,783**	**3**	**3,786**
Expenses for loan losses	**147**	**(2)**	**38**	**183**	**(2)**	**181**
Accounting write-offs	**(285)**	**(5)**	**(104)**	**(394)**	**-**	**(394)**
Collection of debts recorded as accounting write-offs in previous years	**86**	**-**	**69**	**155**	**-**	**155**
Accounting write-offs, net	**(199)**	**(5)**	**(35)**	**(239)**	**-**	**(239)**
Adjustments from translation of financial statements	**(6)**	**-**	**-**	**(6)**	**-**	**(6)**
Balance of loan loss provision as at the end of the reporting period[1]	**2,604**	**471**	**646**	**3,721**	**1**	**3,722**
[1]Of which: For off-balance-sheet credit instruments	**429**	**-**	**20**	**449**	**-**	**449**

	For the three months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commer-cial[c]	Housing	Private 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	2,539	453[c]	609	3,601	1	3,602
Expenses (income) in respect of loan losses	114	22 [c]	62	198	-	198
Accounting write-offs	(175)	(2)	(122)	(299)	-	(299)
Collection of debts recorded as accounting write-offs in previous years	110	-	74	184	-	184
Accounting write-offs, net	(65)	(2)	(48)	(115)	-	(115)
Adjustments from translation of financial statements	(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]	2,585	473	615	3,673	1	3,674
[1]Of which: For off-balance-sheet credit instruments	439	-	13	452	-	452

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) For more information, please see Note 36F to the financial statements as at December 31 2018.
(c) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

1. Change in balance of loan loss provision (cont.)

	For the nine months ended September 30 2019 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - Public	Banks and govern-ments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the reporting period	**2,697**	**479**	**637**	**3,813**	**3**	**3,816**
Expenses (income) in respect of loan losses	**327**	**14**	**112**	**453**	**(2)**	**451**
Accounting write-offs	**(776)**	**(17)**	**(324)**	**(1,117)**	**-**	**(1,117)**
Collection of debts recorded as accounting write-offs in previous years	**391**	**-**	**222**	**613**	**-**	**613**
Accounting write-offs, net	**(385)**	**(17)**	**(102)**	**(504)**	**-**	**(504)**
Adjustments from translation of financial statements	**(15)**	**-**	**-**	**(15)**	**-**	**(15)**
Disposal of an investment in a previously-consolidated subsidiary	**(20)**	**(5)**	**(1)**	**(26)**	**-**	**(26)**
Balance of loan loss provision as at the end of the reporting period[1]	**2,604**	**471**	**646**	**3,721**	**1**	**3,722**
[1]Of which: For off-balance-sheet credit instruments	**429**	**-**	**20**	**449**	**-**	**449**

	For the nine months ended September 30 2018 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private individuals - Other	Total - 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)]	21[(d)]	-	-	21	-	21
Balance as at January 1 2018	2,531	450	737	3,718	3	3,721
Expenses (income) in respect of loan losses	130	26	160	316	(2)	314
Accounting write-offs	(525)	(4)	(366)	(895)	-	(895)
Collection of debts recorded as accounting write-offs in previous years	452	-	241	693	-	693
Accounting write-offs, net	(73)	(4)	(125)	(202)	-	(202)
Adjustments from translation of financial statements	8	1	-	9	-	9
Net of 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]	2,585	473	615	3,673	1	3,674
[1]Of which: For off-balance-sheet credit instruments	439	-	13	452	-	452

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Effect of first-time application of IFRS 9 on foreign subsidiaries.
(c) For more information, please see Note 36F to the financial statements as at December 31 2018.
(d) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans 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 2019 (unaudited)					
	Loans to the public					
	Commercial	Housing	Private individuals – Other	Total – Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[(a)]:						
Examined on specific basis	**128,798**	**-**	**748**	**129,546**	**9,858**	**139,404**
Examined on a collective basis[1]	**41,827**	**83,534**	**28,043**	**153,404**	**381**	**153,785**
[1]Of which: The provision for which was calculated by the extent of arrears	**808[(c)]**	**83,335**	**-**	**84,143**	**-**	**84,143**
Total debts[(a)]	**170,625**	**83,534**	**28,791**	**282,950**	**10,239**	**293,189**
Balance of loan loss provision in respect of debts[(a)]:						
Examined on specific basis	**1,688**	**-**	**167**	**1,855**	**1**	**1,856**
Examined on a collective basis[2]	**487**	**471**	**459**	**1,417**	**-**	**1,417**
[2]Of which: The provision for which was calculated by the extent of arrears	**-**	**470[(b)]**	**-**	**470**	**-**	**470**
Total loan loss provision[3]	**2,175**	**471**	**626**	**3,272**	**1**	**3,273**
[3]Of which: For non-performing loans	**320**	**-**	**159**	**479**	**-**	**479**

	September 30 2018 (unaudited)					
	Loans to the public					
	Commer-cial[(e)]	Housing	Private individuals – Other[(e)]	Total – Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[(a)]:						
Examined on specific basis	118,710	30	1,075	119,815	9,205	129,020
Examined on a collective basis[1]	44,332	79,929	35,288	159,549	738	160,287
[1]Of which: The provision for which was calculated by the 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)]	162,030	79,959	28,913	270,902	9,876	280,778
Balance of loan loss provision in respect of debts[(a)]:						
Examined on specific basis	1,693	5	128	1,826	1	1,827
Examined on collective basis[2]	464	468	615	1,547	-	1,547
[2]Of which: The provision for which was calculated by the 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]	2,146	473	602	3,221	1	3,222
[3]Of which: For non-performing loans	441	5[(e)]	110	556	-	556

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 301 million as at September 30 2019 (September 30 2018 – 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 36F to the financial statements as at December 31 2018.
(e) Reclassified, including as detailed on Note 6.

Note 13 – Additional Information on Credit Risk, Loans 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 2018 (audited)					
	Loans to the public					
	Commercial	Housing	Private individuals – Other	Total – Public	Banks and govern-ments	Total
	In NIS millions					
Recorded outstanding debts[(a)]:						
Examined on specific basis	120,192	31	901	121,124	15,091	136,215
Examined on a collective basis[1]	44,746	80,859	36,006	161,611	673	162,284
[1]Of which: The provision for which was calculated by the extent of arrears	913[(c)]	80,432	-	81,345	-	81,345
Less balances classified as held-for-sale assets[(d)]	(655)	-	(7,555)	(8,210)	(35)	(8,245)
Total debts[(a)]	164,283	80,890	29,352	274,525	15,729	290,254
Balance of loan loss provision in respect of debts[(a)]:						
Examined on specific basis	1,792[(c)]	5	165[(c)]	1,962	3	1,965
Examined on collective basis[2]	475[(c)]	474	609[(c)]	1,558	-	1,558
[2]Of which: The provision for which was calculated by the extent of arrears	-	473[(b)]	-	473	-	473
Less balances classified as held-for-sale assets[(d)]	(11)	-	(157)	(168)	-	(168)
Total loan loss provision[3]	2,256	479	617	3,352	3	3,355
[3]Of which: For non-performing loans	459	4	150	613	-	613

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Including an outstanding collective provision that exceeds the amount required under the extent of arrears method, in the amount of NIS 295 million.
(c) Including outstanding housing loans extended to certain purchasing groups currently in the process of construction.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified.

Note 13 – Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[(a)]

1. Credit quality and delinquency

	September 30 2019 (unaudited)					
		Troubled debts[(b)]			Performing loans - Additional information	
	Non-troubled	Performing	Non-performing[(c)]	Total	In arrears of 90 days or more[(d)(h)]	In arrears of 30 days and up to 89 days[(e)]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction[(g)]	**23,661**	**97**	**88**	**23,846**	**11**	**25**
Construction & real estate - Real estate activities[(g)]	**26,509**	**101**	**292**	**26,902**	**14**	**41**
Financial services	**15,844**	**5**	**4**	**15,853**	**1**	**149**
Commercial - Other	**72,628**	**1,269**	**1,121**	**75,018**	**48**	**144**
Commercial - Total	**138,642**	**1,472**	**1,505**	**141,619**	**74**	**359**
Individuals - Housing loans	**82,514**	**807[(f)]**	**-**	**83,321**	**807**	**651**
Private individuals - Other	**27,799**	**284**	**307**	**28,390**	**50**	**153**
Total loans to the public - Activity in Israel	**248,955**	**2,563**	**1,812**	**253,330**	**931**	**1,163**
Banks in Israel	**747**	**-**	**-**	**747**	**-**	**-**
Government of Israel	**17**	**-**	**-**	**17**	**-**	**-**
Total activity in Israel	**249,719**	**2,563**	**1,812**	**254,094**	**931**	**1,163**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**10,593**	**136**	**236**	**10,965**	**-**	**11**
Commercial - Other	**17,128**	**577**	**336**	**18,041**	**102**	**210**
Commercial - Total	**27,721**	**713**	**572**	**29,006**	**102**	**221**
Private individuals	**612**	**1**	**1**	**614**	**-**	**-**
Total loans to the public - foreign operations	**28,333**	**714**	**573**	**29,620**	**102**	**221**
Foreign-based banks	**8,820**	**-**	**-**	**8,820**	**-**	**-**
Foreign governments	**655**	**-**	**-**	**655**	**-**	**-**
Total activity outside Israel	**37,808**	**714**	**573**	**39,095**	**102**	**221**
Total - Public	**277,288**	**3,277**	**2,385**	**282,950**	**1,033**	**1,384**
Total - Banks	**9,567**	**-**	**-**	**9,567**	**-**	**-**
Total - Governments	**672**	**-**	**-**	**672**	**-**	**-**
Total	**287,527**	**3,277**	**2,385**	**293,189**	**1,033**	**1,384**

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

1. Credit quality and delinquency (cont.)

	September 30 2018 (unaudited)					
		Troubled debts[b]			Performing loans - Additional information	
	Non-troubled	Performing	Non-performing[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days and up to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public-commercial						
Construction & real estate – Construction[k]	21,049	159	256	21,464	11	34
Construction & real estate - Real estate activities	24,304	169	327	24,800	18	23
Financial services	11,384	7	4	11,395	2	2
Commercial - Other[k]	70,798	1,354	1,270	73,422	50	223
Commercial - Total	127,535	1,689	1,857	131,081	81	282
Individuals - Housing loans	78,659	806[f]	-	79,465	806	635
Private individuals - Other[k]	34,805	583	372	35,760	53	228
Net of balances classified as held-for-sale assets[i]	(8,101)	(324)	(37)	(8,462)	-	(9)
Total loans to the public - Activity in Israel	232,898	2,754	2,192	237,844	940	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	234,049	2,754	2,192	238,995	940	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
Private individuals	1,034	29	34	1,097	-	2
Total loans to the public - foreign operations	31,769	577	712	33,058	7	288
Foreign-based 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	264,667	3,331	2,904	270,902	947	1,424
Total - Banks[j]	9,234	-	-	9,234	-	-
Total - Governments	642	-	-	642	-	-
Total	274,543	3,331	2,904	280,778	947	1,424

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

1. Credit quality and delinquency (cont.)

	December 31 2018 (audited)					
		Troubled debts[b]			Performing loans - Additional information	
	Non-troubled	Performing	Non-performing[c]	Total	In arrears of 90 days or more[d]	In arrears of 30 days and up to 89 days[e]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	21,511	162	233	21,906	11	220
Construction & real estate - Real estate activities	24,939	159	315	25,413	16	21
Financial services	10,834	7	8	10,849	2	4
Commercial - Other	70,892	1,718	1,242	73,852	64	169
Commercial - Total	128,176	2,046	1,798	132,020	93	414
Individuals - Housing loans	79,555	862[f]	-	80,417	862	694
Private individuals - Other	35,362	576	382	36,320	72	183
Less balances classified as held-for-sale assets[i]	(7,842)	(323)	(45)	(8,210)	-	(10)
Total loans to the public - Activity in Israel	235,251	3,161	2,135	240,547	1,027	1,281
Banks in Israel	2,703	-	-	2,703	-	-
Government of Israel	74	-	-	74	-	-
Less balances classified as held-for-sale assets[i]	(33)	-	-	(33)	-	-
Total activity in Israel	237,995	3,161	2,135	243,291	1,027	1,281
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,882	12	217[k]	12,111	-	4
Commercial - Other	19,794	647	366[k]	20,807	27	330
Commercial - Total	31,676	659	583	32,918	27	334
Private individuals	1,012	15	33	1,060	-	3
Total loans to the public - foreign operations	32,688	674	616	33,978	27	337
Foreign-based banks	12,279	-	-	12,279	-	-
Foreign governments	708	-	-	708	-	-
Less balances classified as held-for-sale assets[i]	(2)	-	-	(2)	-	-
Total activity outside Israel	45,673	674	616	46,963	27	337
Total - Public	267,939	3,835	2,751	274,525	1,054	1,618
Total - Banks[j]	14,947	-	-	14,947	-	-
Total - Governments	782	-	-	782	-	-
Total	283,668	3,835	2,751	290,254	1,054	1,618

Please see comments below.

Note 13 - Additional Information on Credit Risk, Loans 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 reverse repurchase agreements.

(b) Credit risk that is non-performing, substandard or under special supervision, including housing loans for which there is a provision according to the extent of arrears and housing loans in arrears of 90 days or more for which there is no provision based on the extent of arrears.

(c) As a rule, non-performing loans do not accrue interest income. For information regarding certain non-performing loans restructured as part of troubled debt restructuring, please see Note 13B.2.C. below.

(d) Classified as performing troubled debts. Accruing.

(e) Accruing. Debts in arrears of 30 and up to 89 days totaling NIS 922 million (as at September 30 2018 - NIS 802 million; as at December 31 2018 - NIS 1,103 million) were classified as performing troubled debts.

(f) Including outstanding housing loans in the amount of NIS 87 million (September 30 2018 - NIS 93 million, December 31 2018 - NIS 87 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) 2.2 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 performing loans in arrears of at least 90 days as at September 30 2019, in the amount of NIS 931 million constitutes credit granted by the Bank, of which NIS 124 million is for non-housing loans and NIS 807 million - for housing loans, of which a total of NIS 195 million is in arrears of up to 149 days, NIS 155 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 36F to the financial statements as at December 31 2018.

(j) Less balances in respect of banks classified as held-for-sale assets.

(k) Reclassified, including as detailed on Note 6.

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 (non-accrual) after 90 days of arrears; or in case of any debt restructured as troubled debt and which is once again accruing interest but is in arrears of one day under the new repayment terms. For collectively-assessed 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 repayments, the Bank sets a provision using the extent of arrears method.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on non-performing loans

A. Non-performing loans and specific provision

	September 30 2019 (unaudited)				
	Outstanding [(b)] non-performing loans in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding [(b)] non-performing loans in respect of which there is no specific provision[(c)]	Total outstanding [(b)] non-performing loans	Outstanding contractual principal in respect of non-performing loans
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - Construction	56	11	32	88	324
Construction & real estate - Real estate activities	98	27	194	292	1,124
Financial services	3	1	1	4	411
Commercial - Other	574	197	547	1,121	3,352
Commercial - Total	**731**	**236**	**774**	**1,505**	**5,211**
Private individuals - Other	305	158	2	307	765
Total public - Activity in Israel	**1,036**	**394**	**776**	**1,812**	**5,976**
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	236	48	-	236	253
Commercial - Other	100	36	236	336	355
Commercial - Total	**336**	**84**	**236**	**572**	**608**
Private individuals	1	1	-	1	3
Total public – Activity outside Israel	**337**	**85**	**236**	**573**	**611**
Total - Public	**1,373**	**479**	**1,012**	**2,385**	**6,587**
Of which:					
Measured according to the present value of cash flows	**1,250**	**427**	**715**	**1,965**	
Debt restructuring of troubled debts	**690**	**193**	**383**	**1,073**	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

A. Non-performing loans and specific provision (cont.)

	September 30 2018 (unaudited)				
	Outstanding [b] non-performing loans in respect of which there is a specific provision[c]	Balance of specific provision[c]	Outstanding [b] non-performing loans in respect of which there is no specific provision[c]	Total outstanding[b] non-performing loans	Outstanding contractual principal in respect of non-performing loans[e]
	In NIS millions				
Borrower activity in Israel					
Public-commercial					
Construction & real estate - Construction	77	17	179	256	527
Construction & real estate - Real estate activities	124	25	203	327	1,193
Financial services	2	1	2	4	436
Commercial - Other[e]	881	286	389	1,270	3,323
Commercial - Total	1,084	329	773	1,857	5,479
Private individuals - Other	346	110	26	372	788
Less balances classified as held-for-sale assets[d]	(13)	(3)	(24)	(37)	(37)
Total public - Activity in Israel	1,417	436	775	2,192	6,230[f]
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
Private individuals	16	8	18	34	87
Total public – Activity outside Israel	297	120	415	712	1,372
Total - Public	1,714	556	1,190	2,904	7,602
Of which:					
Measured according to the present value of cash flows[e]	1,515	492	734	2,249	
Debt restructuring of troubled debts[e]	913	156	705	1,618	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified. For more information, please see Note 6.
(f) Reclassified

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on non-performing loans (cont.)

A. Non-performing loans and specific provision(cont.)

	December 31 2018 (audited)				
	Outstanding [(b)] non-performing loans in respect of which there is a specific provision[(c)]	Balance of specific provision[(c)]	Outstanding [(b)] non-performing loans in respect of which there is no specific provision[(c)]	Total outstanding [(b)] non-performing loans	Outstanding contractual principal in respect of non-performing loans
	In NIS millions				
Borrower activity in Israel					
Public - commercial					
Construction & real estate - Construction	69	14	164	233	426
Construction & real estate - Real estate activities	121	27	194	315	1,176
Financial services	3	1	5	8	422
Commercial - Other	873	311	369	1,242	3,234
Commercial - Total	1,066	353	732	1,798	5,258
Private individuals - Other	355	152	27	382	801
Less balances classified as held-for-sale assets[(d)]	(19)	(4)	(26)	(45)	(45)
Total public - Activity in Israel	1,402	501	733	2,135	6,014[(f)]
Borrower activity outside Israel					
Public - commercial					
Construction and real estate	212[(e)]	50	5	217	253
Commercial - Other	89[(e)]	56	277	366	844
Commercial - Total	301	106	282	583	1,097
Private individuals	14	6	19	33	85
Total public – Activity outside Israel	315	112	301	616	1,182
Total - Public	1,717	613	1,034	2,751	7,196
Of which:					
Measured according to the present value of cash flows	1,520	550	697	2,217	
Debt restructuring of troubled debts	914	165	731	1,645	

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Specific loan loss provision.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified.
(f) Restated.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

B. Average balance and interest income

	For the three months ended September 30					
	2019			2018[f]		
	Average balance[b] of non-performing loans	Recorded interest income[c]	Of which: Recorded on a cash basis	Average balance[b] of non-performing loans	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	**168**	**3**	**2**	267	-	-
Construction & real estate - Real estate activities	**309**	**4**	**3**	418	1	1
Financial services	**8**	**-**	**-**	6	-	-
Commercial - Other	**1,168**	**1**	**-**	1,390	5	1
Commercial - Total	**1,653**	**8**	**5**	2,081	6	2
Private individuals - Other	**321**	**1**	**-**	374	-	-
Less balances classified as held-for-sale assets[e]	**-**	**-**	**-**	(36)	-	-
Total public - Activity in Israel	**1,974**	**9**	**5**	2,419	6	2
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**227**	**-**	**-**	148	1	1
Commercial - Other	**273**	**1**	**-**	509	1	1
Commercial - Total	**500**	**1**	**-**	657	2	2
Private individuals	**7**	**-**	**-**	20	-	-
Total public – Activity outside Israel	**507**	**1**	**-**	677	2	2
Less balances classified as held-for-sale assets[e]	**-**	**-**	**-**	-	-	-
Total - Public	**2,481**	**10[d]**	**5**	3,096	8[d]	4

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded average outstanding debt of non-performing loans in the reporting period.
(c) Interest income recorded for the reporting period in respect of the average outstanding non-performing loans during the period in which the debts were classified as non-performing.
(d) Were the non-performing loans to accrue interest according to the original terms, interest income in the amount of NIS 79 million would be recorded for the three months ended September 30 2019 (September 30 2018 - NIS 96 million).
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Reclassified. For more information, please see Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

B. Average balance and interest income (cont.)

	For the nine months ended September 30					
	2019			2018[f]		
	Average balance[b] of non-performing loans	Recorded interest income[c]	Of which: Recorded on a cash basis	Average balance[b] of non-performing loans	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	**156**	**3**	**2**	264	1	1
Construction & real estate - Real estate activities	**306**	**4**	**3**	406	2	2
Financial services	**7**	**-**	**-**	5	-	-
Commercial - Other	**1,161**	**7**	**3**	1,368	9	2
Commercial - Total	**1,630**	**14**	**8**	2,043	12	5
Private individuals - Other	**319**	**2**	**-**	368	1	-
Net of balances classified as held-for-sale assets[e]	**-**	**-**	**-**	(36)	-	-
Total Public - Activity in Israel	**1,949**	**16**	**8**	2,375	13	5
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**133**	**2**	**-**	142	4	4
Commercial - Other	**371**	**3**	**2**	518	3	3
Commercial - Total	**504**	**5**	**2**	660	7	7
Private individuals	**12**	**-**	**-**	20	-	-
Total Public - Activity outside Israel	**516**	**5**	**2**	680	7	7
Total - Public	**2,465**	**21[d]**	**10**	3,055	20 [d]	12

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded average outstanding debt of non-performing loans in the reporting period.
(c) Interest income recorded for the reporting period in respect of the average outstanding non-performing loans during the period in which the debts were classified as non-performing.
(d) Were the non-performing loans to accrue interest according to the original terms, interest income in the amount of NIS 264 million would be recorded for the nine months ended September 30 2019 (September 30 2018 - NIS 307 million).
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Reclassified. For more information, please see Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring

	As at September 30 2019				As at September 30 2018			
	Non-accrual	Accruing, in arrears of 30 days and up to 89 days[(b)]	Acc-ruing[(b)], non delin-quent	Total [(c)]	Non-accrual	Accruing, in arrears of 30 days and up to 89 days[(b)]	Acc-ruing,[(b)] non-delin-quent	Total [(c)]
	Unaudited							
	In NIS millions							
Borrower activity in Israel								
Public - commercial								
Construction & real estate - Construction	**37**	**2**	**26**	**65**	196	1	6	203
Construction & real estate - Real estate activities	**79**	**2**	**136**	**217**	224	-	18	242
Financial services	**2**	**-**	**1**	**3**	2[(e)]	-	-	2
Commercial - Other	**241**	**9**	**103**	**353**	564[(e)]	-	47	611
Commercial - Total	**359**	**13**	**266**	**638**	986	1	71	1,058
Private individuals - Other	**219**	**5**	**69**	**293**	288	2	41	331
Less balances classified as held-for-sale assets[(d)]	**-**	**-**	**-**	**-**	(13)	-	-	(13)
Total public - Activity in Israel	**578**	**18**	**335**	**931**	1,261	3	112	1,376
Borrower activity outside Israel								
Public - commercial								
Construction and real estate	**15**	**-**	**-**	**15**	41	-	8	49
Commercial - Other	**118**	**-**	**9**	**127**	30[(e)]	-	153	183
Commercial - Total	**133**	**-**	**9**	**142**	71	-	161	232
Private individuals	**-**	**-**	**-**	**-**	6	-	4	10
Total public – Activity outside Israel	**133**	**-**	**9**	**142**	77	-	165	242
Total - Public	**711**	**18**	**344**	**1,073**	1,338	3	277	1,618

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Accruing.
(c) Included in non-performing loans.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified, including as detailed on Note 6.

Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 0 million as at September 30 2019 (as at September 30 2018 - NIS 1 million).

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring (cont.)

	December 31 2018			
	Non-accrual	Accruing, in arrears of 30 days to 89 days[(b)]	Accruing,[(b)] non-delinquent	Total [(c)]
	Audited			
	In NIS millions			
Borrower activity in Israel				
Public - commercial				
Construction & real estate - Construction	196	-	5	201
Construction & real estate - Real estate activities	211	1	21	233
Financial services	1	-	-	1
Commercial - Other	564	2	47	613
Commercial - Total	972	3	73	1,048
Private individuals - Other	297	2	36	335
Less balances classified as held-for-sale assets[(d)]	(18)	-	-	(18)
Total public - Activity in Israel	1,251	5	109	1,365
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	46	-	108[(e)]	154
Commercial - Other	67	-	49[(e)]	116
Commercial - Total	113	-	157	270
Private individuals	6	-	4	10
Total public – Activity outside Israel	119	-	161	280
Total - Public	1,370	5	270	1,645

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Accruing.
(c) Included in non-performing loans.
(d) For more information, please see Note 36F to the financial statements as at December 31 2018.
(e) Reclassified.

Commitments for granting additional loans to borrowers for whom troubled debts were restructured and in which the credit terms were amended amounted to NIS 1 million as at December 31 2018.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring (cont.)

1. Completed restructurings

	For the three months ended September 30					
	2019			2018[d]		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
	Unaudited					
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	**78**	**10**	**9**	74	23	21
Construction & real estate - Real estate activities	**22**	**3**	**3**	25	9	7
Financial services	**5**	**-[c]**	**-[c]**	6	1	1
Commercial - Other	**405**	**47**	**45**	361	60	54
Commercial - Total	**510**	**60**	**57**	466	92	83
Private individuals - Other	**1,268**	**44**	**44**	1,541	45	40
Less balances classified as held-for-sale assets[b]	**-**	**-**	**-**	(483)	(6)	(6)
Total public - Activity in Israel	**1,778**	**104**	**101**	1,524	132	117
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**-**	**-**	**-**	-	-	-
Commercial - Other	**-**	**-**	**-**	1	-[c]	-[c]
Commercial - Total	**-**	**-**	**-**	1	-	-
Total public – Activity outside Israel	**-**	**-**	**-**	1	-	-
Total - Public	**1,778**	**104**	**101**	1,525	132	117

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) For more information, please see Note 36F to the financial statements as at December 31 2018.
(c) Balances of less than NIS 1 million.
(d) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring (cont.)

1. Completed restructurings (cont.)

	For the nine months ended September 30					
	2019			2018		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
	Unaudited					
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction & real estate - Construction	**245**	**24**	**23**	273	44	42
Construction & real estate - Real estate activities	**78**	**24**	**23**	121	28	26
Financial services	**17**	**1**	**1**	19	2	2
Commercial - Other	**1,207**	**177**	**170**	1,151	138	128
Commercial - Total	**1,547**	**226**	**217**	1,564	212	198
Private individuals - Other	**3,800**	**126**	**122**	5,460	147	140
Less balances classified as held-for-sale assets[b]	**-**	**-**	**-**	(1,894)	(22)	(22)
Total loans to the public - Activity in Israel	**5,347**	**352**	**339**	5,130[c]	337[c]	316[c]
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**2**	**12**	**12**	2	3	2
Commercial - Other	**-**	**-**	**-**	3[c]	7[c]	7[c]
Commercial - Total	**2**	**12**	**12**	5	10	9
Total loans to the public - Foreign operations	**2**	**12**	**12**	5	10	9
Total - Public	**5,349**	**364**	**351**	5,135	347	325

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) For more information, please see Note 36F to the financial statements as at December 31 2018.
(c) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring (cont.)

2. Failed restructurings[(b)]

	For the three months ended September 30			
	2019		2018	
	No. of contracts	Recorded outstanding debt[(c)]	No. of contracts	Recorded outstanding debt[(c)]
	Unaudited			
		In NIS millions		In NIS millions
Borrower activity in Israel				
Public - commercial				
Construction & real estate - Construction	**40**	**5**	33	3
Construction & real estate - Real estate activities	**14**	**7**	16	2
Financial services	**4**	**-**[(d)]	2	-[(d)]
Commercial - Other	**178**	**27**	148	20
Commercial - Total	**236**	**39**	199	25
Private individuals - Other	**440**	**13**	672	14
Less balances classified as held-for-sale assets[(e)]	**-**	**-**	(289)	(1)
Total loans to the public - Activity in Israel	**676**	**52**	582[(f)]	38[(f)]
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	**1**	**3**	1	-[(d)]
Commercial - Other	**1**	**3**	1[(f)]	-[(d)(f)]
Commercial - Total	**2**	**6**	2	-
Private individuals	**-**	**-**	-	-
Total loans to the public - Foreign operations	**2**	**6**	2	-
Total - Public	**678**	**58**	584	38

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(c) The outstanding debt recorded as at the end of the quarter in which the failure occurred.
(d) Balances lower than NIS 1 million.
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts[a] (cont.)

2. Additional information on non-performing loans (cont.)

C. Troubled debts under restructuring (cont.)

2. Failed restructurings[b] (cont.)

	For the nine months ended September 30 (unaudited)			
	2019		2018	
	No. of contracts	Recorded outstanding debt[c]	No. of contracts	Recorded outstanding debt[c]
		In NIS millions		In NIS millions
Borrower activity in Israel				
Public - commercial				
Construction & real estate - Construction	**134**	**16**	85	10
Construction & real estate - Real estate activities	**38**	**12**	39	11
Financial services	**10**	**1**	4	-[d]
Commercial - Other	**569**	**84**	381	52
Commercial - Total	**751**	**113**	509	73
Private individuals - Other	**1,475**	**43**	1,747	34
Less balances classified as held-for-sale assets[e]	**-**	**-**	(780)	(4)
Total loans to the public - Activity in Israel	**2,226**	**156**	1,476[f]	103[f]
Borrower activity outside Israel				
Public - commercial				
Construction and real estate	**2**	**3**	1	-[d]
Commercial - Other	**4**	**3**	2[f]	1[f]
Commercial - Total	**6**	**6**	3	1
Private individuals	**-**	**-**	1	-
Total loans to the public - Foreign operations	**6**	**6**	4	1
Total - Public	**2,232**	**162**	1,480	104

(a) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(c) The outstanding debt recorded as at the end of the quarter in which the failure occurred.
(d) Balances lower than NIS 1 million.
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Reclassified, including as detailed on Note 6.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Debts(a) (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV)(b), type of repayment and interest

		September 30 2019 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest loans	Total off-balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	**54,065**	**1,712**	**34,984**	**2,090**
	More than 60%	**29,447**	**692**	**19,747**	**295**
Secondary lien or no lien		**22**	**-**	**19**	**-**
Total		**83,534**	**2,404**	**54,750**	**2,385**

		September 30 2018 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest loans	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
Secondary lien or no lien		36	1	33	-
Total		79,959	2,787	53,397	1,753

		December 31 2018 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: Bullet and balloon loans	[1]Of which: Variable interest loans	Total off-balance-sheet credit risk
		In NIS millions			
First lien: LTV	Up to 60%	52,259	2,002	34,151	1,720
	More than 60%	28,595	748	19,594	203
Secondary lien or no lien		36	1	33	-
Total		80,890	2,751	53,778	1,923

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

(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's directives, the minimum 0.35 percent collective provision is examined against the 0.75 percent provision required for loans with an LTV ratio of more than 60 percent. Note that the collective provision is higher than the one required for the LTV ratio.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Off-balance-sheet financial instruments

	September 30				December 31	
	2019		2018		2018	
	Outstanding loan contracts[(a)]	Balance of loan loss provision	Outstanding loan contracts[(a)]	Balance of loan loss provision	Outstanding loan contracts[(a)]	Balance of loan loss provision
	Unaudited				Audited	
	In NIS millions					
Off-balance-sheet financial instruments						
The balance of the loan contracts or their nominal value as at the end of the period - transactions in which the balance embodies credit risk:						
Documentary credit	**1,112**	**3**	1,302	2	1,362	3
Loan guarantees	**5,204**	**78**	5,275	89	5,231	88
Guarantees for apartment buyers	**20,915**	**18**	18,163	12	18,667	12
Guarantees and other commitments[(b)]	**16,521**	**220**	15,961	247	16,471	240
Unutilized credit card credit facilities	**14,646**	**13**	26,039 [(c)]	18[(c)]	26,050[(c)]	29[(c)]
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,361**	**25**	11,810	24	12,431	25
Irrevocable loan commitments approved but not yet granted[1]	**27,543**	**77**	23,970	56	24,291	63
Commitments to issue guarantees	**16,852**	**15**	17,251	20	16,372	17
Unutilized credit facilities for derivatives activity	**2,469**	**-**	2,839	-	2,748	-
Approval in principle to maintain interest rate	**4,051**	**-**	2,427	-	4,045	-

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 209 million (September 30 2018 - NIS 218 million, December 31 2018 - NIS 225 million); the obligations constitute a relatively small portion of the securitization entities' obligations.

(a) The balance of the contracts or their nominal amounts 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 62 million (as at September 30 2018 and December 31 2018 - NIS 70 million and NIS 67 million, respectively).
(c) Including outstanding contracts and an outstanding loan loss provision for held-for-sale assets (on September 30 2018 - a total of NIS 11,280 million and NIS 16 million, respectively and on December 31 2018 - a total of NIS 11,659 million and NIS 16 million, respectively).

Note 14 - Assets and Liabilities by Linkage Basis

	September 30 2019 (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	**53,124**	**-**	**6,477**	**2,017**	**1,041**	**150**	**62,809**
Securities	**35,707**	**3,569**	**37,637**	**3,241**	**2,334**	**3,293**	**85,781**
Securities borrowed or purchased under reverse repurchase agreements	**659**	**-**	**261**	**58**	**28**	**-**	**1,006**
Loans to the public, net[c]	**197,843**	**43,613**	**29,350**	**3,850**	**4,758**	**264**	**279,678**
Loans to governments	**17**	**-**	**636**	**19**	**-**	**-**	**672**
Investments in associates	**-**	**-**	**-**	**-**	**-**	**668**	**668**
Buildings and equipment	**-**	**-**	**-**	**-**	**-**	**2,973**	**2,973**
Assets in respect of derivatives	**5,995**	**104**	**3,233**	**128**	**100**	**2,761**	**12,321**
Goodwill	**-**	**-**	**-**	**-**	**-**	**16**	**16**
Other assets	**7,339**	**5**	**912**	**2**	**24**	**302**	**8,584**
Held-for-sale assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**300,684**	**47,291**	**78,506**	**9,315**	**8,285**	**10,427**	**454,508**
Liabilities							
Deposits by the public	**232,518**	**14,310**	**96,591**	**9,968**	**5,087**	**447**	**358,921**
Deposits by banks	**1,308**	**-**	**2,479**	**407**	**123**	**-**	**4,317**
Deposits by governments	**113**	**-**	**319**	**7**	**-**	**-**	**439**
Securities loaned or sold under repurchase agreements	**365**	**-**	**258**	**58**	**28**	**-**	**709**
Bonds, capital notes and subordinated bonds	**5,629**	**14,373**	**-**	**-**	**-**	**-**	**20,002**
Liabilities for derivatives	**7,584**	**312**	**2,391**	**123**	**115**	**2,726**	**13,251**
Other liabilities	**7,291**	**12,934**	**543**	**25**	**122**	**351**	**21,266**
Held-for-sale liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**254,808**	**41,929**	**102,581**	**10,588**	**5,475**	**3,524**	**418,905**
Difference[d]	**45,876**	**5,362**	**(24,075)**	**(1,273)**	**2,810**	**6,903**	**35,603**
Effect of non-hedging derivatives:							
Derivatives (excluding options)	**(15,332)**	**(3,895)**	**21,165**	**525**	**(3,339)**	**876**	**-**
In the money options, net (according to underlying asset)	**(3,605)**	**-**	**2,551**	**1,172**	**(65)**	**(53)**	**-**
Out of the money options, net (according to underlying asset)	**2,065**	**-**	**(1,250)**	**(788)**	**9**	**(36)**	**-**
Grand total	**29,004**	**1,467**	**(1,609)**	**(364)**	**(585)**	**7,690**	**35,603**
In the money options, net (discounted nominal value)	**(5,677)**	**-**	**4,505**	**1,353**	**(69)**	**(112)**	**-**
Out of the money options, net (discounted nominal value)	**4,898**	**-**	**(4,745)**	**134**	**(121)**	**(166)**	**-**

(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 credit linkage, in the amount of NIS 3,272 million.
(d) Shareholders' equity includes non-controlling interests.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	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 reverse repurchase agreements	1,351	-	48	46	20	-	1,465
Loans to the public, net[(c)]	184,026[(f)]	42,158	31,071	4,224	6,038	164	267,681
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	298,818	45,444	77,232	8,427	10,598	10,156	450,675
Liabilities							
Deposits by the public	228,012	17,649	94,286	11,894	6,696	338	358,875
Deposits by banks	1,740	-	2,525	761	142	-	5,168
Deposits by governments	128	-	655	7	-	-	790
Securities loaned or sold under repurchase agreements	543	-	45	33	23	11	655
Bonds, capital notes and subordinated bonds	3,981	13,774	-	-	-	50	17,805
Liabilities for derivatives	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)]	50,399	3,026	(24,131)	(4,401)	3,489	7,214	35,596
Effect of non-hedging derivatives:							
Derivatives (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	31,937	(1,154)	(2,134)	(340)	(606)	7,893	35,596
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 3,221 million.
(d) Shareholders' equity includes non-controlling interests.
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.
(f) Reclassified.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	December 31 2018 (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	67,759	-	9,300	2,032	2,263	65	81,419
Securities	32,887	2,832	30,894	2,523	1,877	3,558	74,571
Securities borrowed or purchased under reverse repurchase agreements	999	-	189	47	22	-	1,257
Loans to the public, net[c]	186,829	42,113	31,395	4,522	6,007	307	271,173
Loans to governments	21	53	675	33	-	-	782
Investments in associates	-	-	-	-	-	623	623
Buildings and equipment	-	-	-	-	-	2,853	2,853
Assets in respect of derivatives	2,524	95	5,390	262	229	4,250	12,750
Intangible assets and goodwill	-	-	-	-	-	17	17
Other assets	5,154	4	758	3	32	691	6,642
Held-for-sale assets[e]	8,149	(15)	89	2	1	344	8,570
Total assets	304,322	45,082	78,690	9,424	10,431	12,708	460,657
Liabilities							
Deposits by the public	229,043	16,696	101,874	10,690	5,885	403	364,591
Deposits by banks	1,820	-	2,334	452	604	-	5,210
Deposits by governments	115	-	585	9	-	-	709
Securities loaned or sold under repurchase agreements	310	-	154	43	23	11	541
Bonds, capital notes and subordinated bonds	4,040	13,758	-	-	-	-	17,798
Liabilities for derivatives	2,991	222	4,316	133	204	4,223	12,089
Other liabilities	3,339	9,970	551	19	144	757	14,780
Held-for-sale liabilities[e]	8,652	11	101	-	1	13	8,778
Total liabilities	250,310	40,657	109,915	11,346	6,861	5,407	424,496
Difference[d]	54,012	4,425	(31,225)	(1,922)	3,570	7,301	36,161
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(19,318)	(4,233)	26,209	820	(4,351)	873	-
In the money options, net (according to underlying asset)	(2,204)	-	1,809	388	7	-	-
Out of the money options, net (according to underlying asset)	(1,549)	-	1,196	307	42	4	-
Grand total	30,941	192	(2,011)	(407)	(732)	8,178	36,161
In the money options, net (discounted nominal value)	(3,410)	-	2,886	517	7	-	-
Out of the money options, net (discounted nominal value)	(7,018)	-	5,901	871	44	202	-

(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 credit linkage, in the amount of NIS 3,352 million.
(d) Shareholders' equity includes non-controlling interests.
(e) For more information, please see Note 36F to the financial statements as at December 31 2018.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	September 30 2019 (unaudited)				
	Carrying amount	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	**62,809**	**54,339**	**6,464**	**2,009**	**62,812**
Securities[(b)]	**85,781**	**52,919**	**30,792**	**2,544**	**86,255**
Securities borrowed or purchased under reverse repurchase agreements	**1,006**	**1,006**	**-**	**-**	**1,006**
Loans to the public, net	**279,678**	**2,251**	**88,500**	**190,914**	**281,665**
Loans to governments	**672**	**-**	**16**	**681**	**697**
Assets in respect of derivatives	**12,321**	**1,976**	**8,568**	**1,777**	**12,321**
Other financial assets	**2,138**	**46**	**-**	**2,092**	**2,138**
Total financial assets	**444,405[(c)]**	**112,537**	**134,340**	**200,017**	**446,894**
Financial liabilities					
Deposits by the public	**358,921**	**2,162**	**258,728**	**96,070**	**356,960**
Deposits by banks	**4,317**	**-**	**4,281**	**38**	**4,319**
Deposits by governments	**439**	**-**	**362**	**89**	**451**
Securities loaned or sold under repurchase agreements	**709**	**709**	**-**	**-**	**709**
Bonds, capital notes and subordinated bonds	**20,002**	**20,176**	**-**	**810**	**20,986**
Liabilities for derivatives	**13,251**	**1,976**	**10,903**	**372**	**13,251**
Other financial liabilities	**5,246**	**153**	**4,447**	**646**	**5,246**
Total financial liabilities	**402,885 [(c)]**	**25,176**	**278,721**	**98,025**	**401,922**
Off-balance-sheet financial instruments					
Transactions in which the balance embodies credit risk	**332**	**-**	**-**	**332**	**332**
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[(d)]	**19,639**	**-**	**182**	**19,457**	**19,639**

(a) Level 1 - Fair value measurements using quoted prices 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 the carrying amount and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 130,631 million and NIS 226,169 million, respectively, the carrying 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 carrying 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 Notes 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	September 30 2018 (unaudited)				
	Carrying	Fair value			
	amount	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 reverse repurchase agreements	1,465	1,465	-	-	1,465
Loans to the public, net	267,681[(f)]	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	9,652	525	67	9,055	9,647
Total financial assets	440,910[(c)]	115,326	127,580	196,768	439,674
Financial liabilities					
Deposits by the public	358,875	2,879	244,034 [(e)]	110,174	357,087
Deposits by banks	5,168	-	4,899	225	5,124
Deposits by governments	790	-	709	89	798
Securities loaned or sold under repurchase agreements	655	655	-	-	655
Bonds, capital notes and subordinated bonds	17,805	16,741[(f)]	-	1,997[(f)]	18,738
Liabilities for derivatives	9,315	1,784	7,169	362	9,315
Other financial liabilities, including balances classified as held-for-sale liabilities	8,635	1,834	5,451	1,347	8,632
Total financial liabilities	401,243[(c)]	23,893	262,262	114,194	400,349
Off-balance-sheet financial instruments					
Transactions in which the 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 quoted prices 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 the carrying amount and fair value of securities, please see Note 5.

(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 Notes 15B and 15D.

(d) The liability is presented on a gross basis and does not take into account plan assets managed against it.

(e) With the addition of the current account rescheduling model.

(f) Restated.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2018 (audited)				
	Carrying	Fair value			
	amount	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	81,419	67,943	11,615	1,776	81,334
Securities[(b)]	74,571	40,720	29,934	3,900	74,554
Securities borrowed or purchased under reverse repurchase agreements	1,257	1,257	-	-	1,257
Loans to the public, net	271,173	2,663	84,608	182,432	269,703
Loans to governments	782	-	15	793	808
Assets in respect of derivatives	12,750	3,142	7,390	2,218	12,750
Other financial assets, including balances classified as held-for-sale assets	9,355	478	35	8,835	9,348
Total financial assets	451,307[(c)]	116,203	133,597	199,954	449,754
Financial liabilities					
Deposits by the public	364,591	2,608	255,543	102,730	360,881
Deposits by banks	5,210	-	4,729	472	5,201
Deposits by governments	709	-	629	90	719
Securities loaned or sold under repurchase agreements	541	541	-	-	541
Bonds, capital notes and subordinated notes	17,798	16,461	-	1,973	18,434
Liabilities for derivatives	12,089	3,146	8,706	237	12,089
Other financial liabilities, including balances classified as held-for-sale liabilities	10,445	3,561	5,666	1,213	10,440
Total financial liabilities	411,383[(c)]	26,317	275,273	106,715	408,305
Off-balance-sheet financial instruments					
Transactions in which the balance embodies credit risk	363	-	-	363	363
In addition, liabilities in respect of employee benefits, gross - Pension and severance pay[(d)]	15,867	-	173	15,694	15,867

(a) Level 1 - Fair value measurements using quoted prices 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 the carrying amount and fair value of securities, please see Note 5.
(c) Of which: Assets and liabilities in the amount of NIS 116,216 million and NIS 220,199 million, respectively, the carrying 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 carrying 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 Notes 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 2019 (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 bonds:				
Government of Israel bonds	**33,688**	**2,697**	**-**	**36,385**
Foreign governments' bonds	**11,109**	**4,274**	**-**	**15,383**
Bonds of foreign financial institutions	**39**	**9,793**	**-**	**9,832**
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**-**	**6,331**	**1,382**	**7,713**
Other Israeli bonds	**87**	**41**	**-**	**128**
Other foreign bonds	**-**	**3,133**	**-**	**3,133**
Total available-for-sale bonds	**44,923**	**26,269**	**1,382**	**72,574**
Non-trading shares and mutual funds:				
Non-trading shares and mutual funds	**2,112**	**-**	**-**	**2,112**
Held-for-trading securities:				
Government of Israel bonds	**3,243**	**-**	**-**	**3,243**
Foreign governments' bonds	**81**	**-**	**-**	**81**
Bonds of Israeli financial institutions	**71**	**-**	**-**	**71**
Bonds of foreign financial institutions	**-**	**190**	**-**	**190**
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**-**	**183**	**-**	**183**
Other Israeli bonds	**64**	**-**	**-**	**64**
Other foreign bonds	**-**	**148**	**-**	**148**
Equity securities and funds	**19**	**-**	**-**	**19**
Total held-for-trading securities	**3,478**	**521**	**-**	**3,999**
Assets in respect of derivatives:				
NIS-CPI contacts	**-**	**107**	**94**	**201**
Interest rate contracts	**12**	**4,720**	**911**	**5,643**
Foreign exchange rate contracts	**-**	**2,418**	**698**	**3,116**
Stock contracts	**1,613**	**1,084**	**63**	**2,760**
Commodity and other contracts	**26**	**239**	**11**	**276**
MAOF (Israeli financial instruments and futures) market activity	**325**	**-**	**-**	**325**
Total assets in respect of derivatives	**1,976**	**8,568**	**1,777**	**12,321**
Other:				
Credit and deposits for loaned securities	**2,401**	**-**	**-**	**2,401**
Securities borrowed or purchased under reverse repurchase agreements	**1,006**	**-**	**-**	**1,006**
Other	**46**	**-**	**-**	**46**
Total - Other	**3,453**	**-**	**-**	**3,453**
Total assets	**55,942**	**35,358**	**3,159**	**94,459**

Note 15B - Items measured at fair value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	September 30 2019 (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 derivatives:				
NIS-CPI contacts	-	205	106	311
Interest rate contracts	12	5,771	-	5,783
Foreign exchange rate contracts	-	3,536	266	3,802
Stock contracts	1,613	1,140	-	2,753
Commodity and other contracts	25	251	-	276
MAOF (Israeli financial instruments and futures) market activity	326	-	-	326
Total liabilities in respect of derivatives	1,976	10,903	372	13,251
Other:				
Deposits in respect of loaned securities	2,161	30	6	2,197
Securities loaned or sold under repurchase agreements	709	-	-	709
Other	153	-	-	153
Total - Other	3,023	30	6	3,059
Total liabilities	4,999	10,933	378	16,310

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			
Assets				
Available-for-sale bonds:				
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
Total available-for-sale bonds	33,789	28,370	2,232	64,391
Available-for-sale equity securities and funds:				
Equity securities and funds	2,306	-	-	2,306
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
Equity securities and funds	5	-	-	5
Total held-for-trading securities	4,991	634	-	5,625
Assets in respect of derivatives:				
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 reverse repurchase agreements	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 derivatives:				
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 for derivatives	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 repurchase agreements	655	-	-	655
Other	1,084	-	-	1,084
Total - Other	4,618	39	6	4,663
Total liabilities	6,402	7,208	368	13,978

Note 15B - Items measured at fair value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	December 31 2018 (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 bonds:				
Government of Israel bonds	27,952	2,621	-	30,573
Foreign governments' bonds	2,417	3,487	-	5,904
Bonds of foreign financial institutions	43	9,664	-	9,707
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	6,612	2,821	9,433
Other Israeli bonds	81	161	-	242
Other foreign bonds	-	3,517	-	3,517
Total available-for-sale bonds	30,493	26,062	2,821	59,376
Available-for-sale equity securities and funds:				
Equity securities and funds	2,477	-	-	2,477
Held-for-trading securities:				
Government of Israel bonds	5,677	-	-	5,677
Foreign governments' bonds	52	-	-	52
Bonds of Israeli financial institutions	119	-	-	119
Bonds of foreign financial institutions	-	132	-	132
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	271	-	271
Other Israeli bonds	290	-	-	290
Other foreign bonds	-	220	-	220
Equity securities and funds	2	-	-	2
Total held-for-trading securities	6,140	623	-	6,763
Assets in respect of derivatives:				
NIS-CPI contacts	-	86	149	235
Interest rate contracts	509	2,833	142	3,484
Foreign exchange rate contracts	-	3,264	971	4,235
Stock contracts	2,132	1,195	937	4,264
Commodity and other contracts	50	12	19	81
MAOF (Israeli financial instruments and futures) market activity	451	-	-	451
Total assets in respect of derivatives	3,142	7,390	2,218	12,750
Other:				
Credit and deposits for loaned securities	2,728	6	-	2,734
Securities borrowed or purchased under reverse repurchase agreements	1,257	-	-	1,257
Other	478	-	-	478
Total - Other	4,463	6	-	4,469
Total assets	46,715	34,081	5,039	85,835

Note 15B - Items measured at fair value (cont.)

A. Items measured at fair value on a recurring basis (cont.)

	December 31 2018 (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 derivatives:				
NIS-CPI contacts	-	236	109	345
Interest rate contracts	508	2,776	-	3,284
Foreign exchange rate contracts	-	3,499	128	3,627
Stock contracts	2,132	2,165	-	4,297
Commodity and other contracts	51	30	-	81
MAOF (Israeli financial instruments and futures) market activity	455	-	-	455
Total liabilities in respect of derivatives	3,146	8,706	237	12,089
Other:				
Deposits in respect of loaned securities	2,608	13	3	2,624
Securities loaned or sold under repurchase agreements	541	-	-	541
Other	1,145	-	-	1,145
Total - Other	4,294	13	3	4,310
Total liabilities	7,440	8,719	240	16,399

Note 15B - Items measured at fair value (cont.)

B. Items measured at fair value on a non-recurring basis

	September 30 2019 (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 from changes in value during the period
	In NIS millions				
Non-performing credit whose collection is collateral-dependent	**-**	**-**	**372**	**372**	**98**
Total	**-**	**-**	**372**	**372**	**98**

	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 from changes in value during the period
	In NIS millions				
Non-performing credit whose collection is collateral-dependent	-	-	585	585	114
Total	-	-	585	585	114

	December 31 2018 (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 from changes in value during the period
	In NIS millions				
Non-performing credit whose collection is collateral-dependent	-	-	464	464	228
Total	-	-	464	464	228

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended September 30 2019 (unaudited)										
		Realized/unrealized gains (losses), net, 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 2019	Unrealized gain (losses) in respect of instruments held as at September 30 2019
	In NIS millions										
Assets											
Available-for-sale bonds:											
MBS/ABS	**1,531**	**(33)**	**-**	**-**	**(68)**	**(50)**	**-**	**-**	**2**	**1,382**	**(1)**
Assets in respect of derivatives:											
NIS-CPI contacts	**90**	**(1)**	**-**	**-**	**-**	**-**	**-**	**3**	**2**	**94**	**(31)**
Interest rate contracts	**665**	**291**	**-**	**-**	**-**	**(45)**	**-**	**-**	**-**	**911**	**246**
Foreign exchange rate contracts	**508**	**61**	**-**	**129**	**-**	**-**	**-**	**-**	**-**	**698**	**270**
Stock contracts	**17**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**50**
Commodity and other contracts	**9**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**4**
Total assets in respect of derivatives	**1,289**	**399**	**-**	**129**	**-**	**(45)**	**-**	**3**	**2**	**1,777**	**539**
Total assets	**2,820**	**366**	**-**	**129**	**(68)**	**(95)**	**-**	**3**	**4**	**3,159**	**538**
Liabilities											
Liabilities in respect of derivatives:											
NIS-CPI contacts	**112**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(2)**	**106**	**(3)**
Interest rate contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange rate contracts	**205**	**61**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266**	**56**
Option contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities in respect of derivatives	**317**	**61**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(2)**	**372**	**53**
Total - Other	**8**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**
Total liabilities	**325**	**59**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(2)**	**378**	**53**

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" line 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 as at the report date 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 5 years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended September 30 2018 (unaudited)										
		Realized/unrealized gains (losses), net, 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 gain (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 derivatives:											
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 derivatives:											
NIS-CPI contacts	162	78	-	-	-	-	-	(50)	(25)	165	6
Interest rate contracts	8	(8)	-	-	-	-	-	-	-	-	-
Foreign exchange rate contracts	184	13	-	-	-	-	-	-	-	197	(2)
Option contracts	-	-	-	-	-	-	-	-	-	-	-
Total liabilities in respect of derivatives	354	83	-	-	-	-	-	(50)	(25)	362	4
Total - Other	5	1	-	-	-	-	-	-	-	6	-
Total liabilities	359	84	-	-	-	-	-	(50)	(25)	368	4

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" line 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 as at the report date 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 5 years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine months ended September 30 2019 (unaudited)										
	Fair value as at the beginning of the year	Realized/ unrealized gains (losses), net, 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 2019	Unrealized gain (losses) in respect of instruments held as at September 30 2019
	In NIS millions										
Assets											
Available-for-sale bonds:											
MBS/ABS	**2,821**	**(126)**	**32**	**300**	**(315)**	**(220)**	**-**	**-**	**(1,110)**	**1,382**	**(1)**
Assets in respect of derivatives:											
NIS-CPI contacts	**149**	**(63)**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**94**	**(96)**
Interest rate contracts	**142**	**823**	**-**	**-**	**-**	**(54)**	**-**	**-**	**-**	**911**	**730**
Foreign exchange rate contracts	**971**	**(674)**	**-**	**401**	**-**	**-**	**-**	**-**	**-**	**698**	**302**
Stock contracts	**937**	**(874)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**(205)**
Commodity and other contracts	**19**	**(8)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**1**
Total assets in respect of derivatives	**2,218**	**(796)**	**-**	**401**	**-**	**(54)**	**-**	**8**	**-**	**1,777**	**732**
Total assets	**5,039**	**(922)**	**32**	**701**	**(315)**	**(274)**	**-**	**8**	**(1,110)**	**3,159**	**731**
Liabilities											
Liabilities in respect of derivatives:											
NIS-CPI contacts	**109**	**(35)**	**-**	**-**	**-**	**-**	**-**	**34**	**(2)**	**106**	**9**
Foreign exchange rate contracts	**128**	**138**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266**	**-**
Total liabilities in respect of derivatives	**237**	**103**	**-**	**-**	**-**	**-**	**-**	**34**	**(2)**	**372**	**9**
Total - Other	**3**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**2**
Total liabilities	**240**	**106**	**-**	**-**	**-**	**-**	**-**	**34**	**(2)**	**378**	**11**

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" line 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 as at the report date 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 5 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 year	Realized/unrealized gains (losses), net, 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 gain (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 derivatives:											
NIS-CPI contacts	166	(20)	-	-	-	-	-	26	-	172	(24)
Interest rate contracts	266	(25)	-	-	-	(139)	-	-	-	102	(150)
Foreign exchange rate contracts	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 derivatives:											
NIS-CPI contacts	255	(56)	-	-	-	-	-	43	(77)	165	41
Interest rate contracts	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange rate contracts	184	13	-	-	-	-	-	-	-	197	(16)
Total liabilities in respect of derivatives	439	(43)	-	-	-	-	-	43	(77)	362	25
Total - Other	47	(41)	-	-	-	-	-	-	-	6	3
Total liabilities	486	(84)	-	-	-	-	-	43	(77)	368	28

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" line 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 as at the report date was less than one year. In addition, SBA transactions were transferred following reallocation of the outstanding principal.
Transfers from Level 3 to Level 2 – index forwards for a period of over 5 years were transferred when the term to maturity as at the report date was more than one year and less than 5 years.

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31 2018 (audited)										
	Fair value as at the beginning of year	Realized/unrealized gains (losses), net, 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 December 31 2018	Unrealized gain (losses) in respect of instruments held as at December 31 2018
	In NIS millions										
Assets											
Available-for-sale securities:											
MBS/ABS	1,369	377	(27)	286	-	(458)	-	1,274	-	2,821	(27)
Assets in respect of derivatives:											
NIS-CPI contacts	166	(44)	-	-	-	-	-	29	(2)	149	(22)
Interest rate contracts	266	34	-	-	-	(158)	-	-	-	142	(109)
Foreign exchange rate contracts	616	(78)	-	433	-	-	-	-	-	971	290
Stock contracts	63	874	-	-	-	-	-	-	-	937	935
Commodity and other contracts	3	16	-	-	-	-	-	-	-	19	19
Total assets in respect of derivatives	1,114	802	-	433	-	(158)	-	29	(2)	2,218	1,113
Total assets	2,483	1,179	(27)	719	-	(616)	-	1,303	(2)	5,039	1,086
Liabilities											
Liabilities in respect of derivatives:											
NIS-CPI contacts	255	(125)	-	-	-	-	-	57	(78)	109	41
Foreign exchange rate contracts	184	(56)	-	-	-	-	-	-	-	128	(16)
Total liabilities in respect of derivatives	439	(181)	-	-	-	-	-	57	(78)	237	25
Total - Other	47	(44)	-	-	-	-	-	-	-	3	1
Total liabilities	486	(225)	-	-	-	-	-	57	(78)	240	26

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" line 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 as at the report date was more than one year and less than 5 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 2019 (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 bonds:1					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	**1,382**	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 derivatives(2)					
NIS-CPI interest contracts	**72**	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
	22	Discounted cash flows	Counterparty risk	1.06%-100%(*)	2.54%
Interest rate contracts	**911**	Discounted cash flows	Counterparty risk	1.06%-100%(*)	2.54%
Foreign exchange rate contracts	**80**	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
	618	Discounted cash flows	Counterparty risk	1.06%-100%(*)	2.54%
Option contracts	**63**	Discounted cash flows	Counterparty risk	1.06%-100%(*)	2.54%
Commodity contracts	**11**	Discounted cash flows	Counterparty risk	1.06%-100%(*)	2.54%
Liabilities					
Liabilities in respect of derivatives(2)					
NIS-CPI interest contracts	**106**	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
Foreign exchange rate contracts	**266**	Discounted cash flows	Expected inflation	(0.23)%-0.98%	0.38%
B. Items measured at fair value on a non-recurring basis					
Non-performing credit whose collection is collateral-dependent	**372**	Collateral's fair value			

* In respect of a defaulted counterparty.

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 the 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 the unobservable input "Counterparty 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.)

	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 derivatives[2]					
NIS-CPI interest contracts	151	Discounted cash flows	Expected inflation	0%-1.38%	0.57%
	21	Discounted cash flows	Counterparty risk	0.77%-100%(*)	1.74%
Interest rate contracts	102	Discounted cash flows	Counterparty risk	0.77%-100%(*)	1.74%
Foreign exchange rate contracts	71	Discounted cash flows	Expected inflation	0.01%-1.13%	0.57%
	712	Discounted cash flows	Counterparty risk	0.77%-100%(*)	1.74%
Option contracts	45	Discounted cash flows	Counterparty risk	0.77%-100%(*)	1.74%
Commodity contracts	6	Discounted cash flows	Counterparty risk	0.77%-100%(*)	1.74%
Liabilities					
Liabilities in respect of derivatives[2]					
NIS-CPI interest contracts	165	Discounted cash flows	Expected inflation	0.01%-1.13%	0.57%
Foreign exchange rate contracts	197	Discounted cash flows	Expected inflation	0.01%-1.13%	0.57%
B. Items measured at fair value on a non-recurring basis					
Non-performing credit whose collection is collateral-dependent	585	Collateral’s fair value			

* In respect of a defaulted counterparty.

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 the 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 the unobservable input "Counterparty 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 2018 (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 securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,821	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 derivatives[2]					
NIS-CPI interest contracts	130	Discounted cash flows	Expected inflation	0%-1.38%	0.46%
	19	Discounted cash flows	Counterparty risk	1.14%-100%(*)	2.54%
Interest rate contracts	142	Discounted cash flows	Counterparty risk	1.14%-100%(*)	2.54%
Foreign exchange rate contracts	57	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
	914	Discounted cash flows	Counterparty risk	1.14%-100%(*)	2.54%
Option contracts	937	Discounted cash flows	Counterparty risk	1.14%-100%(*)	2.54%
Commodity contracts	19	Discounted cash flows	Counterparty risk	1.14%-100%(*)	2.54%
Liabilities					
Liabilities in respect of derivatives[2]					
NIS-CPI interest contracts	109	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
Foreign exchange rate contracts	128	Discounted cash flows	Expected inflation	(0.17)%-1.09%	0.46%
B. Items measured at fair value on a non-recurring basis					
Non-performing credit whose collection is collateral-dependent	464	Collateral's fair value			

* In respect of a defaulted counterparty.

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 the 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 the unobservable input "Counterparty risk" reflects a weighted average.

Note 16 - Miscellaneous Topics

a. Leumi Card Ltd.

On February 25 2019, the sale of Leumi Card Ltd. to Warburg Pincus Financial Holdings Israel LTD. was completed. The Bank recorded a NIS 314 million profit (before tax) on the said sale of the shares.

For more information regarding the sale of Leumi Card Ltd., please see Note 36Fto the financial statements as at December 31 2018.

b. Bank Leumi Romania (BLROM)

On July 10 2019, the transaction for the sale of the Bank’s interests in Leumi Romania to First Bank S.A - a Romania-based bank controlled by Investment Fund JC Flowers - was completed. The completion of the transaction does not have a material effect on the Bank’s financial results.

c. The Bank sells ABS shares

Pursuant to the provisions of the Law for Increasing Competition and Reducing Concentration in the Israeli Banking Industry (Legislative Amendments), 2017 (hereinafter: the "**Law**"), the Bank is required to reduce its holdings in Automated Banking Services Ltd. (hereinafter: "**ABS**" or the "**Company**"), such that by January 30 2021, the Bank's holdings in ABS will not exceed 10 percent of the Company’s issued capital.

On November 20 2018, the Bank signed an agreement with a corporation from the Visa International Group (hereinafter: "Visa") for the sale of 10 percent of the Company's shares for NIS 37 million. The said transaction was completed on December 13 2018. The Bank recorded a NIS 24.6 million profit (before tax) on the said sale of the shares.

Under the said agreement and subject to its terms and conditions, Visa will also be granted a right of first offer if the Bank wishes to sell additional shares in the Company (other than by an offer to sell under a prospectus), and subject to the applicable holding restrictions under law. Such right of first offer shall apply to the shares which the Bank is obligated to sell under the law by June 30 2019; as to the shares the Bank is not obligated to sell, the right of first offer will be valid for three years from the date of the agreement’s completion. Visa was also granted certain rights of first offer or refusal in connection with the sale (if any) of the Bank's holdings in Bank Clearing Center Ltd.

Following the said sale to Visa, the Bank’s remaining stake in the company is approximately 30 percent.

On May 29 2019, the Bank, Bank Hapoalim Ltd. and Discount Bank Ltd. (hereinafter: the "Offerors") issued a tender for advance purchase commitments by certain investors (hereinafter: the "Institutional Tender") for the sale of the Offerors’ shares in Automated Banking Services Ltd. (ABS) for a certain portion of the Offerors’ stake in ABS, as prescribed by the said tender. Pursuant to the Institutional Tender, bidders submitted bids for the purchase of 38,333,500 ABS shares, out of which the offerors decided to accept advance purchase commitments for 17,440,000 shares of ABS, at NIS 7.4 per share.

On June 5 2019, a public tender for the offer to sell the Offerors’ shares in ABS was held, according to the size of the Offerors’ stakes in ABS prescribed by the said tender. The results of the public tender were as follows: The Offerors sold 17,440,000 of ABS’s shares, which constitute 43.6 percent of ABS’s issued and paid up share capital, at NIS 7.4 per share. The Bank’s share of the total shares sold by the Offerors was 8,360,000 of ABS shares, which constitute approximately 20 percent of ABS’s issued and paid up share capital.

Following the results of the Institutional Tender, on May 30 2019, the Governor of the Bank of Israel revoked ABS’s license as a "joint service provider".

On September 4 2019, the Bank transferred to Mizrahi Tefahot Ltd. ("Bank Mizrahi") 520,000 shares of the Company (which originated in shares transferred to the Bank by Bank Mizrahi in 1979) in consideration of NIS 1,233,860.

Following the above, the Bank’s stake in ABS, as of this date, is 10 percent of the Company’s issued capital.

On October 29 2019, ABS published an immediate report regarding an inquiry by the Anti-Trust Authority in respect of the common interests of ABS and Bank Clearing Center (MASAV). According to said report, in its inquiry, the Anti-Trust Authority claimed that despite the restructuring executed by the Company in accordance with the provisions of the law, the Company and MASAV continue to have significant common interests which allegedly constitute a cartel. In the immediate report, ABS's position is that the cooperation between the companies do not constitute a cartel nor does its constitute a violation of any kind and that it is reviewing the inquiry and its significance and will respond accordingly.

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

Corporate Governance, Additional Information and Appendices

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Changes in the Board of Directors

As of the end of the reporting period, the Board of Directors includes 10 members. During the third quarter of 2019, there were changes in the composition of the Board of Directors as specified below.

Under the amendment to Proper Conduct of Banking Business Directive No. 301, published on July 5 2017 (hereinafter - "Directive 301"), the maximum number of members on the Board of Directors of banking corporations is to be reduced to 10 by July 1 2020.

On November 6 2018, the Bank received guidance from the Banking Supervision Department, whereby - in order to comply with the provisions of Directive 301, as well as with directives issued in previous years to reduce the number of directors - in 2019, the number of board members shall be reduced to 10 when directors ending their third and last term will have retired. Mr. David Brodet (the former Chairman of the Board) and Yoav Nardi (member of the Board with the status of "Other Director") ended their third and last term at the Bank on July 21 2019. As of July 22 2019, the number of Board members was reduced to ten.

At a board meeting held on June 30 2019, Dr. Samer Haj Yehia was appointed Chairman of the Bank's Board of Directors. Dr. Samer Haj Yehia's appointment took effect on July 22 2019, the date on which the Banking Supervision Department approved his appointment. Please see also the immediate reports on the subject dated June 30 2019 and July 22 2019 (Ref. Nos. 2019-01-066019 and 2019-01-075631, respectively).

On April 8 2019, the Bank published a preliminary notice regarding a plan to convene a special annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of one director with the status of "Other Director" - a member of the Board who is not an external director pursuant to Section 11D(2) to the Banking Ordinance - to the Bank's Board of Directors.

On May 6 2019, pursuant to the preliminary notice and its revision dated April 18 2019, which the Bank issued as aforesaid and in accordance with subsections 11D(a)(1), (2) and (3) to the Banking Ordinance, 1941, the Bank received a notice from the Committee for Appointment of Directors in Banking Corporations, which was appointed in accordance with Section 36A of the Banking (Licensing) Law, 1981 (hereinafter: the "Committee for Appointment of Directors"). The notice includes a list of candidates to serve as the Bank's directors for election in the Bank's 2019 annual general meetings (for more information, please see the immediate report issued by the Bank on May 6 2019 (Ref. No. 2019-01-043441) (hereinafter: the "**Notice Issued by the Committee for the Appointment of Directors**").

For more information, please see section entitled "Annual general meeting and election of directors" below.

In the special annual general meeting of the Bank, which took place on July 18 2019, Ms. Irit Shlomi was elected director with the status of "Other Director" for a period of 3 years, subject to approval by the Banking Supervision Department.

For more information regarding the results of the special annual general meeting, please see the immediate report dated July 18 2019 (Ref. No. 2019-01-074368).

On September 5 2019, the Bank received the Supervisor of Banks' notice of non-objection to Ms. Irit Shlomi's appointment as director with the status of Other Director, subject to: 1) Ms. Irit Shlomi (personally and/or through her company) shall not provide consultation services to the Leumi Group and represent customers vis-à-vis the Leumi Group during her term of office; 2) Ms. Shlomi shall not begin her term prior to September 19 2019. On September 19 2019, Ms. Irit Shlomi began serving as director in the Bank (please see the immediate reports dated September 8 2019 (Ref. No. 2019-01-093505) and September 19 2019 (Ref. No. 2019-01-097246).

On September 6 2019, Ms. Esther Levanon ended her first term as director with the Bank (please see the immediate report dated September 8 2019 (Ref. No. 2019-01-093502).

Following the announcement of the Committee for the Appointment of Directors as aforesaid, among the candidates to serve as directors for election in the Bank's 2019 general meetings was Dr. Yitzhak Sharir, a director who served with the status of "Other director" until November 7 2019[1]. Following the decision of the Bank's Audit Committee - according to which the appointment of Dr. Yitzhak Sharir as Chairman of the Board of Directors of Kafrit Industries Ltd. ("Kafrit") creates a prohibited interest according to the provisions of the Banking Ordinance, in the case of Dr. Sharir's

[1] Dr. Sharir was due to end his first tenure in office as director with the status of "Other Director" on February 1 2020.

appointment as Chairman of the Board of Directors of Kafrit, Dr. Sharir will be unable to continue serving as director with the Bank - on November 6 2019, Dr. Sharir announced his resignation from the Bank's Board of Directors as of November 7 2019, the date on which he began serving as Chairman of the Board of Directors in Kafrit. Due to the above, Dr. Sharir may not be nominated for election as a director in the Bank. Due to the above, on November 7 2019, Dr. Sharir's tenure of office in the Bank ended. Subsequently, the Bank's Board of Directors decided on November 5 2019 to nominate only a single director with the status on "Other Director" (in lieu of 2 directors with this status as published in the preliminary notice issued on September 26 2019 (Ref. No. 2019-01-084369) (above and below: the "**Preliminary Notice**").

Following Dr. Sharir's resignation from his service as director in the Bank's Board of Directors, the number of directors serving on the Bank's Board of Directors was reduced to 9 directors. During January to February 2020, the following directors are expected to end their first tenure in office as directors with the Bank: Ms. Esther Dominissini (with the status of "Other Director") and Yitzhak Edelman (with the status of ED), who are candidates for re-election to an additional term according to the notice issued by the Committee for the Appointment of Directors, as detailed above.

On November 10 2019, the Bank published a summons to a general meeting which will convene on December 23 2019, whose agenda includes, inter alia, the election of 2 directors for the Bank's Board of Directors (one director with the status of "Other Director" and one ED) out of the candidates selected by the Committee for the Appointment of Directors as aforesaid and any additional candidates nominated by those eligible to nominate candidates to the Bank's Board of Directors pursuant to the law. (Ref. No. 2019-01-096531).

A preliminary notice regarding the second meeting, expected to take place during the fourth quarter of 2019 as aforesaid, was published on September 26 2019 (Ref. No. 2019-01-084369).

For more information regarding the extraordinary general meeting, please see section entitled "Annual General Meeting and Election of Directors" below.

The 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 2018 Annual Internal Audit Report were included in the 2018 Annual Report.

The Leumi Group's 2018 Internal Audit Report was submitted to the Audit Committee on March 13 2019, discussed by the Committee on March 17 2019, submitted to the Board of Directors on March 19 2019 and discussed by the Board of Directors on March 24 2019.

A bi-annual compilation of audit reports and records for the first half of 2019 was submitted to the Audit Committee on August 14 2019 and discussed by the Committee on August 18 2019, submitted to the Board of Directors on September 2 2019 and reported to the Board of Directors on September 5 2019.

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.

For information regarding the sale of equity shares of the Bank held by the State of Israel to the Bank's employees, including an offering of 12,364 shares to the Chairman of the Board, please see section entitled "Control of the Bank" in the Bank's 2018 Annual Financial Statements and the immediate report regarding the convening of a special annual general meeting dated June 5 2019 (Ref. No. 2019-01-056155) and the immediate report regarding the results of the general meeting dated July 18 2019 (Ref. No. 2019-01-074368).

For up-to-date information on interested parties' holdings in the Bank as at September 30 2019, please see the immediate report entitled "Status of Holdings of Interested Parties and Senior Officers" dated October 10 2019 (Ref. No. 2019-01-087405). See also the immediate report on the list of holders of significant means of control in the Bank as at March 31 2019, dated April 7 2019 (Ref. No. 2019-01-033928).

Annual general meeting and election of directors

Following the decision of the Bank's Board of Directors of April 7 2019, on April 8 2019, an immediate report was published regarding the intention to convene a special annual general meeting of the Bank's shareholders (hereinafter: the "**Preliminary Notice**"), with the following topics on its agenda: (1) Discussion of the annual financial statements; (2) Appointment of independent auditors and authorization to set their fees; (3) Appointment of a director with the status of "Other Director" - a director who is not an external director in accordance with Section 11d(a)(2) to the Banking Ordinance, 1941 (hereinafter: the "**Banking Ordinance**", "**Director with the Status of Other Director**" to the Bank's Board of Directors; and (4) Approval of the participation of the Chairman of the Board in the State's offering to the Bank's employees as detailed in the Share Offering Outline by the State to the Bank's employees published on November 20 2018 (Ref. No.: 2018-01-111390) (hereinafter: the "**Share Offering Outline**").

For more information regarding the Preliminary Notice and its update, please see the immediate reports dated April 8 2019 (Ref. No. 2019-01-034438) and April 18 2019 (Ref. No. 2019-01-036060).

On May 5 2019, pursuant to the Preliminary Notice and its update, which the Bank issued as aforesaid and in accordance with subsections 11D(a)(1), (2) and (3) to the Banking Ordinance, the Bank received a notice from the Committee for Appointment of Directors in Banking Corporations, which was appointed in accordance with Section 36A of the Banking (Licensing) Law, 1981 (hereinafter: the "**Committee for Appointment of Directors**"). The notice includes a list of candidates to serve as the Bank's directors for election in the Bank's 2019 general meetings (for more information, please see the immediate report issued by the Bank on May 5 2019 (Ref. No. 2019-01-043441) (hereinafter: the "**Notice Issued by the Committee for the Appointment of Directors**"), as follows:

The Bank's annual special general meeting was held on July 18 2019, pursuant to the decision of the Board of Directors made on June 5 2019 and the report regarding the convening of a special annual meeting by the Bank published on June 5 2019, in which: (1) The Financial Statements and Report of the Board of Directors and Management as at December 31 2018 were presented; (2) It was decided to reappoint auditing firms Somekh Chaikin (KPMG) and Kost Forrer Gabbay & Kasierer (EY) as joint independent auditors of the Bank for a period that will commence on the date of approval by the current annual general meeting until the approval date of the Bank's annual financial statements for 2019 (hereinafter: the "**End Date**") and to authorize the Bank's Board of Directors to set the fees paid thereto; (3) It was also decided to appoint auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as joint independent auditors of the Bank for a period that will commence on the End Date, as defined above, until the date of the next annual general meeting of the Bank and to authorize the Bank's Board of Directors to set the fees paid thereto; (4) Ms. Irit Shlomi was elected director with the status of "Other Director" for a period of 3 years. Ms. Shlomi's term of office began on September 19 2019, after the Bank received the approval of the Supervisor of Banks' non-objection to Ms. Shlomi's appointment. (5) It was decided to approve an offering of 12,364 ordinary shares of NIS 1 par value each of the Bank to Mr. David Brodet, Chairman of the Board, as part of the Shares Offering Outline as defined above and in accordance with its terms and conditions.

For more information regarding the general meeting and the approved resolutions, please see the Bank's immediate report dated June 5 2019 regarding the convening of a special annual general meeting (Ref. No.: 2019-01-056155) and the Bank's immediate report dated July 18 2019 regarding the results of the general meeting (Ref. No.: 2019-01-074368).

For more information regarding the appointment of Ms. Irit Shlomi to the Bank's Board of Directors, please see section entitled "Changes in the Board of Directors" above.

Following the decision of the Bank's Board of Directors on September 26 2019, an immediate report was issued on the same date regarding the intention to convene an a special general meeting of the Bank's shareholders (hereinafter: the "**Preliminary Notice**"), the agenda of which is expected to include the following topics: (1) Appointment of two external directors with the status of "Other Director"; (2) Appointment of one external director in accordance with the Companies Law, 1999 who also meets the qualifications for external director pursuant to Proper Conduct of Banking Business Directive No. 301, to the Bank's Board of Directors; (3) Approval of a new compensation policy for the Bank's officers; (4) Amendment of bonds to indemnify directors at the Bank; (5) Approval of term of office and employment of the Chairman of the Board; and (6) Approval of term of office and employment of the President and CEO.

For more information regarding the Preliminary Notice, please see the immediate report dated September 26 2019 (Ref. No. 2019-01-084369).

Among the candidates nominated for election as directors in the Bank's general meetings in 2019 in the notice of the Committee for Appointment of Directors as aforesaid, was Dr. Yitzhak Sharir, a director who served with the status of "Other Director" until November 7 2019 and who was scheduled to end a first term as director in the Bank on February 1 2020. Following the decision of the Bank's Audit Committee, whereby the appointment of Dr. Yitzhak Sharir as Chairman of the Board of Kafrit Industries Ltd. ("**Kafrit**") will give rise to an interest of Dr. Sharir, and such interest being a forbidden interest pursuant to the Banking Ordinance could not be ruled out, then in the event that Dr. Sharir's appointment as the Chairman of Kafrit's Board of Directors, he will not be allowed to stand up for election as a director in the Bank.

As a result, the Bank's Board of Directors decided on November 5 2019 to nominate for election only one director with the status of "Other Director" (in lieu of 2 directors with this status as published in the Preliminary Notice published on September 26 2019).

On November 10 2019, the Bank published a summons to an extraordinary general meeting to convene on December 23 2019, with the following items on its agenda: (1) Appointment of one director with the status of "Other Director" (in lieu of 2 directors with this status, as detailed above) to the Bank's Board of Directors; (2) Appointment of one external director in accordance with the Companies Law, 1999, to the Bank's Board of Directors; (3) Approval of an updated compensation policy for officers of the Bank; (4) Amendment of indemnification undertaking letters for the Bank's directors; (5) Approval of service and employment terms and conditions of the Chairman of the Board; and (6) Approval of service and employment terms of the President and CEO.

For more information regarding the General Meeting, please see the immediate report dated November 10 2019 (Ref. No. 2019-01-096531).

Appointments and Departures

Appointments

Mr. **Hanan Friedman**, Head of the Strategy, Innovation and Transformation Division and member of the Bank’s management, was appointed President and CEO as of November 1 2019.

Mr. **Ilan Buganim**, CTO/CDO and Head of the Infrastructure Department and member of the Bank’s management, was appointed Head of the Data Division as of April 1 2019.

Mr. **Eyal Ben Haim** was appointed Head of the Operations Division and member of the Bank’s management in the rank of First Executive Vice President as of April 1 2019.

Mr. **Eilon Dachbash** was appointed Head of the Banking Division and member of the Bank’s management in the rank of First Executive Vice President as of April 11 2019.

Departures

Ms. **Rakefet Russak-Aminoach**, President and CEO, resigned on October 31 2019 after 15 years of working at Leumi, 7 years of which - in the position of President and CEO.

Ms. **Tamar Yassur**, Head of the Digital Banking Division and member of the Bank’s management, resigned on March 31 2019, after 12 years of working at Leumi.

Mr. **Danny Cohen**, Head of the Retail Banking Division and member of the Bank’s management, resigned on March 31 2019, after 28 years of working at Leumi.

Corporate Structure

The Strategy, Innovation and Transformation Division

On November 1 2019, the Division - which was headed by Mr. Hanan Friedman - will cease to exist and the units included therein will be restructured.

The Data Division

On April 1 2019, the Data Division was established with the aim of leveraging Leumi’s data asset, including offering Leumi’s customers quality value propositions at the right place and at the right time. In addition to marketing, the Division will be responsible for the Pepper platform.

The Bank's Secretariat
On April 1 2019, the Bank's Secretariat began reporting to the Legal Counsel Division.

Material Agreements

Collective agreements with the employees
On July 29 2019, the Bank signed a special collective agreement with the Workers' Union for 2019-2022 and a special collective agreement regarding employees specializing in technological professions.

For more information, please see Note 8 and an immediate report dated June 25 2019.

Retirement Arrangements
On August 14 2019, the Bank contracted an additional institutional entity to transfer compensation and severance pay pension funds which have accrued or will be accrued in the severance and pension funds of the Bank employees who have opted on retirement or will opt for a social security arrangement to a paying fund. The Bank also entered into an agreement to purchase an insurance policy for the retirees, payable by the Bank.

For more information on the topic, please see Note 8.C.4.B and an immediate report dated August 14 2019.

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 2018 Annual Financial Statements.

During the reporting period, several proposals for regulatory amendments and amendments to 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 or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect 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.

Directives Issued by the Banking Supervision Department

Banking Ordinance (Customer Service) (Supervision over Service of Depositing a Post-Dated Check) (Temporary Order), 2019
On March 31 2019, the Bank of Israel's Governor signed the said ordinance, which defined the "Service of Depositing a Post-Dated Check" as a supervisable service, with a maximum fee for a check reassigned and deposited through a clerk or digitally being two shekels per check. Transfer of a check to a bank for depositing shall not be considered reassignment of a check.

The said ordinance follows the enactment of the Law for Reducing the Use of Cash, 2018, whose provisions regarding checks became effective on July 1 2019, and the objective of which is to encourage retail customers to deposit reassigned post-dated checks even before the law enters into force, in order to prevent a situation where the checks are not honored due to the provisions of the new law.

The ordinance will be in force from April 15 2019 to June 30 2019 and apply only to individuals and small businesses.

Amendment to Banking Rules (Customer Service) (Fees and Commissions), 2019
On May 1 2019, Amendment to Banking Rules (Customer Service) (Fees and Commissions), 2019 was published.

Following are the main points of the amendment:

- Small businesses and authorized dealers shall be proactively added to the service tracks if they have been charged fees and commissions exceeding the amounts they would have paid had they joined the said service tracks. The expediency of the above shall be examined according to the rules prescribed by the directive; the procedure was first implemented on August 1 2019 and, as of 2020, will be implemented annually on March 1 of each year.

- New fees and commissions shall be charged for the following services: Pension consulting, cash withdrawal from an ATM using prepaid cards which are not linked to a current account and cash withdrawal from an ATM using a foreign card.

The amendments to the ordinance are expected to affect the Bank's revenues from the said fees and commissions.

Amendments to Proper Conduct of Banking Business Directive provisions regarding e-banking and innovation

On May 20 2019, the Banking Supervision Department issued an amendment to Directive No. 367, E-banking. The amendment includes, inter alia, various easements in the following areas: Simplification of the identification and validation of customers wishing to make e-banking transactions; easements when opening an online account for minors; and revoking restrictions and controls previously set regarding check depositing forms for online accounts.

On May 20 2019, the Banking Supervision Department issued an amendment to Directive No. 353, Control over Issuing of Guarantees by a Banking Corporation. The amendment will allow the Bank to issue bank guarantees digitally.

On June 24 2019, the Banking Supervision Department published a letter entitled "Encouraging Innovation in Banks and Acquirers". The letter seeks to encourage implementation of innovative banking technologies, as well as to clarify and outline the regulatory principles in this area, outlining the expectations from the banking corporations both in terms of adoption and assessment of new technologies and in terms of the risk management aspects affected by the changing environment.

On July 9 2019, the Banking Supervision Department published a position paper regarding banking payment applications' activity with merchants. The outline limits the scope of the banks' payments activity with merchants in the next three years (up to NIS 2 billion in 2019; NIS 2.5 billion in 2020; and NIS 3 billion in 2021). As of 2021, the limit will not apply to businesses using smart payment methods based on the global EMV standard. In addition, the banks' payment applications for merchants will not enable immediate transactions if the Bank Clearing Center (MASAV) launches such a service, unless non-bank entities will also have access to said service. According to the position paper, the maximum amount for the banks' payment applications was set as an "infant protection" mechanism for credit card companies and other non-bank players which are also active in the payments domain.

The implementation of the said provisions will allow the Bank to adopt innovative banking products and services as well as to expand the use of advanced technologies, in order to adapt the Bank to the changing business and technological environment, while further boosting customer experience, maximizing the management of operational risks, streamlining its activity, and reducing costs.

Providing professional human response by telephone

On July 25 2018, an amendment to the Banking Ordinance (Customer Service), 1981 was published, requiring Banking corporations providing telephone services which include automatic call routing systems to offer customers professional human response for several types of services (handling technical problems, making billing inquiries and termination of contract) within six minutes of the beginning of the call. The law will come into effect one year after its publication.

On June 12 2019, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 426 regulating the implementation of the said amendment and adding guidance regarding providing telephone response.

The provision requires the following, inter alia: That banking corporations provide professional human response through call centers, including for the types of services outlined in the amendment to the law, at least during "core hours" (as defined by the directive); setting exceptions to the waiting time requirement provided by the amendment; prioritizing people older than 75 in terms of waiting time, etc.

Effective date - The Directive became effective on the date on which the law went into force, except for the requirement to prioritize the elderly in call routing, which will become effective on January 1 2020.

The Bank is preparing accordingly.

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 aim to ease the entry of new players into the market, inter alia, by increasing the resources available to them, providing tiered regulatory easements, and granting easements for connecting to the payment and clearing systems.

These amendments are expected to affect the Israeli banking sector in the coming years, along with initiatives led by the Bank of Israel, such as: building the Central Credit Register, which was launched in April 2019 and will enable various entities to obtain credit statements and reports for their current and potential customers; encouraging the banking sector to increase efficiency; and the reform regulating customers' transfer from one bank to another through direct channels.

For more information on this topic, please see the 2018 Annual Financial Statements.

The following topics should also be mentioned in this context:

- Following rules published by the Ministry of Finance on providing a government grant for establishing a banking computerized services bureau following the Law for Increasing Competition and Reducing Concentration in the Banking Industry in Israel (Legislative Amendments), 2017, the Ministry of Finance selected TCS, a subsidiary of Indian conglomerate Tata, to establish the bureau. The bureau will serve as infrastructure for new players in the banking industry.
- On June 2 2019, the Banking Supervision Department published a draft of rules and draft Proper Conduct of Banking Business Directive regulating customers' transition between banks. These drafts prescribe provisions for implementing a reform on transitioning between banks.
- On November 18 2019, the Banking Supervision Department published for public comment drafts of new directives regarding adjustments to directives of the Banking Supervision Department which will be applicable to new banks and banks under establishment.

  In this context, a draft directive regarding adjustments to Proper Conduct of Banking Business directives applicable to new banks and banks under establishment was published, as was a draft Reporting to the Public directive applicable to new banking corporations.

  The said directives set tiered regulation for new banks and create a defined known regulatory tier for entities establishing new banks in respect of the regulatory requirements applicable to such corporations. The directives also define the requirements applicable to banks under establishment.

  The main adjustments to the directives apply to the following issues: The required equity capital, the leverage ratio, the liquidity ratio, the composition of the Board of Directors and its committees, use of cloud computing services, corporate governance and publication of financial statements to the public.

The Parliamentary Committee of Inquiry into the Financial System's Handling of Credit Arrangements 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.

On October 28 2018, the Chairman of the Bank's 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.

On April 16 2019, the Committee published its recommendations. The recommendations focus mainly on a series of changes which should be made, according to the Committee, to the financial regulators' conduct. These changes may be relevant to the Banking System and to additional institutional entities in the Israeli economy, directly and indirectly.

The Bank sells some of its ABS shares

Pursuant to the provisions of the Law for Increasing Competition and Reducing Concentration in the Israeli Banking Industry (Legislative Amendments), 2017 (hereinafter: the "**Law**"), the Bank is required to reduce its holdings in Automated Banking Services Ltd. (hereinafter: "**ABS**" or the "**Company**"), such that by January 30 2021, the Bank's holdings in ABS will not exceed 10 percent of the Company's issued capital.

On November 20 2018, the Bank signed an agreement with a corporation from the Visa International Group (hereinafter: "Visa") for the sale of 10 percent of the Company's shares for NIS 37 million. The said transaction was completed on December 13 2018. The Bank recorded a NIS 24.6 million profit (before tax) on the said sale of the shares.

Under the said agreement and subject to its terms and conditions, Visa will also be granted a right of first offer if the Bank wishes to sell additional shares in the Company (other than by an offer to sell under a prospectus), and subject to the applicable holding restrictions under law. Such right of first offer shall apply to the shares which the Bank is obligated to sell under the law by June 30 2019; as to the shares the Bank is not obligated to sell, the right of first offer will be valid for three years from the date of the agreement's completion. Visa was also granted certain rights of first offer or refusal in connection with the sale (if any) of the Bank's holdings in Bank Clearing Center Ltd.

Following the said sale to Visa, the Bank's remaining stake in the company is approximately 30 percent.

On May 29 2019, the Bank, Bank Hapoalim Ltd. and Discount Bank Ltd. (hereinafter: the "**Offerors**") issued a tender for advance purchase commitments by certain investors (hereinafter: the "**Institutional Tender**") for the sale of the Offerors' shares in Automated Banking Services Ltd. (ABS) for a certain portion of the Offerors' stakes in ABS, as prescribed by the said tender. Pursuant to the Institutional Tender, bidders submitted bids for the purchase of 38,333,500 ABS shares, out of which the Offerors decided to accept advance purchase commitments for 17,440,000 shares of ABS, at NIS 7.4 per share.

On June 5 2019, a public tender for the offer to sell the Offerors' shares in ABS was held, according to the size of the Offerors' stakes in ABS prescribed by the said tender. The results of the public tender were as follows: The Offerors sold 17,440,000 of ABS's shares, which constitute 43.6 percent of ABS's issued and paid up share capital, at NIS 7.4 per share. The Bank's share of the total shares sold by the Offerors was 8,360,000 of ABS shares, which constitute approximately 20 percent of ABS's issued and paid up share capital.

Following the results of the Institutional Tender, on May 30 2019, the Governor of the Bank of Israel revoked ABS's license as a "joint service provider".

On September 4 2019, the Bank transferred to Mizrahi Tefahot Ltd. ("Bank Mizrahi") 520,000 shares of the Company (which originated in shares transferred to the Bank by Bank Mizrahi in 1979) in consideration of NIS 1,233,860.

Following the above, the Bank's stake in ABS, as of this date, is 10 percent of the Company's issued capital.

On October 29 2019, ABS released an immediate report about an inquiry by the Competition Authority regarding ABS's and the Automated Banking Systems Ltd. joint interests. In accordance with the aforementioned report, the Competition Authority's appeal argued that despite the change in the ownership structure carried out as part of the implementation of the provisions of the law, the Company and MASAV continue to maintain significant affiliations allegedly constituting a cartel. ABS's position in the said report is that the cooperation between the companies does not constitute a cartel and or any violation and that it is reviewing the details of the appeal and its meaning and will respond accordingly.

International Regulation

FATCA and the Standard for Automatic Exchange of Financial Account Information (hereinafter - the "Standard").

On July 14 2016, the Income Tax Ordinance Amendment Law (No. 227), was published. The law regulates the implementation of the FATCA agreement between the State of Israel and the United States and agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information (FATCA), granting the Minister of Finance the power to prescribe the implementation of the said agreements through regulations.

The Income Tax (Implementation of the FATCA Agreement) Regulations, 2016 were published on August 4 2016. Under the regulations, the Bank is required, inter alia, to implement customers' identification procedures and forward information on accounts held by American customers to the Israel Tax Authority, which will forward the information to the US's Internal Revenue Service.

The Income Tax (Implementation of a Uniform Standard for Reporting and Due Diligence of Information on Financial Accounts) Regulations, 2019 were published on February 6 2019. Pursuant to the regulations, the Bank is required, inter alia, to identify customers who are residents of foreign countries, and to report customers identified as residents of countries with which Israel has information exchange agreements to the Israel Tax Authority, which will forward the information to the competent authorities in the customers' countries of residence.

The Bank implements the identification procedures and reports to the Israel Tax Authority according to the provisions of the said law.

International Privacy Protection Regulation

Following the description in the 2018 Annual Financial Statements of the European privacy protection directive General Data Protection Regulation (GDPR), the Bank is reviewing similar regulation, at various legislative stages, in other countries, and will prepare for them as needed.

Credit Ratings

Credit ratings of the State of Israel and the Bank as at November 26 2019:

	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	Stable	A-1
	Fitch	A	Stable	F1+
Local rating (in Israel)	S&P Maalot	AAA	Stable	-
	Midroog	Aaa	Stable	P-1

On January 9 2019, credit rating agency Fitch reiterated the Bank's rating and rating forecast.

On March 24 2019, credit rating agency Fitch reiterated the State of Israel's rating and rating forecast.

On April 5 2019, credit rating agency Moody's reiterated the State of Israel's rating and rating forecast.

On May 1 2019, credit rating agency Fitch reiterated the Bank's rating and rating forecast.

On May 7 2019, credit rating agency Fitch issued an update whereby the Bank's short-term rating was included in a positive observation list, as part of the updating of short term rating scales. The final rating will be determined within 6 months from the update's publication date. Until then, the Bank's short-term rating will be "Under Observation Criteria" (UOC). The Bank's long-term rating or forecast have not been changed.

On June 17 2019, credit rating agency Moody's reiterated the State of Israel's credit rating and rating forecast.

On July 10 2019, credit rating agency S&P upgraded the Bank's long-term rating and updated the short term rating forecast.

On July 11 2019, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On July 17 2019, credit rating agency Fitch issued an update whereby the Bank's short-term rating for the short term was elevated to F1+. The Bank's long-term rating or forecast have not been changed.

On August 13 2019, credit rating agency Midroog reiterated the Bank's rating and rating forecast and increased the Bank's baseline credit assessment (BCA) from aa1.il to aa2.il, and accordingly - the trajectory of Bank's financial strength rating outlook from positive to stable.

On November 5 2019, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On November 7 2019, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates[a] and Analysis of Changes in Interest Income and Expenses

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the three months ended September 30					
	2019			2018		
	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest-bearing assets						
Loans to the public[c]						
In Israel	**251,356**	**1,865**	**3.00**	245,408	2,180	3.60
Outside Israel	**24,128**	**281**	**4.74**	24,976	305	4.97
Total[i]	**275,484**	**2,146**	**3.15**	270,384	2,485	3.73
Loans to governments						
In Israel	**711**	**8**	**4.58**	716	8	4.54
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**711**	**8**	**4.58**	716	8	4.54
Deposits with banks						
In Israel	**11,069**	**52**	**1.89**	8,659	22	1.02
Outside Israel	**469**	**1**	**0.86**	398	1	1.01
Total	**11,538**	**53**	**1.85**	9,057	23	1.02
Deposits with central banks						
In Israel	**46,546**	**29**	**0.25**	48,954	13	0.11
Outside Israel	**1,097**	**4**	**1.47**	1,443	6	1.67
Total	**47,643**	**33**	**0.28**	50,397	19	0.15
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**885**	**1**	**0.45**	1,072	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**885**	**1**	**0.45**	1,072	-	-
Bonds - Held-to-redemption and available-for-sale[d]						
In Israel	**69,902**	**253**	**1.46**	65,462	228	1.40
Outside Israel	**5,145**	**32**	**2.51**	5,233	38	2.94
Total	**75,047**	**285**	**1.53**	70,695	266	1.51
Bonds - Held-for-trading[d]						
In Israel	**4,870**	**-**	**-**	6,885	9	0.52
Outside Israel	**-**	**-**	**-**	78	1	5.23
Total	**4,870**	**-**	**-**	6,963	10	0.58
Total interest-bearing assets	**416,178**	**2,526**	**2.45**	409,284	2,811	2.78
Non-interest bearing receivables in respect of credit cards	**6,013**			6,742		
Other non-interest bearing assets[e]	**41,441**			35,706		
Total assets	**463,632**	**2,526**		451,732	2,811	
Total interest-bearing assets attributed to foreign operations	**30,839**	**318**	**4.19**	32,128	351	4.44

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Capital

	For the three months ended September 30					
	2019			2018		
	Average balance(b)	Interest expenses	% of expense	Average balance(b)	Interest expenses	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	259,909	(332)	(0.51)	247,916	(394)	(0.64)
Demand deposits	129,367	(43)	(0.13)	114,286	(18)	(0.06)
Fixed deposits	130,542	(289)	(0.89)	133,630	(376)	(1.13)
Outside Israel	15,951	(71)	(1.79)	14,886	(66)	(1.79)
Demand deposits	6,035	(46)	(3.08)	5,709	(20)	(1.41)
Fixed deposits	9,916	(25)	(1.01)	9,177	(46)	(2.02)
Total	275,860	(403)	(0.59)	262,802	(460)	(0.70)
Deposits by the Israeli government						
In Israel	190	(1)	(2.12)	226	(1)	(1.78)
Outside Israel	251	-	-	322	-	-
Total	441	(1)	(0.91)	548	(1)	(0.73)
Deposits by central banks						
In Israel	47	-	-	3	-	-
Outside Israel	-	-	-	-	-	-
Total	47	-	-	3	-	-
Deposits by banks						
In Israel	6,015	(9)	(0.60)	5,439	(6)	(0.44)
Outside Israel	99	-	-	93	-	-
Total	6,114	(9)	(0.59)	5,532	(6)	(0.43)
Securities borrowed or sold under reverse repurchase agreements						
In Israel	576	(1)	(0.70)	537	-	-
Outside Israel	-	-	-	-	-	-
Total	576	(1)	(0.70)	537	-	-
Bonds						
In Israel	19,938	(20)	(0.40)	17,511	(148)	(3.42)
Outside Israel	-	-	-	-	-	-
Total	19,938	(20)	(0.40)	17,511	(148)	(3.42)
Total interest-bearing liabilities	302,976	(434)	(0.57)	286,933	(615)	(0.86)
Non-interest bearing deposits by the public	91,840			97,056		
Non-interest bearing payables in respect of credit cards	4,209			6,295		
Other non-interest bearing liabilities(f)	28,410			26,502		
Total liabilities	427,435	(434)		416,786	(615)	
Total capital resources	36,197			34,946		
Total liabilities and capital resources	463,632	(434)		451,732	(615)	
Interest rate spread		2,092	1.88		2,196	1.92
Net return(g) on interest-bearing assets						
In Israel	385,339	1,845	1.93	377,156	1,911	2.04
Outside Israel	30,839	247	3.24	32,128	285	3.60
Total	416,178	2,092	2.03	409,284	2,196	2.16
Total interest-bearing liabilities attributed to foreign operations	16,301	(71)	(1.75)	15,301	(66)	(1.74)

Please see comments below.

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the nine months ended September 30					
	2019			2018		
	Average balance[(b)]	Interest income	% of income	Average balance[(b)]	Interest income	% of income
	In NIS millions		In %	In NIS millions		In %
Interest-bearing assets						
Loans to the public[(c)]						
In Israel	**248,710**	**6,596**	**3.55**	242,243	6,676	3.69
Outside Israel	**24,921**	**911**	**4.90**	24,310	876	4.83
Total[(i)]	**273,631**	**7,507**	**3.67**	266,553	7,552	3.80
Loans to governments						
In Israel	**726**	**25**	**4.62**	724	24	4.44
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**726**	**25**	**4.62**	724	24	4.44
Deposits with banks						
In Israel	**10,093**	**141**	**1.87**	8,447	82	1.30
Outside Israel	**397**	**4**	**1.35**	350	2	0.76
Total	**10,490**	**145**	**1.85**	8,797	84	1.28
Deposits with central banks						
In Israel	**51,039**	**96**	**0.25**	49,372	38	0.10
Outside Israel	**1,157**	**12**	**1.39**	2,179	16	0.98
Total	**52,196**	**108**	**0.28**	51,551	54	0.14
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**826**	**2**	**0.32**	999	1	0.13
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**826**	**2**	**0.32**	999	1	0.13
Bonds - Held-to-redemption and available-for-sale[(d)]						
In Israel	**65,667**	**832**	**1.69**	65,915	566	1.15
Outside Israel	**5,601**	**113**	**2.70**	5,078	106	2.79
Total	**71,268**	**945**	**1.77**	70,993	672	1.26
Bonds - Held-for-trading[(d)]						
In Israel	**5,658**	**29**	**0.68**	5,930	31	0.70
Outside Israel	**-**	**-**	**-**	72	2	3.72
Total	**5,658**	**29**	**0.68**	6,002	33	0.73
Total interest-bearing assets	**414,795**	**8,761**	**2.83**	405,619	8,420	2.78
Non-interest bearing receivables in respect of credit cards	**5,906**			6,677		
Other non-interest bearing assets[(e)]	**42,379**			37,549		
Total assets	**463,080**	**8,761**		449,845	8,420	
Total interest-bearing assets attributed to foreign operations	**32,076**	**1,040**	**4.35**	31,989	1,002	4.20

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Capital

	For the nine months ended September 30					
	2019			2018		
	Average balance(b)	Interest expenses	% of expense	Average balance(b)	Interest expenses	% of expense
	In NIS millions		In %	In NIS millions		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	260,250	(1,381)	(0.71)	248,119	(1,172)	(0.63)
Demand deposits	126,907	(120)	(0.13)	113,377	(43)	(0.05)
Fixed deposits	133,343	(1,261)	(1.26)	134,742	(1,129)	(1.12)
Outside Israel	15,923	(230)	(1.93)	15,488	(172)	(1.48)
Demand deposits	5,611	(84)	(2.00)	5,240	(45)	(1.15)
Fixed deposits	10,312	(146)	(1.89)	10,248	(127)	(1.66)
Total	276,173	(1,611)	(0.78)	263,607	(1,344)	(0.68)
Deposits by the Israeli government						
In Israel	197	(2)	(1.36)	239	(3)	(1.68)
Outside Israel	328	-	-	258	-	-
Total	525	(2)	(0.51)	497	(3)	(0.81)
Deposits by central banks						
In Israel	19	-	-	41	-	-
Outside Israel	-	-	-	-	-	-
Total	19	-	-	41	-	-
Deposits by banks						
In Israel	4,921	(19)	(0.52)	4,926	(17)	(0.46)
Outside Israel	55	-	-	66	(1)	(2.03)
Total	4,976	(19)	(0.51)	4,992	(18)	(0.48)
Securities borrowed or purchased under agreements to resell						
In Israel	421	(2)	(0.63)	484	(1)	(0.28)
Outside Israel	-	-	-	-	-	-
Total	421	(2)	(0.63)	484	(1)	(0.28)
Bonds						
In Israel	19,865	(449)	(3.02)	16,223	(438)	(3.62)
Outside Israel	-	-	-	-	-	-
Total	19,865	(449)	(3.02)	16,223	(438)	(3.62)
Total interest-bearing liabilities	301,979	(2,083)	(0.92)	285,844	(1,804)	(0.84)
Non-interest bearing deposits by the public	92,797			95,792		
Non-interest bearing payables in respect of credit cards	3,849			6,274		
Other non-interest bearing liabilities(f)	28,264			27,838		
Total liabilities	426,889	(2,083)		415,748	(1,804)	
Total capital resources	36,191			34,097		
Total liabilities and capital resources	463,080	(2,083)		449,845	(1,804)	
Interest rate spread		6,678	1.91		6,616	1.94
Net return(g) on interest-bearing assets						
In Israel	382,719	5,868	2.05	373,630	5,787	2.07
Outside Israel	32,076	810	3.38	31,989	829	3.47
Total	414,795	6,678	2.15	405,619	6,616	2.18
Total interest-bearing liabilities attributed to foreign operations	16,306	(230)	(1.89)	15,812	(173)	(1.46)

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel

	For the three months ended September 30					
	2019			2018		
	Average balance[(b)]	Interest income (expenses)	% of income (expense)	Average balance[(b)]	Interest income (expenses)	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	**46,845**	**42**	**0.36**	46,512	442	3.86
Total interest-bearing liabilities	**29,419**	**48**	**0.65**	31,725	(236)	(3.01)
Interest rate spread			**1.01**			0.85
Unlinked NIS						
Total interest-bearing assets	**272,436**	**1,738**	**2.58**	272,542	1,644	2.43
Total interest-bearing liabilities	**202,488**	**(148)**	**(0.29)**	194,820	(107)	(0.22)
Interest rate spread			**2.29**			2.21
Foreign currency						
Total interest-bearing assets	**66,058**	**428**	**2.62**	58,102	374	2.60
Total interest-bearing liabilities	**54,768**	**(263)**	**(1.93)**	45,087	(206)	(1.84)
Interest rate spread			**0.69**			0.76
Total activity in Israel						
Total interest-bearing assets	**385,339**	**2,208**	**2.31**	377,156	2,460	2.63
Total interest-bearing liabilities	**286,675**	**(363)**	**(0.51)**	271,632	(549)	(0.81)
Interest rate spread			**1.80**			1.82

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel (cont.)

	For the nine months ended September 30					
	2019			2018		
	Average balance(b)	Interest (income) expenses	% of income (expense)	Average balance(b)	Interest (income) expenses	% of income (expense)
	In NIS millions		In %	In NIS millions		In %
CPI-linked NIS						
Total interest-bearing assets	**46,323**	**1,293**	**3.74**	45,748	1,547	4.53
Total interest-bearing liabilities	**30,100**	**(627)**	**(2.79)**	30,946	(790)	(3.42)
Interest rate spread			**0.95**			1.11
Unlinked NIS						
Total interest-bearing assets	**273,994**	**5,125**	**2.50**	272,391	4,880	2.40
Total interest-bearing liabilities	**202,192**	**(438)**	**(0.29)**	196,045	(321)	(0.22)
Interest rate spread			**2.21**			2.18
Foreign currency						
Total interest-bearing assets	**62,402**	**1,303**	**2.79**	55,491	991	2.39
Total interest-bearing liabilities	**53,381**	**(788)**	**(1.97)**	43,041	(520)	(1.61)
Interest rate spread			**0.82**			0.78
Total activity in Israel						
Total interest-bearing assets	**382,719**	**7,721**	**2.70**	373,630	7,418	2.66
Total interest-bearing liabilities	**285,673**	**(1,853)**	**(0.87)**	270,032	(1,631)	(0.81)
Interest rate spread			**1.83**			1.85

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2019 vs. 2018			2019 vs. 2018		
	For the three months ended September 30			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	44	(359)	(315)	172	(252)	(80)
Outside Israel	(10)	(14)	(24)	22	13	35
Total	34	(373)	(339)	194	(239)	(45)
Other interest-bearing assets						
In Israel	6	57	63	22	361	383
Outside Israel	(2)	(7)	(9)	(9)	12	3
Total	4	50	54	13	373	386
Total interest income	38	(323)	(285)	207	134	341
Interest bearing liabilities						
Deposits by the public						
In Israel	15	(77)	(62)	64	145	209
Outside Israel	5	-	5	6	52	58
Total	20	(77)	(57)	70	197	267
Other interest bearing liabilities						
In Israel	4	(128)	(124)	65	(52)	13
Outside Israel	-	-	-	-	(1)	(1)
Total	4	(128)	(124)	65	(53)	12
Total interest expenses	24	(205)	(181)	135	144	279
Total, net	14	(118)	(104)	72	(10)	62

Comments:

(a) The data in the above tables are stated after the effect of hedging derivatives.

(b) 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.

(c) Before deducting the average balance of loan loss provisions. Including nonaccrual non-performing debts.

(d) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted from/added to 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 "Accumulated 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 210 million (September 30 2018 – NIS (170) million).

(e) Including book balances of derivatives, other nonaccrual assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivatives and non-monetary liabilities.

(g) Net return – net interest income divided by total interest-bearing assets. The net return less Leumi Card for the nine months and three months ended on September 30 2018 was 2.12 percent and 2.10 percent, respectively.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the updated quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the nine-month period in the amount of NIS 298 million were included in interest income from loans to the public (September 30 2018 - NIS 267 million).

Glossary of Terms

Term	Definition
A	
Actuarial Calculation	Any calculation that reflects uncertainties, i.e., is risk-adjusted. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of a bank's employees and the expected retirement benefits which are allocated on a linear basis over the expected service period.
Actuarial Gain/Loss	Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.
Additional Tier 1 Capital	Additional Tier 1 Capital includes capital instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202. As of the reporting date, the Leumi Group has no capital instruments in this tier. Any Additional Tier 1 capital instruments which may be issued in the future will be required to comply with all the criteria set forth in Proper Conduct of Banking Business Directive No. 202.
Asset and Liability Management (ALM)	Management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the two and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Asset-Backed Securities (ABSs)	A security whose interest and principal payments are collateralized or pledged by a specific financial asset.
Auxiliary Corporation	A corporation which is not in itself a banking corporation and whose activities are limited to the fields of activity permitted to the banking corporation controlling it, except activities reserved exclusively for corporations defined as banking corporations under law.
Average Duration (AD)	Average Duration is measured in years and weights the periodic interest payments of the financial instrument over its life until final redemption.
B	
Balanced Score Card (BSC)	A performance metric used for measuring the performance of the Bank and its business lines on a number of quantitative and qualitative issues defined by Bank's management in its strategic plan.
Basel II/Basel III	Banks' risk management directives set by the Basel Committee on Banking Supervision (BCBS), which is the primary supervision and global standard setter for prudential regulation and supervision of banks. The BCBS's directives serve as the benchmark for leading standards designed to ensure the stability of financial institutions.

Basic Earnings per Share	Basic earnings per share will be calculated by dividing the profit or loss attributed to holders of the parent company's ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding during the period (the denominator).
Basis Point (BP)	1/100th of 1 percent; BP is used as a common unit of measure for interest rates.
Basis Risks	Basis Risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases.
Benchmark Interest Rate	Interest determined on an external objective basis according to a pre-set formula, i.e., the banking corporation plays no direct role in setting it.
Build Operate Transfer (BOT)	A model used to finance public projects whereby a public entity grants a concession to a private company to finance, plan, build and operate a public facility for a fixed period of time, at the end of which control of the facility is transferred to the government.
C	
Capital Adequacy Ratio	The ratio between the Bank's qualifying Regulatory Capital and its risk-weighted assets (the Bank's assets weighted to reflect credit, market and operational risks), calculated in accordance with the Bank of Israel's directives and to reflect the risk associated with exposures undertaken by the Bank during the course of its activities.
Collateralized Debt Obligation (CDO)	A bond backed by a portfolio of bonds and/or loans of various seniority levels and ratings.
Collateralized Loan Obligation (CLO)	A bond backed by a loans portfolio.
Collective Provision	A Collective Provision for Loan losses is applied to large groups of relatively small and homogeneous debts and to debts that were reviewed individually and were found to be unimpaired. The Collective Provision in respect of the off-balance sheet loans is based on provision rates that were set for balance sheet loans, while taking into account the expected materialization rate of the off-balance sheet credit risk.
Common Equity Tier 1 Capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity attributed to a banking corporation's shareholders, with the addition of some of the noncontrolling interests (minority interests) of consolidated subsidiaries less goodwill, other intangible assets and regulatory adjustments and additional deductions, pursuant to Proper Conduct of Banking Business Directive No. 202, *Measurement and Capital Adequacy – Regulatory Capital* and pursuant to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, *Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions*.

Conduct Risk	Conduct Risk is the risk that any dealings with Bank's customers which are not fair, transparent and aimed to meet their needs will lead to losses due to legal damages, fines or reputational damage.
COSO - Committee Of Sponsoring Organizations of the Treadway Commission	A structured internal controls model. The model is intended to assist businesses and other entities to assess, estimate and enhance their internal control functions.
Cost of Interest	The interest component allocated to a current year and classified into payroll expenses.
Cost of Service	All components of employee benefits costs allocated to a specific period.
Credit Default Swap (CDS)	A financial instrument that transfers the credit exposure between parties to a transaction to the issuing entity.
Credit Derivative	A contract that transfers the credit risk from a buyer to a seller. There are various forms of Credit Derivatives: Credit Default Swap (CDS), a note for partial cover of credit risk, Total Return Swap (TRS), etc.
Credit Risk	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.
Cross Border Activity	A term referring to various cross-border financing arrangements, such as cross border loans, letters of credit or bankers' acceptances.
Cyber Event	An event during which the Bank's IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the banking corporation) and such attack may result in the materialization of the cyber risk, including an attempted attack even if it did not result in actual damage.
D	
Defined Benefit Plan	Fixed and predetermined pension or insurance amounts which are paid to eligible employees, whether or not they depend on the investment results of the pension fund or insurer.
Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if some or all of the debt amount has not been repaid within 30 days of its due date. For this purpose, a debt in a current account in excess of the authorized credit facility will be regarded as being in arrears if not repaid within 30 days, or if that account is not credited with sums sufficient to cover the debt under the credit facility within the period determined by the Bank's management.

Diluted Earnings Per Share	Dividing the profit or loss attributed to holders of the parent company by the weighted average number of ordinary shares outstanding, to assume conversion of all potentially dilutive ordinary shares.
Dodd Frank Wall Street Reform and Consumer Protection Act (DFA)	The DFA is a U.S. federal law which came into force on July 28 2010. The DFA sets in motion a comprehensive financial reform which has various implications for the Leumi Group, the principal of which is associated with transactions involving over-the-counter derivative swaps.
E	
Embedded Derivatives	Embedded Derivatives are derivative instruments which are embedded into other financial contracts and instruments or into commercial contracts for the purchase or sale of products and services (these contracts are known as host contracts). The accounting treatment is applied according to the economic substance of the items and transactions, rather than according to their legal form; therefore, embedded derivatives whose economic characteristics are not clearly and closely related to those of the host contract are bifurcated therefrom for the purpose of measurement in the Bank's books of accounts.
European Market Infrastructure Regulation (EMIR)	A regulation of the European Union which is intended to enhance the stability of over-the-counter markets in all EU countries.
Exposure at Default (EAD)	The expected amount of counterparty exposure in case of credit default.
F	
Fair Value	The amount for which an asset can be exchanged or a liability assumed in a transaction between knowledgeable, willing parties. This value is determined according to the fair value hierarchy set in accounting standards: a. Level 1 – Value based on quoted market prices; b. Level 2 – Estimated value based on observable inputs; c. Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.
Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.

Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.

I	
Impaired Loan	Balance sheet loan that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as Impaired Loan whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet loans are classified as impaired loans if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a debt that which is assessed on an individual basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's securities, commitments of the banking corporation to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.
Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.

Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio (LCR)	LCR examines a 30-day time-horizon 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 according to scenario in the Directive.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loan under Special Supervision	Loan under Special Supervision is credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loan is classified as loan under special supervision if the materialization of the contingent liability in respect of the item is defined as "reasonably possible" and if the debts that may be recognized as a result of the materialization of the contingent liability meet the criteria for classification into this category.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.
M	
Market Risks	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 and commodity prices, as well as in other economic measures).
Mortgage-Backed Securities (MBSs)	Bonds which backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.

O	
OECD	An international organization whose members are developed countries that accept the principles of liberal democracy and free market. The organization is a platform for discussing policy, benchmarking, identifying solutions to difficulties and drawing up codes, guiding principles and shared standards for the implementation of domestic economic and social policies. Each member state can make a significant contribution to the organization's policy and development of shared policies.
Off-Balance Sheet Exposures	These exposures arise from the Bank's undertakings to its borrowers that have not yet been realized/utilized by the borrowers as of the reporting date and therefore have not yet been recorded as a balance sheet asset or liability. Such exposures include, among other things: Unutilized undertakings to extend loans; a. Unutilized credit facilities; b. Undertakings pursuant to guarantee agreements; c. Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, d. and more.
On-call Loan	Loan granted for several days and repaid on call, in accordance with the conditions of the agreement between the Bank and the customer.
Operational Risk	Operational Risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk.
Option Contract/Option	There are two types of Option Contracts: an option to buy (call option) or an option to sell (put option). A call option is the right to buy a specified asset at an agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date. A put option is the right to sell a specified asset at an agreed price (strike price) up to (American-style option) or at (European-style option) a stipulated date.
P	
Performance Stock Units (PSUs)	Performance Stock Unit awards are restricted shares and depend on the banking corporation's future performance.

Pillar 1	The allocation of minimum capital against credit, market and operational risks, using a method that correlates the scope of exposure to the various risks and Regulatory Capital requirement. The Pillar 1 Directives set by BCBS were adopted as part of Proper Conduct of Banking Business Directives No. 201 to No. 209; these directives set a supervisory method for calculation of risk-weighted assets and calculation of the capital requirements in respect of such risk-weighted assets.
Private Individuals	Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity. According to the directives of the Bank of Israel, private persons are defined such that this category includes non-business loans to individuals who are classified into the private individuals sector according to uniform definitions of the Central Bureau of Statistics including households and private banking.
Probability of Default (PD)	A financial term describing the likelihood of borrower default within a given period of time from the date on which rating is issued. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations.
R	
Regulatory Capital	Capital used to calculate the Bank's capital adequacy ratio and other regulatory ratios (such as: leverage ratio, credit concentration and more). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
Repurchase Agreement or Reverse Repurchase Agreement	These repo agreements are agreements for the purchase or sale of securities in consideration for cash or securities; when entering into these agreements, the seller and the buyer agree to enter into a reverse transaction at a predetermined date and price.
Reputational Risk	The risk that the publication or public disclosure of a customer-related transaction or practice, as well as the Group's business results and events relating thereto will have an adverse effect on the public's trust in the Group or reduce its customer base or that the Group will incur high legal costs or that its revenues will decline.
Residual Risk	Residual Risk is the risk of loss remaining after all other specific risks have been factored in. For example: when a person purchases an asset, he is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as increase or decrease in share prices, increase or decrease in interest rates or change in growth rate of a specific economy or industry. The exposure to this risk can be reduced by diversification.

Restricted Share Units (RSUs)	An ordinary share whose issuance terms restrict its tradability over a certain period or until the occurrence of a certain event where the period has not yet elapsed and/or the event has not yet occurred.
Restructuring of Troubled Debt	A debt, in respect of which the Bank, whether for economic or legal reasons related to financial difficulties of the borrower, grants the borrower a waiver by changing the terms of the debt, in order to enable the borrower to repay the cash payments in the short term or by accepting other assets as debt repayment.
Return on Capital	Net income less dividend for preferred shares which was not recorded as an expense in profit or loss and was declared in the reported period only, divided by the average common equity.
Return on Equity (ROE)	The ratio between a business's return (net income) and its common equity. This rate measures the Bank's ability to generate profit from its net assets and illustrates how efficiently the Bank operates to utilize further investments in order to increase its revenues. Return on Equity in banks is reflected in the following ratios: a. Net income attributed to banking corporation's shareholders net of dividend distributed in respect of preferred shares which was not recorded as an expense in profit or loss and was declared during the reporting period, divided by the average common equity; b. Net income attributed to banking corporation's shareholders net of dividend distributed to preferred shares which was not recorded as an expense in the income statement and was declared during the reporting period, divided by the average common equity net of average balance of preferred shares that were included in common equity.
Return on Risk-Adjusted Capital (RORAC)	A Rate of Return measure used to compare returns on various investments taking into account the risk. Actual return is adjusted by measuring the asset's exposure to risk and curtails the return on higher-risk assets. The method's effectiveness depends on the accuracy of the risk associated with different assets and on the extent to which the "sanction" imposed on higher-risk assets does, indeed, reflect each investor's risk aversion. Risk assessment of new types of assets, such as financial derivatives, involves high levels of uncertainty due to the actual behavior of their prices.

Risk-Weighted Assets (RWA) or Risk Assets	Risk-Weighted Assets reflect balance sheet and off-balance sheet exposures arising from the Bank's activities and weighted by their level of credit, market and operational risk according to Proper Conduct of Banking Business Directives No. 203 to No. 209. Such Risk Assets are designed to reflect the weighted risk in respect of which the Bank is required to comply with the Regulatory Capital Requirement as part of the Capital Adequacy requirements.
S	
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.
Securitization Structures	Structures created in order to transfer cash flows from other instruments or assets to bondholders, for which a Special-Purpose Entity (SPE) is set up that pools the underlying cash flow-generating assets that are transferred by the originator and forwards the cash-flows to the bondholders according to a structure agreed upon with the bondholders in accordance with the seniority of the different series of bonds (tranches). Such assignment of rights creates a legal structure in which the assets of the transferring entity will not be accessible to creditors of the SPE and the creditors will not be exposed to the risks associated with other activities of the transferring entity. The sole function of the SPE is to receive the said cash flows and transfer them to the bondholders.
Small Business Administration (SBA)	A U.S. government agency that supports small businesses in the U.S.A.
Standby Letter of Credit (SBLC)	A Standby Letter of Credit is a bank guarantee in the format of a commercial letter of credit, whose main goal is to secure a payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes an undertaking by the Bank to pay the amount specified therein against a payment demand by the beneficiary, whereas in the case of a commercial letter of credit one is required to present various documents in order to secure the payment by the Bank in respect of the guarantee.

Specific Provision	A provision that is determined specifically for each debt being assessed (including any restructuring of troubled debt subject to specific assessment according to the Bank's policy). The provision amount is estimated according to the projected cash flows which are discounted at the debt's original interest rate or, when the debt is defined as a debt whose collection is contingent on the fair value of the collateral - according to the fair value of the collateral net of disposal costs and after appropriate cushions are utilized. In order to determine the appropriate provision, the Bank assesses the relevant borrowers on an ongoing basis and according to procedure. Furthermore, a Specific Provision is carried out in respect of each such debt that is subject to individual review and which is 90 days overdue.
Strategic Risk	A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes.
Substandard Loan	A loan which is insufficiently guaranteed by the current sound worth and repayment capacity of a borrower or a pledged collateral, if any. Balance sheet credit risk that has been classified in this manner should have a well-defined weakness or weaknesses, which jeopardize the repayment of the debt. Loan, in respect of which a collective loan loss provision is recorded, shall be classified as a Substandard Loan when it has been past due for 90 days or more.
Supervisory Review Process (SREP)	The processes intended to ensure that banking corporations have adequate capital to support all the risks associated with their business and also to encourage banking corporations to develop and use better risk management techniques in monitoring and managing their risks. As part of the process, the Banking Supervision Department assesses a banking corporation's risk profile and its internal process for assessing the adequacy of the regulatory capital it maintains against the exposures. This process is designed to provide regulators with tools for independent assessment of the Bank's risk profile and risk management and to enable early intervention in order to prevent compromising the Bank's financial stability.
Swap	A series of forward contracts or a series of futures contracts for several stipulated periods in which two parties agree to exchange cash flows on a notional amount.
Synthetic Collateralized Debt Obligation (SCDO)	An agreement backed by a portfolio of (derivative) collateralized debt securities of various seniority levels.

T	
The Economic Capital Model	The Bank uses the Economic Capital Model, which is based on the borrowers' rating, in order to assess the overall credit risk of the entire loan portfolio and portions thereof.
Tier 2 Capital	A tier of capital included in the calculation of qualifying regulatory capital. Tier 2 capital (also known as "gone concern capital") is a substandard component of the Bank's capital; it mainly comprises qualifying instruments previously issued by the Bank and included in Tier 2 capital pursuant to the transitional provisions for the implementation of Basel III Directives as well as the new qualifying capital instruments that constitute the Bank's Contingent Convertible (CoCo) capital instruments issued by the Bank and which will be converted into the Bank's shares if the Bank reaches the point of non-viability. Furthermore, this Tier 2 capital also includes other items, such as: a collective loan loss provision before the relating tax effect up to a ceiling of 1.25 percent of total credit risk assets
Total Indebtedness	A customers' total debts to the bank.
V	
Value at Risk (VaR)	A model for measuring the maximum potential loss as a result of market risks materialization in a set time period and given a predetermined statistical probability. This method requires the revaluation of all of the corporation's positions based on the fair value of the assets and liabilities. The model's objectives are to estimate the risks to which financial institutions are exposed, stemming from materialization of market risks in various activities.